

Strengthening Resilience of MFIs during Covid-19 Pandemic: Lessons for Future

The MFIs in Bangladesh are probably facing the worst crisis at present since the country's independence in 1971. The Covid-19 pandemic has also led them to learn important lessons on how to respond to big crisis and realise the critical importance of remaining alert and adopt best-practice responses. The InM surveys since the outbreak of Covid-19 in 2020 have further underscored the need to address the disadvantages of the small - to medium-sized MFIs who suffer from severe and sustained market disruptions and face many uncertainties with negative impact on borrower's livelihoods and the performance of the microenterprises. Further, the depth, extent, and duration of these effects are still uncertain and unknown as Covid-19 is looming large on the horizon at present.

The key challenge for the MFIs is to design a practical 'crisis response roadmap' to navigate the immediate health and related crisis and its economic impact; and set in motion actions that are relevant to the present crisis as well as for any future crises. These need to be well-sequenced; fundamental to good crisis management; and cumulative in nature to ensure business continuity. Further, these should address financial and portfolio issues to ensure timely action on effective portfolio management. A well-articulated monitoring and evaluation framework is an integral component of the roadmap that would provide the MFIs with checklists and milestones to assist in measuring progress in the right direction.

The World Health Organization (WHO) declared Covid-19 as a pandemic on 11 March 2020 as 'an epidemic occurring worldwide, or over a very wide area, crossing international boundaries and usually affecting a large number of people'. The Covid-19 has some unique features:

The Covid-19 pandemic and resulting crises are ongoing. This is not a discrete one-time event, such as a single natural disaster (e.g. cyclone) that causes a crisis. There still does not exist a clear end date of the pandemic. Further, it is unclear whether the Covid-19 virus will be present for a long time and whether we have to adjust to a 'new normal'.

Lockdowns, business closures, social isolation, social distancing, sanitation requirements and protocols such as mask wearing, repeated hand washing and other restrictions have resulted in a dramatic drop in economic activities affecting both credit supply and demand in the microfinance market. This ongoing dampening of the market, if persists for long, may lead to longer term economic shifts with negative impact on the poor people's livelihoods but may also lead to greater digitalisation with beneficial outcomes.

The Covid-19 pandemic has significant uncertainties related to its transmission and immediate and long-term impact; the impact of which varies across geographical locations and between rural and urban areas. There are also multiple surges and waves such that the negative impact on people's livelihoods, as well as on microfinance supply and demand are extremely difficult to predict with any acceptable degree of certainty. This adds significantly to the present challenges and the difficulty in future planning of the MFIs, for their clients and other stakeholders.

To face the challenges boldly, the MFI leadership must constantly communicate with all stakeholders to address the context-specific impact of Covid-19; be transparent for creating trust and building the foundation of a strong, long-term relationship with all stakeholders; focus on developing and preserving cordial relationships with all; be responsive and flexible with ability to adapt and modify actions and agility along with ability to respond quickly; empower staff to take front-line decisions; and be customer-centric and customer-focused.

The key will be to guide all stakeholders to support the microfinance sector including MFIs and their poor and fragile clientele during the

health and economic crisis caused by Covid-19. The MFIs will have to be credible, trustworthy, and organised in their activities in order to develop good working relationships with their stakeholders.

For the future, the MFIs should prepare a comprehensive business continuity plan incorporating lessons learned during the Covid-19 crisis which should be continuously updated and ready for deployment at a short notice, a hard lesson which we have learned during the Covid-19 pandemic.

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