ICA AP Regional Cooperative Banking Association

Pandemic crisis and financial cooperatives in Asia Pacific – An Overview

The RCBA is closely monitoring the impact of the pandemic on financial cooperatives in the region in general and its member organisations in particular. A brief note on the response of financial cooperatives to pandemic crisis in the region is presented below. RCBA is in the process of obtaining institution & country wise information on response details and is also planning to organize a Seminar on the subject, in conjunction with the Regional Assembly scheduled in December 2021.

Financial cooperatives in Asia Pacific consists of cooperative banks directly regulated by Central Banks and Non Licensed Financial Cooperatives (NLFCs) consisting of credit unions and various other types of credit cooperatives. NLFCs are local based institutions with a member driven governance structure. While cooperative banks extend their services to both members and non members, NLFCs provide services only to members with a defined common bond.

During crisis like this, financial cooperatives play an important role in smoothening of cash flows of households and MSMEs. The pandemic crisis necessitated financial cooperatives to postpone loan recovery and extend further loans to existing as well as new borrowers. As deposit growth has been stalled and borrowing avenues dwindled, cooperative banks like other banks depend heavily on borrowings from Central bank to reduce supply demand mismatch in lendable funds.

Series of monetary and fiscal measures were taken by countries across the region to contain and mitigate the impact of covid crisis on economy and banking system. These measures include Special Liquidity Facility extended to banks and financial institutions, constitution of National Resilience Funds, Special Employment Schemes and Schemes for Rehabilitating Migrant Workers, measures to boost demand, Credit/Loan Guarantee Schemes for MSMEs, Tax Rebates, Moratorium on Loan Repayment etc.

NLFCs including credit unions have shown better resilience to the crisis in most of the countries. Rate of decrease in savings and loans are less in credit unions compared to banks and other financial institutions. Asset quality deterioration rate is also reported to be less in credit unions compared to banks.

Fintech and digitalization solutions have become useful tools to improve services and reduce transaction cost. However, NLFCs generally have to upgrade technology and introduce on-line transactions and service delivery. Presently most of the websites of the NLFCs are informational than transactional.

Small savings of members is the most important strength of credit unions and other NLFCs. NLFCs have to devise suitable products to facilitate members to save in small amounts as frequently as daily. This will help households to realise their full savings potential on which they can fall back during crisis.

Crisis funds of credit unions helped members in a big way during this pandemic. There is a need for augmenting crisis funds at a higher rate during normal times to take care of abnormal times.

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