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WELCOME MOVE

Perhaps the most encouraging aspect of the recently-unveiled credit policy for the small deposit holder has been the concern voiced by the Reserve Bank of India on **the growing tendency of the commercial banking system to exclude, rather than attract, vast sections of the population.** This concern at the elitist stance of commercial banks could not have been more timely. It points to the need for the system to include an extensive network of strong community-based local banking institutions in the country. The 2000-strong urban cooperative banking sector is ideally suited for developing such a network, that can help the vast unorganised sector of the country shift from informal/private money lenders to the mainstream banking system. The urban banks, with over 75% of their presence only in three states, have contributed significantly to the economic growth of these frontline states. Moreover, commercial banks have been **shunning the common man and people with limited means, because they find them 'unbankable.'** The urban cooperative banking (UCB) sector has developed an expertise in banking precisely with these sections of the society. As mentioned in the credit policy, a medium-term framework for UCBs is to be drawn up in consultation with the National Federation and other sectoral players. A differential prudential regime appropriate to the size and spread of the banks, MoUs with state governments, and formation of state-level task forces are the main components of this framework.

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