



Ref. No.: NF/U.O./2020-21/

Date : 21 April 2020

Madam Hon'ble Finance Minister,

Sub: Inclusion of all urban cooperative banks in CGTMSE Scheme for combating rise in unemployment in unorganized sector due to COVID19

The Country's economy has been hit hard on account of COVID19. The effect on the daily wagers and migrants is seen to be very severe. The Finance Ministry and the Reserve Bank of India, are making very sincere attempts to take steps that would mitigate hardships of common citizen and at the same time provide stimulus to the economy that is in deep difficulties in these days of unprecedented crisis.

We, the NAFCUB (National Federation of Urban Cooperative Banks and Credit Societies), represent that segment of financial intermediaries (urban banks and cooperative credit societies), which provide financial services predominantly to micro and small enterprises operating in the unorganized sector.

Urban banks and credit societies also meet the financial requirements of the personal segment by way of housing finance, and various other personal loans. **The fact that the sector caters to really the small borrowers is borne out by the fact that over 90 percent of the loans disbursed by the urban banks are of value not greater than ₹ 5 lacs.** Most of the clients of urban banks are those who are not readily serviced by commercial banks.

With many micro and small enterprises shutting down on account of the effect of Covid19 on the economy, vulnerable sections of population find themselves unemployed without any source of income. An urban cooperative bank is typically small man's bank. It has immense potential to scale up loans to the micro and small enterprises in the MSME sector. Strong local feel of urban cooperative banks is an important component of the 'belonging' feel that it creates among customers.



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They can become the mainstay of financing of unorganized sector and displace the informal money lending system that is very prevalent form of credit to the micro and small enterprises which are mostly in the unorganized sector.

CGTMSE is a very good institutional mechanism to support the lending institutions that are financing micro and small enterprises in a big way.

As far as urban cooperative banks are concerned, Madam, although there are 1540 urban banks, only 3 are members of the **CGTMSE. The feedback received is that the process of getting membership appears to take long time Presently the Trust is apparently considering only the scheduled urban banks as being eligible institutions which are just 54 out of a total of 1540 urban banks, to be considered for membership.**

The eligibility criterion of the trust is as under:-

“All scheduled commercial banks and specified Regional Rural Banks, NSIC, NEDFi, SIDBI, NBFCs & Small Finance Banks (SFBs) which have entered into an agreement with the Trust for the purpose. The eligible lending Institutions, on entering with an agreement with CGTMSE, become [Member Lending Institutions \(MLIs\)](#) of CGTMSE.”

It appears somewhere down the line the scheduled urban banks were included in the definition of eligible lenders to become members of CGTMSE.

As you are kindly aware, while only 54 out of a total of 1540 urban banks are scheduled, it is the vast majority of the non scheduled urban banks that finance lakhs of micro enterprises across the Country. The non-scheduled urban banks are also regulated by RBI for over five decades and they have the experience of adhering to all the regulatory disciplines of a banking institution. There is therefore no reason for all urban cooperative banks to be made eligible institutions to be members of CGTMSE.

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It is therefore requested that the necessary modifications may kindly be made in the rules to enable all the urban banks to be eligible to be members of CGTMSE and to avail benefit of the guarantee of the Trust.

This move to permit all non-scheduled urban banks to be members of CGTMSE will encourage all the urban banks to go out and finance more and more micro and small enterprises which is what is required now, in this Covid19 devastated economy when creation of employment and livelihood opportunities is of paramount importance.

With kind regards,

Yours Sincerely,



(Jyotindra Mehta)

To,

Smt. Nirmala Sitharaman
Hon'ble Union Finance Minister
New Delhi.