

POLICY NOTE TO RBI
ON
Financial measures on Coping with COVID-19

We, the members of INAFI India – a development network, engaged in addressing various forms of deprivation and poverty, have been working with SHGs and women members, small farmers, agricultural labourers, small fishermen and migrant workers both in urban and rural contexts. Inter-alia, financial inclusion is an essential part of our development work and members of the network have been promoting and advancing the process of FI, largely, through connecting the above segments of population with the Banks for accessing microfinance services with enabling processes and methods. We are Pan Indian with collective outreach of our members at 12 million households

Currently, the members are intensively involved in helping the people to cope-up with the COVID-19 outbreak through several precautionary, protection and mitigation measures working in close coordination with Government and Banks. The precautionary and protection measures include spreading awareness about the Corona and precautionary measures, supply of personal protection equipments particularly masks, sanitizers. The mitigation effort includes supporting them to access the entitlements announced by the Government and also supply of essential food and other requirements.

We welcome the several initiatives of Government and RBI to cope up with Corona and to mitigate the impact on the lives and livelihoods. Measures announced by RBI to shore up liquidity are timely and appropriate step in these difficult times. In this Memorandum we are making the following submissions on facilitating the ease of access to the financial measures through banking system, as also, what more policy responses we as implementing agencies consider as important:-

1. The SHGs and FPOs (Farmers' Producer Organization) eco system including small fishermen using non-mechanized boats (artisanal craft) cry for priority attention from the banking system in terms of continuity of access to credit. COVID-19 outbreak is as severe as disasters and adequate financial relief measures are urgently required both in terms of continuous flow of credit and rescheduling the existing loans.
2. All farm loans including KCC are to be rescheduled as is being done in the disaster situations by converting into term loans and fresh loans for cropping shall be given. Wherever farmers repay the interest amount voluntarily, the existing loan and the fresh loan to be granted to tide over the crisis shall be amalgamated and loan repayment scheduled accordingly.
3. Loans of micro enterprises including MUDRA loans being enjoyed by SHGs are to be topped up, by default, and not on demand, by the banks as per MSME scheme of Government of India - **Emergency Credit Line Guarantee Scheme** (ECLGS) and merged with the existing loans and repayment rescheduled accordingly. This offer, non-discretionary and non-discriminatory, shall be notified to the SHGs by the banks and the choice left to them.
4. Give credit where it is due could not be more appropriate at this juncture for FPOs. Many a well-functioning FPOs have been languishing without access to bank credit and currently they are accessing high cost credit from non-banking sector as also informal private sources. They need priority attention and continuous monitoring of banks by FIDD of RBI in concert with NABARD/SFAC, Ministry Agriculture, Government of India.
5. The short-term farm loans (mostly crop loans) are to be rescheduled by converting them into term loans and fresh credit shall be given on urgent basis as the monsoon already commenced.

6. The interest subvention Scheme shall continue to be extended to SHGs and farm loans upto the permissible limit for the additional doses of loan given to cope up with the Corona situation.

7. The FPOs including collectives of small fishermen deserve access to soft interest and the pricing of loans shall be linked to the current REPO rate of RBI.

8. Migrants have been bearing the brunt of the COVID-19 as they face uncertain future with their livelihoods at peril. Some are stuck in destination where they eke out livelihoods and many have returned/have been returning to their home (source). Now, we are witnessing that in the unlock -1 many are desperately keen to go back to destinations from where they returned to their homes during the lockdown. So, there is a need to map out the migrant population both at the destination and source centers (State Governments, employers, and NGOs doing this role) and Banks shall provide survival/subsistence Mudras based on the references by the above agencies.

9. INAFI India is ready and willing to provide operational facilitation through its members in the SHG, FPO, coastal small fishermen and migrant eco systems.

For and on behalf of INAFI India Network and its members:

M.P. Vasimalai
Chairperson INAFI India &
Executive Director,
Dhan Foundation



M.Kalyanasundaram
Chief Executive
INAFI India

