InM Covid-19 Research

Developing Capacity of MFIs for Fighting Covid-19 Impact in Bangladesh

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1. Background

The Covid-19 pandemic has seriously affected the lives and livelihoods across all countries in the world. These countries, including Bangladesh, are now fighting to contain the spread of the virus by testing and treating patients, carrying out contact tracing, limiting travel, quarantining citizens, imposing lockdowns and physical distancing, and cancelling large gatherings. Moreover, Covid-19 is more than a health crisis; it has created devastating social, economic and other crises that are leaving deep scars in society and the economy of all countries. Every day, human lives, jobs and incomes are being lost, along with grave uncertainties regarding the time when normality would return.

In Bangladesh, the reality is that only about 15 per cent of Bangladesh's population earns more than BDT 500 (USD 5.90) per person a day. These are the population groups who can meet their daily expenses, send their children to schools, and probably can set aside some money for an emergency health or other crisis. A large segment of the rural population depends on remittances from the cities or abroad. But since Covid-19 is a global crisis, people everywhere are out of work. And, income flows have either been interrupted or stopped.

Not only the lives, but also the livelihoods of the people—especially the informal workers, daily wage earners, micro-entrepreneurs, and other poorer groups--have come under severe threat by the lockdown and other social distancing measures to control the epidemic. If the pandemic persists a few more months, the problems of poverty, malnutrition and unemployment may turn more serious threatening Bangladesh's heard earned progress in social and economic development.

Like all other countries, Bangladesh is also currently facing a dilemma between saving lives or saving livelihoods. Another consequence of this dilemma is existential crisis of the local financial institutions on which the poor and vulnerable population counts for financial and technical services. With the disruptions in livelihoods of the borrowers and service recipients in the wake of Covid-19, these institutions have also become vulnerable. This study focuses on the microfinance institutions (MFIs) of Bangladesh.

The microfinance sector in Bangladesh has travelled a long way since the country's independence in 1971 along with signi¬ficant transformations from group-based limited-scale microcredit operations to individual microenterprise operations in order to create more widespread and sustainable development impacts. Throughout these years, microcredit has graduated from its mainstream activity of supporting basic needs of the poor people to nurturing broader farm and nonfarm activities and microenterprises of the graduating microcredit borrowers and microentrepreneurs. The focus on 'appropriate' finance--along with working in the remote areas; mobilising the poor for promoting social development; creating awareness on health, education and women empowerment; providing access to technologies and income earning opportunities and other development services—has provided the MFIs a unique opportunity to emerge as important partners of development in Bangladesh, especially during difficult times such as the present pandemic.

In Bangladesh, most poor people and micro-entrepreneurs rely on various financial services offered by the MFIs including credit, savings, remittance transfer, loan insurance etc. There are about 30 million microfinance recipients across the country; most of whom were ¬financially excluded prior to their involvement in the microfi¬nance sector. During any crisis (e.g. natural or other disasters), the MFIs also offer the borrowers a margin of flexibility to deal with predicaments in the form of loan repayment flexibility or access to emergency loans. As a matter of fact, the Covid-19 pandemic has exposed how much the micro¬finance programmes have reshaped the rural economy and how desperately the rural people need financial services to sustain their livelihoods.

The MFIs in Bangladesh have shown surprising resilience in the past especially during challenging times like natural disasters and other emergencies. However, the present Covid-19 pandemic and the lockdown enforced to control its spread seems to be the most severe crisis to hit the sector. The key issue for the MFIs is to resume their normal operations at the earliest opportunity. Within a period of about five months of the outbreak of Covid-19, the country's economy has been seriously affected by a sharp decline in external demand, shocks in supply due to bottlenecks in global and domestic supply chains, impact of lockdown on domestic demand and large scale job losses, stress on consumer and business environments, deepening inequality and high incidence of economic and social uncertainties.

The impact is felt not just by the national economy, but by the household economy of millions of Bangladeshis, especially the low income ones. Daily wage earners have already been badly hit; many have nothing to live on now and are unable to buy food for their families. The worst part of the story is that a great uncertainty surrounds how long, how hard, and how frequent the Covid-19 crisis will continue in the coming months. This uncertainty makes any predictions extremely difficult, especially for the MFIs.

In the past, the MFIs in Bangladesh have proven their high degree of resilience during crisis. In times of natural disasters, repayment rates recovered relatively fast (within a few months), and one may expect that this might also happen during the present crisis. This usually happens as the microfinance loans are well supervised and the gestation period of loan-financed production activities are of relatively short duration. Therefore, slowing down fresh loan disbursements for a few months may be a good strategy for the fund-constrained MFIs, particularly for undertaking new activities, which would provide these MFIs with some space to manage the cash flows.

However, a key challenge is that since the vast majority of the MFI borrowers have become vulnerable due to the pandemic, this has also created a serious threat to the day-to-day activities of the MFIs and also on their sustainability. The pandemic has affected the workplace and earnings of their borrowers which have seriously weakened their repayment capacity. As a result, loan default possibilities have become higher, administrative costs have risen and the MFIs' own debt obligations (e.g. loans taken from the commercial banks or other sources) and liquidity have been facing increasing challenges creating heightened concerns for the sustainability of their operations.

The present study builds insights from a quick online survey conducted by InM during June-July 2020 to investigate the challenges faced by the MFIs due to Covid-19, and their rapid response to manage the crisis. Based on the findings, the study puts forward several short and long term measures for the MFIs to rebuild their capacities and enhance their resilience to withstand the shocks of the present pandemic and capacity to face any such crisis in future.

2. Covid-19 Pandemic: Impact in Developing Countries

Since the beginning of 2020, the Covid-19 pandemic has created highly asymmetrical impact on the poor through reduction of regular income or termination of current jobs, loss of remittances, rising prices, and distraction in health care and education services. Although the impact of the pandemic has varied across countries, but the overall impact has led to a sharp rise in global poverty. Based on the intensity of economic shocks during Covid-19, the World Bank estimates that 40 million to 60 million people will fall into extreme poverty (under $1.90/day) in 2020 compared with 2019 and the global extreme poverty rate could rise by 0.3 to 0.7 percentage points, to around 9 per cent in 2020 (World Bank, 2020).

Globally, the number of reported coronavirus cases is continuously rising, and has surpassed 25 million by end-August 2020 with 0.85 million deaths. The Covid-19 has created not only health crisis but has also generated social and economic disasters having longer term implications. For instance, all levels of education institutions, from pre-school to tertiary education, remain closed since early 2020 in most countries. Moreover, the developing countries are more vulnerable to Covid-19 as the population has limited awareness and capacity to deal with the crisis along with inadequate health care system.

Practically, in all developing countries, GDP growth rate has been experiencing sharp declines in 2020 and has been predicted to remain depressed in 2021 as well. However, it is difficult to predict the impact on individual households, especially the poor and vulnerable households, as many uncertainties surround the crisis duration as the global economy, particularly the economies of the developing countries, are facing high degree of vulnerability due to declining trade, tourism and foreign investment. Remittances from high-income to low- and middle-income countries are also declining in many countries. The reduction in remittances has a significant impact in many countries, such as Nepal, Philippines and Bangladesh, where remittances represent a large share of many households' income.

According to the UNDP (UNDP, 2020), income losses may exceed US$220 billion across the developing countries. The most vulnerable sections of the working people such as the daily wage workers, street vendors and hawkers have suffered the largest income losses. They do not have any social security protection. Such massive income losses of these groups also have greater impact on basic food security. As a result, adverse economic and social effects will further multiply. Along with this, the achievement of Sustainable Development Goals (SDGs), particularly on poverty and zero hunger by 2030 related goals are now under considerable threat.

For several developing countries such as Bangladesh, the manufacturing sector in particular the readymade garments (RMGs) industry has been a major driver of development. These countries benefit not only from low production costs and effective domestic policies supporting the sector, but also from trade preferences in most developed country markets. But the Covid-19 has created a shock through a massive cancelation of orders as the retail fashion sector in developed countries has collapsed resulting in drastic reduction in RMGs exports.

The Covid-19 pandemic has also affected the microfinance sector around the world. The sector is facing several common challenges like difficulties in loan disbursements, collection of reimbursements and meeting with clients as their operational activities are closely linked with borrower contact and meeting with customers. The emerging situation indicates that it is difficult for the MFI employees to move around or to meet the borrowers in branches; indicating the need to develop more diversified products which can respond better to the wide range of financial needs of the borrowers.

According to Mixmarket, the MFIs serve about 140 million low-income people worldwide mostly with saving and credit services. As of 2018, the value of their credit portfolios is $124 billion and 80 per cent of their customers are women. They are among the poorest and most vulnerable segments of many societies. In a recent study, Nargis (2020) observes that the activities of South Asian MFIs have been affected by Covid-19 pandemic differently from the crises that had affected these countries earlier. The MFIs are significantly threatened as their activities rely mostly on face-to-face transactions and their borrowers are poor and vulnerable. Many do not have any savings to tap during the crisis. As such, both long and short term financial services and livelihood support are needed for these groups. The author recommends several long term measures such as diversified loan products and digitisation of microfinance services while the short term measures may cover new business loans, specialised micro-insurance products, social protection and emergency job opportunities essential to boost recovery, reschedule repayments and inject additional funding. She also suggests that easing the terms of loans that the borrowers cannot service, keeping the MFIs solvent and recapitalising them are necessary so that they can recoup their position to lend again and play their vital role in recovery which are also important for their sustainability.

A study by Singh and Sharma (2020) examines three aspects of MFIs to analyse the impact of Covid-19 covering cash flow in the near to medium term; sustainability; and staff psychology and management. The authors mention three areas where MFIs will have to focus which include: movement in the operational area; dealing with customers; and dealing with external entities.

In short, the Covid-19 crisis is such that it will not be possible to overcome the pandemic without developing enhanced capacities in the health sector as well as in the household sector, especially at the bottom of the pyramid, and among the institutions that serve these vulnerable populations. As the microfinance sector has flourished through collective action, the key would be to bring together the service receivers, providers, investors, policymakers, professionals and the practitioners to ensure the access of inclusive financial services to the poor and disadvantaged, and mobilise collective efforts to ride out of this crisis.

3. Covid-19 and Bangladesh: Ramifications and Impact on Economy and Society

Bangladesh is one of the world's few countries where containment measures were introduced before the number of Covid-19 cases began to spike. Since 7 March 2020, when Bangladesh reported its first confirmed cases of Covid-19, the number of infections has grown significantly. Moreover, within a period of less than four months of the outbreak of Covid-19 pandemic in Bangladesh, the country's economy has been seriously affected by a sharp decline in all types of economic and income earning opportunities and social interactions.

The impact of the Covid-19 pandemic is felt not just by the national economy, but also by the household economy especially of the low income ones. The average household in Bangladesh has around five members, and usually includes three generations. It is hardly possible to separate the old and the young; in other words, to separate the productive adults from those whose age makes them more vulnerable to Covid-19. Practicing the social distancing norms to reduce transmission is also proving to be culturally unacceptable in most cases. Therefore, ways have to be worked out to keep people safe, which at the same time, protect their livelihoods as well. If they must stay home, they need to be given food and/or emergency cash transfers.

As the Covid-19 crisis continues to unfold in Bangladesh, it is apparent that the informal workers remain exceptionally vulnerable to the economic and labour market shocks of the pandemic. Many of these workers have lost their jobs and face extreme poverty and food insecurity as the disease intensifies in the country. The absence of regulatory, policy, and legislative structure to reach informal workers also makes it more challenging for the government to provide assistance and take measures to restore their basic livelihoods at this time of emergency.

One important aspect of the Covid-19 crisis is that--although during previous economic slowdowns, the informal economy (comprising of both small businesses and self-employed workers) could perform without encountering any major disruption—in the face of the current pandemic, the informal sector participants find it extremely challenging to sustain their survival. A range of workers, including salaried cottage, micro, small and medium enterprise (CMSME) workers, small/daily wage earners, home-based and gig workers, and migrant labourers have been undergoing serious hardships.

Restrictions in movement have disrupted the supply chains for food, agricultural products, essential services, and reliable access to markets. A large number of CMSMEs, which rely largely on informal workers, now face a reduction in domestic demand and are at risk of permanently shutting down their operations. Those who rely on the cash-based sector are struggling to earn the essentials to survive. Workers associated with the informal retail, wholesale, hospitality, and transport sectors are hit worst by the containment measures.

The most widespread impact of the economic slowdown has been a loss of income. Most of the poor households in Bangladesh are engaged in non-farm informal activity, such as construction work and rural nonfarm activities supported by the microfinance sector. This type of work has been significantly affected by the lockdown. For many, the loss of livelihood could be long-term. Even a temporary loss in income can have devastating consequences for those whose livelihoods are based on subsistence, without any savings or assets to fall back on. Further, the overall burden of any illness, accident, or disability tends to be high for the informal workers, given the nature of their work and where it takes place. Those who could continue to work during the current pandemic face high exposure to the virus itself. They often live in slums or congested housing compounds without access to adequate sanitation or clean drinking water. Informal workers are often unable to access social safety nets and labour rights as they are not officially acknowledged as workers. They seldom have secure employment contracts in place and are therefore excluded from the protection of conventional labour laws.

So far, the policy response of the government has covered several areas. The stimulus packages, a large part of which are credit-based through the banking system at subsidised interest rates, are directed to the RMGs sector, agriculture and other affected sectors. Social protection coverage has also been expanded through food distribution and cash transfer programmes. The key challenge, however, is their well-targeted and effective implementation. The government has already opened up the economy from the lockdown situation in phases to restart the economic activities maintaining health and social safety measures. Bangladesh has also adopted stimulus packages to provide support to the most economically vulnerable, including emergency funding/relief for businesses and individuals. These packages are relatively modest and reflect the country's limited financial resources. However, they do include some form of relief to the needy, mostly in the form of rations and/or cash transfers.

Although these economic support packages may be well-designed, but these are not large enough to address the urgent challenges of the informal workers, as the government is fiscally constrained. Options for creating additional fiscal space will have to cover multiple areas – ranging from the restructuring of debt to official assistance to altering domestic fiscal policy.

However, recognising the contribution of informal workers to the national economy, the government will have to work with what already exists along with working out new and better options. The key will be to devise mechanisms to extend the coverage of existing social protection programmes to informal workers to enable them to survive the immediate impact of the pandemic. Where existing registries or databases exist, quick assessments can be made on their relevance for the scale-up of social protection interventions. The government also needs to introduce reforms to stabilise the long-term impacts of the economic shock on informal workers and find innovative and sustainable ways to identify and reach those who need assistance.

For Bangladesh, a major short term concern is to undertake emergency employment programmes by creating temporary jobs using, for example, the 'cash-for-work' modality, for the epidemiologically vulnerable households and businesses in the informal economy that have been forced to discontinue or close down their activities and have limited opportunities to cope and adapt to the present reality. Monetary and technical support for quick recovery of small businesses and microenterprises that have lost productive capital during Covid-19 should be prioritised for creating jobs especially in the rural areas.

The Covid-19 pandemic highlights that Bangladesh needs to adopt an integrated disaster and development paradigm, particularly with respect to its ongoing development process. The current paradigm needs to evolve and integrate practical ways to deal with such crisis for the sake of survivability and sustainability. The experience of Covid-19 has no doubt contributed to some progress in the policy environment; but the reality is that such progress in policy making can only be effective only if the capacity to respond to the complex intersections of economic, social, environmental and other impacts especially on the most vulnerable population increases commensurately.

Bangladesh needs to advance its development paradigm towards improving the quality of life of its population in a risk sensitive manner. Obviously, an inclusive and health and well-being focused development agenda presents a readily transformative way to advance the people-centred approach to development in Bangladesh that would offset both known and unknown disaster threats.

In Bangladesh, the major shocks emanate from the labour market—through large scale job losses. As more than 85 per cent of the labour force work in the informal sector, the job losses are mostly hidden and have important implications for aggravating poverty in Bangladesh, both at present and in future. The remittance-receiving poor households have also become more vulnerable due to a sudden fall in remittance incomes.

The likely rise in poverty due to the pandemic has several implications. No doubt, Bangladesh's long-term success in poverty reduction since the 1990s is under threat at present. Further, a large number of the people--who had graduated from extreme poverty to poverty or from poverty to above poverty in the past but used to live around the extreme poverty or poverty lines before the crisis and form a large number of the vulnerable populations-- may now fall back into poverty or extreme poverty. Further, a large part of this new poor/extreme poor people may face long term deprivations and the aggravated poverty situation may persist for some time in future making it difficult to achieve the SDGs by 2030.

4. MFIs and Un- and Under-served Populations During Covid-19

The MFIs in Bangladesh have travelled a long way since the 1970s to emerge as important partners in poverty reduction and inclusive development in Bangladesh. However, one must also realise that, with Bangladesh's rapid development over the last fifty years and changes in global and national development perspectives, the microfinance sector's space of traditional activities has also been squeezed over time. Under the changed circumstances, the microfinance sector needs to work continuously to identify new niches that fit with their development goals and create links with the country's technology and market-linked mainstream development activities, promote inclusive development and sustainable and productive livelihoods for the majority engaged in informal activities.

In Bangladesh, many poor people and micro-entrepreneurs rely on various financial services offered by the MFIs including credit, savings, remittance transfer, loan insurance etc. There are about 30 million microfinance recipients across the country; most of whom were financially excluded prior to their involvement in the microfinance sector. During any crisis (e.g. natural or other disasters), the MFIs also offer the borrowers a margin of flexibility in loan repayment and/or access to emergency loans. However, the pandemic has affected the workplace and earnings of the MFI borrowers which have seriously weakened their repayment capacity. As a result, loan defaults possibilities have become higher, administrative costs have risen and the liquidity of the MFIs is facing increasing challenges creating heightened concerns for the sustainability of MFI operations.

In practice, the key aspect of MFI programmes is their reliance on trust and personal relationships with the borrowers rather than depending on asset-based lending or collateral like the commercial banks. Moreover, the target borrowers are the low income groups in society. Thus, any failure on the part of the microfinance sector would have serious implications and penalties on society. The country's inclusive growth agenda therefore calls for an approach that is compassionate enough towards the vulnerable participants of the microfinance sector, accustomed to the specific risks of microfinance services, and open to communications and consultations with the sector stakeholders to address the emerging challenges.

In this backdrop, the MFIs can play a useful role in tackling the coronavirus crisis which has far-reaching impacts, especially on the poor and vulnerable communities across the country. The MFIs have presence at the grassroots level with a good track record of working closely with the government during natural calamities and other difficult times. These institutions can be effectively involved, along with local government institutions (LGIs), to monitor and provide assistance and in implementing activities at the grassroots to tackle the Covid-19 impacts along with ensuring a stronger health system in the rural areas. Already NGOs like BRAC is working with several big businesses to assist in relief and rehabilitation operations in combating the Covid-19 crisis and its fallout. But the sector has a huge still-unused collective capacity across the entire country--particularly in places where the reach of other organisations is limited--to work for the poor who are the hardest hit by Covid-19.

Covid-19 is no doubt an eye opener for Bangladesh since it shows how fragile can be the country's hard earned success in poverty reduction over the past decades to external and internal shocks. The need is to put further emphasis on developing the resilience and inherent capacity of the people to withstand shocks and put in place well-designed social protection measures to help them in times of crisis. In the above context, the awareness and understanding of the local communities by the MFIs make them probably an important channel for serving various highly affected population groups with financial and other services including relief payments, government to person transfers and other assistance packages.

One must also remember that the MFI borrowers, about 35 million in total, belong to the poor groups and informal sector participants for whom microfinance support is vital for ensuring their consumption, production and investment activities during the pandemic. There are also about 0.25 million staffs who are employed in the microfinance sector. For the survival of these large numbers of the vulnerable populations, it is important to devise ways for the revival of regular operations in the microfinance sector at the earliest opportunity. A quick InM assessment of the rural economy in July 2020 indicates that millions of rural borrowers, who depend on small loans for financing family ventures and small businesses, are unable to borrow money even to meet their emergency needs during the present crisis.

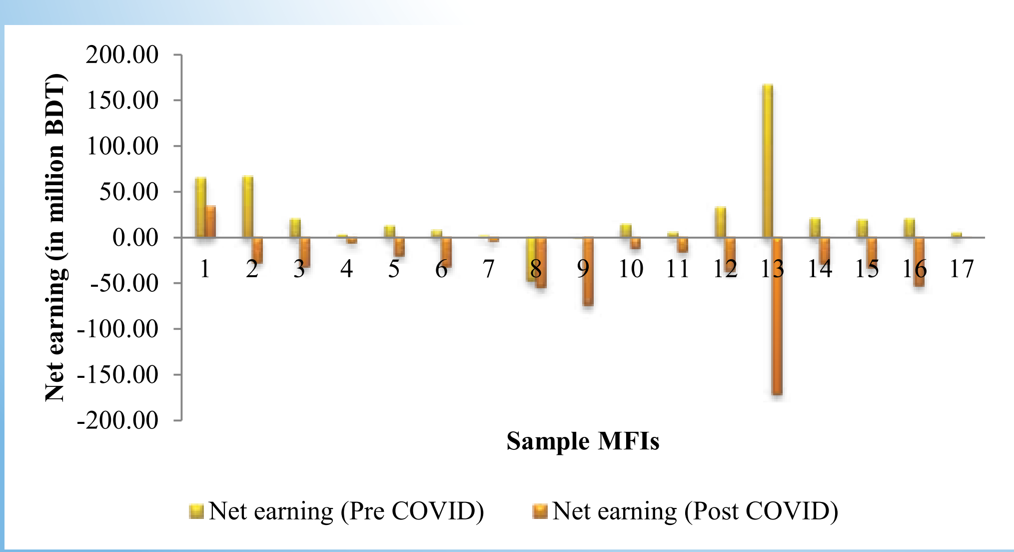
5. Covid-19 and Bangladesh's MFIs: Shocks and Uncertainties

Like all other sectors/institutions in the country, the MFIs are also facing significant challenges in their operations during the present Covid-19 pandemic. The MFIs mostly work in the informal sector and with vulnerable clients who have limited resources to safeguard themselves during any crisis. They save very little and invest most of their resources in productive activities to earn incomes. Many of them depend on daily incomes (e.g. daily labourers and cottage/micro businesses) to fulfill their basic needs. The lockdown during Covid-19 has significantly squeezed the work space and income sources of most of these subsistence workers. Thus, the crisis has seriously threatened both the health status and livelihoods of the MFI borrowers which has weakened their repayment capacity as well. As the vast majority of the MFI borrowers have become vulnerable along with weakened repayment capacity, this has also created a serious threat to the daily operations of the MFIs and on their sustainability. These developments are more likely to increase the incidence of loan defaults for the MFIs.

Financial Status of MFIs

The data collected through the InM online survey on the financial conditions of small and medium sized MFIs during pre- and post-Covid-19 periods (covering the months of January-March 2020 and April-June 2020 respectively) reveal a number of impacts on the financial conditions of the MFIs (Figure 1). The average number of new loans sanctioned by the MFIs has declined by about 29 per cent during the post-Covid-19 period relative to its pre-Covid-19 average. Further, although the number of active members has declined by only 4 per cent during the post-Covid-19 period, the number of members who regularly save has declined by 36 per cent during the second period. The average loan disbursement has also declined by about 25 per cent and the average loan outstanding has decreased by about 7 per cent indicating fewer new loan disbursements by the MFIs. During the post-Covid-19 period, the average income of the MFIs has declined by about 42 per cent; however, the average expenditure has increased by about 8 per cent, showing a severe mismatch between income and expenses affecting their survival and financial sustainability. Around 94 per cent of the MFIs have experienced negative net earnings during the pandemic period. These developments no doubt show the vulnerable financial conditions of the MFIs in the face of Covid-19 pandemic.

Figure 1: Average Net Earnings (in million BDT) of MFIs during Pre and Post Covid-19 Period



Source: InM Survey 2020

Comparable Financial Position of MFIs during Pre- and Post-Covid-19 Periods

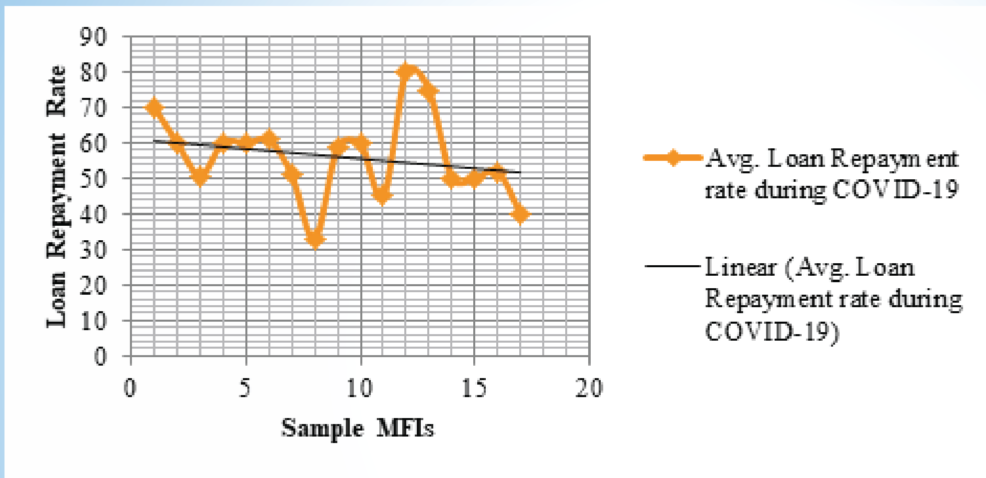
- The number of new loans disbursed declined by 29 per cent
- The number of borrowers who save regularly declined by 36 per cent
- verage loan disbursement size reduced by 25 per cent.
- Average outstanding loan amount declined by 7 per cent
- Average income of MFIs declined by 42 per cent; while average expenses increased by 8 per cent
- 94 per cent of MFIs had negative net earnings during the post Covid-19 period

Loan Repayment Capacity of Borrowers

A comparison of the repayment rates of the loan portfolios of the MFIs shows an average monthly repayment rate of just 63 per cent during the post-Covid-19 period relative to almost 100 per cent in the pre-Covid-19 period. This reflects the effects of both lockdown and shrinking incomes of the borrowers.

MFIs, on average, report a repayment rate of just 63 per cent during the post-Covid-19 period relative to almost 100 per cent in the pre-Covid-19 period.

Figure 2: Average Monthly Loan Repayment of MFI Borrowers during Post-Covid-19 Period



Source: InM Survey 2020

Issues in Loan Installment Collection

With the onset of the Covid-19 pandemic, the Microcredit Regulatory Authority (MRA) advised the MFIs to temporarily postpone installment collection of loans from the MFI borrowers and operate in a limited scale. The average repayment rate in the post-Covid-19 dropped to around 63 per cent from close to 100 per cent in the pre-Covid-19 period. This also reduced the disbursement rate of new loans despite the existence of high demand in the market. In addition, adverse impact of Covid-19 pandemic on the earnings of the low income clients of the MFI sector has seriously affected the microfinance operations in the market

Instability in the microfinance market and shocks in rural economic activities due to Covid-19 pandemic reduced the repayment rate to 63 per cent during the post-Covid-19 period from close to 100 per cent in the pre-Covid-19 period.

Impact on Cash Flows of MFIs

Almost all small and medium sized MFIs are facing cash flow crisis during the post-Covid-19 period. The livelihoods of the MFI borrowers, who work in the informal sector, have been disrupted by lockdowns and distancing restrictions imposed for controlling the Covid-19 pandemic. Both Individual and microenterprise borrowers of MFIs have lost their incomes estimated at more than two-thirds of their normal levels. This has adversely affected their ability to repay loan installments which has created a chain reaction on the ability of the MFIs themselves to maintain their normal operations and repay their loans to their financiers. The MFIs face huge cash flow crisis in the post-Covid-19 period and the amount is estimated, on average, at BDT 90 million per MFI per month.

During the post-Covid-19 period, the MFIs are facing huge cash flow crisis in restoring and maintaining their operations; and the amount is, on average, BDT 90 million per MFI per month.

Crisis in New Loan Disbursement

Despite a 37 per cent increase in demand for new loans, the MFIs are disbursing new loans on a limited scale only due to various constraints.

The Covid-19 pandemic has no doubt forced the MFIs to operate at a limited scale. The MFIs are avoiding yard meetings, using digital platforms for making transactions as much as possible, and conducting activities in locked down areas in consultation with the local administration to maintain public health safety. Around 70 per cent of the surveyed MFIs report that they are facing higher demand for new loans from the borrowers by an average of around 37 per cent relative to the pre-Covid-19 period. But declining repayment rates of existing borrowers, liquidity crisis, and other constraints force the MFIs to disburse new loans on a limited scale.

Loan Rescheduling and Changes in Product Policies

The MFIs are aware of the urgent need to introduce changes in product policies and loan rescheduling in the current portfolios to address the challenges of Covid-19 pandemic. However, 59 per cent of the MFIs have not as yet introduced any such rearrangement/rescheduling of current loans and 88 per cent of the MFIs have not made any changes in their current product policies due to operational and institutional constraints. Only one MFI reports that it has made agricultural loans more flexible for their clients.

Support System for MFIs during Covid-19

The MFIs strongly recognise that they are probably passing through one of the most difficult times in their long history of existence in the country. With the outbreak of the Covid-19 pandemic, the government has announced a number of fiscal measures targeted to the grassroots level to mitigate the crisis. However, the fiscal measures are yet to work fully at the field level; only around 41 per cent of the MFIs have received some sort of government support mostly in the form of financial assistance and food and healthcare services for distribution to the target population. On the other hand, 65 per cent of the MFIs have received similar assistance from non-government sources. Most of the MFIs feel that loan funds for the MFIs announced by the government should be provided at the earliest opportunity to restore their activities without further delay.

6. Coping Strategy of MFIs: Rapid and Longer Term Issues

At present, the Covid-19 related risks in Bangladesh are heavily tilted towards a rising trajectory. Although the Covid-19 pandemic has started later and human casualties remain smaller in per capita terms in Bangladesh compared with most other countries, presently it is rising at a faster pace than in many countries. Coupled with widespread mobility restrictions, this could result in humanitarian consequences, given the country's high population, large informal sector, high inequality, and underdeveloped health system. Besides the potential for substantial loss of lives, there is a risk that the pandemic will trigger a long-lasting rise in poverty. Inadequate infrastructure, poor service delivery, and vulnerable balance sheets of the banking and non-banking financial institutions elevated by high non-performing loans may further add to the heightened vulnerabilities of the economy.

As highlighted earlier, the MFIs are experiencing severe disruptions in their operations due to the pandemic. The member dropout has increased while the amount of loan disbursement has declined. On the other hand, loan outstanding has increased, member saving has decreased. As a result, majority of the MFIs incur increased operational costs along with low revenues. The key challenge for the MFIs is to identify the ways to respond to the crisis and overcome the situation. The coping strategy of the MFIs may be conveniently discussed under two broad groups: first, rapid response to the crisis; and long-term response plan for enhancing resilience and crisis-coping capacity.

Rapid Response by the MFIs

The qualitative survey of InM suggests that the initial response of the MFIs has been to ensure health safety for their members and staffs. For ensuring safety, the group meetings were cancelled along with physical repayment collection to maintain social distancing. Protective measures such as masks, hand sanitiser, hand soap, hand washing facilities were ensured for the staff. Health and hygiene awareness programmes were conducted by the MFIs. The loan management policies, however, were somewhat ambiguous and delayed. The circular from the MFIs' regulatory body, MRA, on loan repayment policies took more than three months after the Corona-19 pandemic to come to the sector. During the intervening period, many MFIs were hesitant to adopt any loan recovery strategy including repayment collection and treatment of loan defaults. They were also reluctant to exert any undue pressure on their borrowers in view of the ground realities. In many cases, the loan officers informally rescheduled the repayment period providing flexibility where the situation demands. The MRA also instructed the MFIs to operate with a limited portfolio of activities such as distributing relief, paying back deposits, and providing loans from the stimulus package of BDT 3,000 crore observing proper health safety measures. However, the pitfall of these measures is that such a low level of operation is unlikely to initiate the survival of the MFIs since the total amount of funds circulated by all MFIs is around BDT one-and-a-half lakh crore in the country.

The MRA circular on loan repayment rescheduling came after more than three months of the outbreak of Corona-19 pandemic in the country. During this period, many MFIs could not adopt the needed recovery strategy and plan their future operations.

The dilemma for the MFIs is that, on the one hand, the borrowers are not able to repay in time while, on the other, net savings of the MFIs are declining as the members are either withdrawing savings, or unable to deposit savings, or both. On the other hand, many MFIs are also dependent on loans from commercial banks and other sources. For these MFIs, although they are unable to collect their loan installments from the borrowers, they will have to repay their loans with interest to the lenders under the prescheduled terms and conditions. For the longer term, there also exist uncertainties regarding their ability to collect the repayments from the borrowers with deferred principal and accrued interest in future.

To deal with the liquidity crisis, most MFIs are observed to have counted on their own reserve funds to maintain their operations. They ensured good communications with their clients through phone calls and SMS and continued to disburse loans to farm and nonfarm microenterprises (as per MRA circular no. 57) avoiding selected Covid-19 sensitive risky investments. In addition, they curbed their operational costs by decreasing other administrative costs keeping the staffs' salary fixed. In addition, most MFIs have taken up plans to apply for the stimulus package to be provided by the government. Another important consequence of this pandemic is opening up new opportunities for mobile financial services (MFS). Some MFIs have utilised MFS as a business model to disburse loans and emergency grants during the pandemic. However, many of the MFIs are also skeptical about the viability of the MFS model as the MFI business model heavily depends on the close physical relationship between MFI staff and the clients.

Longer Term Response Plan

The InM survey shows that most MFIs are yet to adopt any longer-term recovery strategy against the impact of Covid-19. However, the survey reveals the urgent need of MFI management for adoption of better risk-management instruments which would allow the MFIs to cope with the present crisis as well as increase their resilience to cope with such future crises including climate-related and other covariate shocks. The expectations of MFIs are to have easy access to loanable funds and flexible terms of borrowed funds for both MFIs and their clients during emergencies. They indicate that credit guarantee scheme may be used as an option for risk sharing in this regard.

7. A Suggested Recovery and Resilience Framework

The issues underlying a well-conceived recovery and resilience framework for the MFIs in Bangladesh have a number of dimensions. The fact remains that the MFIs in Bangladesh are major drivers of reaching the disadvantaged populations especially in the remote areas for mobilising and empowering the poor and creating awareness on health, nutrition, education, women empowerment and other social issues, providing appropriate loans to start their individual businesses and microenterprises, and providing technological and other business development services for ensuring their sustainable livelihoods. Another major development for the MFIs is the reality which the changing global environments and squeezing of the working space for the MFIs in the national economy due to rapid structural transformations in economic and political dimensions have created for the sector. This has led the MFIs to focus more on market-based microenterprise activities that can also generate reasonable incomes for the MFIs. The main reason for this 'mission drift' is that by lending to the microenterprise borrowers they can earn more income to ensure sustainability as well as invest on extreme poor and disadvantaged populations.

Key Rapid Responses

- ✓ Strengthened communication channels with MFI members
- ✓ Prioritising safe investments by individual borrowers/ microenterprises
- ✓ Rescheduling repayments for vulnerable borrowers
- ✓ Wider adoption of mobile financial services for loan management use of MFS

However, as the vast majority of the MFI borrowers have become vulnerable due to the Covid-19 pandemic, this has also created a serious threat to the MFIs and also on their sustainability. The pandemic has affected the workplace and earnings of their borrowers which have seriously weakened their repayment capacity. As a result, loan default possibilities have become higher, administrative costs have risen and the MFIs' own debt obligations and liquidity have been facing increasing challenges creating heightened concerns for the sustainability of their operations.

This is a huge challenge for the MFIs. Indeed, given the nature of their portfolios and the activities of their members, MFIs in general have been seriously affected by the ongoing crisis. The portfolios of MFIs usually have a significant share of the informal sector, a predominance of trading activities and vulnerable borrowers who have few resources to cushion the impacts of the crisis. These population groups generally save little and invest all their resources in their economic activity. Many of these microentrepreneurs rely on this daily source of income for their basic needs. The lockdown can therefore actually mean that they cannot afford to pay for food, housing, healthcare, etc.

Yet, the mainstream response to the health crisis so far has meant that many of these microentrepreneurs have been forced to temporarily close their businesses or reduce their activity while the supply chain has been affected for others. Some MFIs had to close their branches, change the way they work and reduce their contact with the customers. The MFIs, like their customers, are thus directly affected by the crisis. The large MFIs have taken measures to avoid a liquidity crisis, but the smaller ones face difficult challenges. Any recovery and resilience framework for the MFIs, therefore, needs to create a package to support both the MFI operations and their customers to ensure the stability of their income-generating activities. The framework must be comprehensive and the actions must lead to durable and resilient outcomes for the MFIs to align with the new realities of the post-pandemic world. The actions should involve both rapid and longer term policy and institutional responses that can not only generate more effective responses to any crisis when it occurs but also enhance the crisis-coping capacity to withstand any such future shocks (Box 1).

Rapid Response Framework

The rapid response framework during a crisis such as the Covid-19 pandemic should involve a number of initiatives to mitigate the impact both on the MFIs and their customers.

Protecting the Customers

The MFIs should set up 'Crisis Teams' in the very beginning which could involve rotation of the office staff; setting limits on the maximum number of customers in each branch; ensuring safe distance between people, inside and outside; wearing masks and gloves, especially during handling money; providing masks, gloves, and antibacterial soap to the staff; and adopt other health measures as necessary.

The MFIs can also undertake social initiatives and actions that help in the fight against health and related hazards, such as technology solutions, services for the elderly, volunteering requests, food delivery services for the poor, on-line courses, and other community-based services.

Protecting MFI Businesses

Phone call campaigns

All MFI members should be contacted to inform about the measures in place to support them and provide information on the latest developments on the crisis and its impact. The MFIs could regularly update all branch managers on the latest measures so that they will be able to share them with the members/borrowers. The information should contain details about the support measures to mitigate the impact on microenterprise and individual borrowers, providing information and advice on how to deal with the pandemic and access support measures and invite them to contact their loan officers for any assistance. The loan officers should conduct phone campaigns to establish a diagnosis of their borrowers' situation and how the Covid-19 crisis has affected them and their businesses. The MFIs can consolidate and analyse the diagnosis results in a risk follow-up document indicating the most impacted activities, the type of difficulties they are faced with (e.g. cash flow, etc.) and identify appropriate measures.

Remote loan appraisals and disbursements

The MFIs can introduce remote loan appraisals and loans procedures to allow remote disbursement (e.g. digital solutions). The initial steps of the loan process can be done online. Following the initial appraisal, best scoring proposals may be processed directly by the relevant staff, while others may have to wait until a face-to-face meeting is possible.

Suspension of installments and restructuration

The MFIs should resort to grace periods for new loans (both new borrowers and renewals) on a case by case basis, by which one payment could be postponed if needed. Credit restructuration is also an option if no other solution can be found.

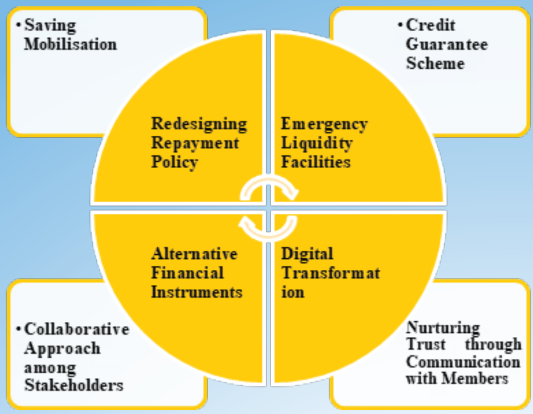
Rescheduling of repayments and additional funding

The MFIs may put a two-step response in place. The first step will comprise of a six-month interest and capital repayment moratorium, followed by capital and interest repayments over the remaining term extended by six months with a predetermined maximum limit. The MFIs may contact the hard-pressed borrowers and offer them a restructure. In case this is not sufficient, under the second step, the customers may seek a new Covid-19 loan in addition to the rescheduling of their existing loan (with an overall maximum of existing and new funds of say BDT 50,000 or as determined by MFIs in specific contexts).

New Covid-19 business loan

The MFIs may launch a new product themselves. It may comprise of loans within (say) the BDT 10,000 – BDT 50,000 bracket aiming to support businesses which have been impacted negatively by the coronavirus. Its main features will be loan terms typically up to 1-2 years, no interest or repayment for the first six months, no fees and hidden costs/charges, and fixed repayments with no penalty for early repayment.

Box 1 : A Suggested Recovery and Resilience Framework of MFIs



New loan fund for MFIs

The regulators and support organisations of MFIs (e.g. Bangladesh Bank, MRA and PKSF) may set up a loan fund instrument which will provide loans (up to a maximum limit) to MFIs requiring emergency funds to sustain operations and continue business operations. This will allow the distressed MFIs to provide the much needed support to the low income populations and the help bring stability to the rural economy.

Emergency livelihood restoration fund

A new product namely 'Emergency Livelihood Restoration Loan' may be launched for the MFIs within the government's assistance package (with an allocation of say BDT 20,000 crore) through a loan from the government with subsidised interest rate (as has been done for the banks). The main feature of the Fund will be a three-month grace period, reduced pricing, with no guarantor required.

Designing clear repayment policies

For removing ambiguities, a clear repayment policy for MFI borrowers is required in times of emergencies like the Covid-19 pandemic. Since temporary restrictions are placed by the regulators (e.g. MRA) on repayment collection from the borrowers during emergencies, the terms and conditions of deferred payment should be clearly defined such as whether to impose accrued interest on the deferred loan or not. One may argue that imposing accrued interest during such periods is unfair for the poor and vulnerable borrowers. This is an important issue for in-depth investigation to determine fair and pragmatic policies on lending in the aftermath of any crisis such as Covid-19. In these circumstances, the MFIs may have to adopt a policy of cross-subsidisation favouring the negatively impacted vulnerable borrowers while designing the recovery strategy. In this respect, the MRA could play a supportive advisory role in designing a clear repayment policy rather than letting individual MFIs decide for themselves.

Longer Term Response Framework

Bangladesh being a highly disaster-prone country is regularly affected, both socially and economically, by natural and other disasters. However, given the high degree of resilience of its people and the strong disaster preparedness and mitigation capacity achieved by the government and the communities at large, Bangladesh has, in most cases, achieved fast recovery in the past (the so-called V-shaped recovery) ensuring quick return of economic and other activities. However, in the context of Covid-19 pandemic, the critical factor is the recovery of the domestic economy in all its dimensions which is still shrouded with many uncertainties with regard to both timing and the precision of the recovery's speed or the extent of recovery.

For the longer term, the innovations developed for the rapid response framework of Covid-19 for MFIs should be linked to broader social protection initiatives for building a comprehensive system that would be resilient to similar pandemics in future. A major effort should be directed to install integrated disaster response services and risk mitigation measures using the network of the MFIs covering prioritised sectors/interventions, such as health and nutrition, livelihoods and food security, life skills/education, gender based violence and gender equality issues, support services for the adolescents and youth, and deprivations of disadvantaged populations including the poor, indigenous populations, and marginalised communities who are the target groups of the MFIs.

For food security and livelihoods, the key areas to focus within the MFI programmes will be to remove the constraints to crops, poultry, fisheries and livestock production and remove supply chain bottlenecks. Further, ensuring availability of key agricultural inputs (e.g. improved seeds, fertilisers, irrigation, and agricultural machinery) by ensuring effective functioning of the input supply chains is critical for the marginal/small farmers. Similarly, special support programmes may be designed through the MFIs for informal food-related enterprises to maintain cash flows and overcome the catastrophic demand shrinkages due to the crisis. Programmes should also be designed for targeted supplementary feeding and imparting scientific health nutrition practices for the nutritionally vulnerable population groups including children, lactating mothers and the elderly from the poor and disadvantaged households.

Another priority area is to generate employment for the low and unskilled workers through implementing labour intensive public works programmes and/or other priority activities especially for the crisis affected communities through the MFIs. For the CMSMEs, enterprise recovery support of the MFIs can reactivate livelihood activities with short production and sales cycles to revive the business. Similarly, MFIs' assistance to the local entrepreneurs in the form of 'start-up grant' and 'start-up package' to generate income through self-employment can be effective to recover at least a part of their lost livelihood assets; and they could with their entrepreneurial knowledge and experience be able to carry on their businesses in both farm and nonfarm activities.

The pervasive nature of Covid-19 impact suggests that complementary response efforts are needed by the government, local government institutions, private sector, MFIs and other civil society organisations to address the challenges. These will have to continue, due to the complex nature of the pandemic and likely secondary and tertiary waves of infection, for a longer period in Bangladesh with more strengthened targeted interventions by the MFIs for the most vulnerable communities.

Exploring alternative models

In view of the complexities of Covid-19 and similar crisis, a rethinking is necessary regarding the effectiveness of existing microfinance business models and redesigning of innovative and multiple business models to suit the need of customers at disaggregated levels. In recent times, in the absence of alternative financing sources, the capital structure of the MFIs is becoming highly tilted towards bank financing. However, in a crisis situation, the liquidity of banks is itself at risk. Moreover, since the MFIs generally suffer from high uncertainty during crisis situations due to their exclusive dependence on informal sector activities, banks and traditional financiers may be less willing to invest on the MFIs even after the crisis is over until they regain confidence in microfinance activities.

For ensuring sustainability of MFIs operations, it is necessary for Bangladesh to move towards financial market based MFIs along with broad-basing their financing sources through exploring alternative financing options. There exists a wide potential of tapping multiple funding sources from the capital market, such as venture capital, crowdfunding, private equity investment, peer-to-peer (P2P) lending, and others. In Bangladesh, the MFIs may also explore the wide potential of non-profit financial tools, such as Zakah, Waqf, Qard-al-Hasan to attract funds from Islamic multilateral development bank (i.e. Islamic Development Bank) or Muslim philanthropic investors. Just as the commercial banks are operating both conventional banking and Islamic banking under the same umbrella, the MFIs may also diversify their finance portfolio. However, the key will be to undertake careful planning prior to undertaking new business models; which should also be updated from time to time in order to determine from where the MFIs have come, where are they now, where are they going, and how to get to the final destination.

Digital transformation as an operational strategy

During the Covid-19 pandemic, Bangladesh has experienced a digital boom in different types of businesses. Mobile financial services opened new doors in transferring, transacting and storing money digitally instead of cash. The commercial banks have started offering digital loans without collateral on a pilot basis enabling the entrepreneurs to access financing from their smartphones. In 2018, only 18 per cent of the MFIs used digital field applications for loan disbursement and collection. This shows that the MFIs are yet to go a long way before the digital financial services could change the operating procedures in the microfinance sector. In the present situation, when social distancing may have to be practiced for a long time, it is high time for the MFIs to go for collaboration with mobile financial service providers for smooth digital operation of loan disbursement and loan repayment; even though there are likely to be many hiccups considering the technological illiteracy of both the borrowers and MFI staff. But a beginning needs to be made right now.

Regulatory changes in microfinance sector

Currently, the MFIs are allowed only to mobilise member savings and term deposits subject to restrictions under rule 28(e) and 29(e) governing the microfinance activities in the country. But in order to achieve sustainability and meet the unmet needs of the small entrepreneurs, MFIs are required to mobilise higher levels of savings and term deposits especially when the banks are facing liquidity crunch themselves. In the present situation, for ensuring long term sustainability of microenterprises financing in a cost-effective manner by the MFIs, the restrictions should be reviewed to introduce necessary adjustments based on ground realities.

Regulatory changes should also be made to enable the MFIs to raise funds from financial institutions through, for example, a specially designed credit guarantee scheme for financing microenterprises.. In this respect, Bangladesh Bank with assistance from the government may design such a specialised scheme. This should involve not only the designing of the product, but also setting well-defined implementation mechanisms and terms and conditions such that they do not distort the behaviour of lenders and borrowers.

Over the years, the MFIs have developed a strong trust with their customers through face-to-face interactions and serving their priority needs. For their customers, the key concern is that women and men alike must work in the informal economy to earn incomes to feed themselves and their families, as most of them do not have an option to rely on income replacement or savings. Not working and staying home means losing earnings and their livelihoods. The dilemma for them is to choose whether 'to die from hunger or from the coronavirus' in the absence of earnings during this pandemic.

A similar situation applies to MFIs-supported informal enterprises as well, which account for the majority of such enterprises in Bangladesh. These are mainly unregistered small-scale units comprising of CMSMEs, often employing ten or fewer undeclared and low-skilled workers, including unpaid family workers (mostly women), who work in precarious conditions, without any protection or health and safety measures at the workplace. These enterprises have low productivity, low earnings, low savings and investment, and negligible capital accumulation, which make them extremely vulnerable to economic shocks. Further, these are mostly excluded from the Covid-19 crisis-related short-term monetary, financial and fiscal measures adopted by the government for enterprises.

It is important, therefore, to focus on both immediate responses that Bangladesh can adopt to address the consequences of the Covid-19 pandemic on the informal economy in which the MFIs operate, along with identifying the need to make sustained efforts in future once the short term compulsions are overcome to ensure well-being and decent work for the informal workers and uninterrupted functioning of the informal enterprises.

As we have noted earlier, immediate responses should not differentiate between health and economic consequences of the pandemic and these need to follow a multi-component strategy covering several actions, such as limit the exposure of MFIs customers/staff and their families to the virus and the risks of contagion; assist the infected ones in accessing healthcare services; provide income and food support to distressed customers/staff and their families; and support the microenterprise borrowers to preserve and restore jobs. As ILO (ILO, 2020) suggests, the broad framework for guiding the strategy could be based on four pillars:

Pillar 1 Stimulating the overall economy and employment: Actions (both at macro and sector levels) such as active fiscal policy, accommodative monetary policy, lending and financial support to specific sectors (covering the MFIs-supported microenterprises as well), including the health sector.

Pillar 2 Supporting enterprises, jobs and incomes: Actions (at meso level) to extend social protection for all especially covering the informal sector participants and MFI borrowers, implement employment retention measures for all enterprises as necessary, provide financial/tax and other relief for all including informal MFIs-supported enterprises.

Pillar 3 Protecting workers in the workplace: Actions (at micro level) to strengthen OSH measures, adapt work arrangements (e.g. tele/home based working if possible), address discrimination and exclusion, provide access to health services for all, expand access to paid leave as needed.

Pillar 4 Relying on social dialogue for solutions: Actions (cross-cutting) to strengthen the capacity and resilience of the owners and workers of informal and MFIs-supported microenterprises, strengthen capacity of the government to respond to the pandemic and undertake social dialogue with MFIs, grassroots civil society, and informal sector participants.

The key for MFIs will be to engage in clear communications with all stakeholders, set realistic and fair expectations, and work together with their customers and other stakeholders to achieve long-term goals through introducing short-term adjustments as needed to meet realities at the ground level. The major stake for the MFIs is, however, not to lose their hard-earned and most valuable long-term asset – trust – while navigating through Covid-19 and similar crisis.

8. Summary and Conclusions

No doubt, the present Covid-19 pandemic is different from the crises that the MFIs and the Bangladesh economy had faced in the past. The crisis has disrupted the activities of the MFIs as well as their customers simultaneously. The MFIs have been suffering from both a lack of repayment from the borrowers and limited access to liquidity for maintaining their operations. The profound crisis is threatening many MFIs, especially the small and medium sized ones, to become insolvent. This calls for a comprehensive assessment of both the challenges and opportunities of the MFIs under the present situation to reconsider and redesign as necessary the drivers of success and innovations of the microfinance sector to guide policy responses to the present crisis and its aftermath.

The present analysis, based on an online survey by InM, reveals vulnerable financial and operational consequences especially for the small and medium sized MFIs in Bangladesh due to the Covid-19 pandemic. When compared over a three month period covering April-June 2020 with the previous three months (January-March 2020), it is seen that the number of new loans has declined by more than 29 per cent; although the number of active members has declined by 4 per cent, the number of members who are regular savers has declined by 36 per cent. The average loan disbursement has also reduced by about 25 per cent and average outstanding loan amount has decreased by about 7 per cent indicating fewer new loan disbursements by the MFIs. Moreover, around 94 per cent of the reporting MFIs have experienced negative net earnings during the pandemic.

Further, the MFIs on average report a repayment rate of just 63 per cent over the post Covid-19 period compared with nearly 100 per cent during the earlier period. During the pandemic time, MFIs have also been facing huge cash flow crisis and the average amount is BDT 90 million per MFI per month. As result, the MFIs are operating in a very limited scale. Around 70 per cent of the MFIs report that they are facing a very high demand for new loans (estimated at 37 per cent) from the borrowers during the post Covid-19 period relative to the earlier period. But they are unable to meet the emergency needs due to reduced repayment rates of the existing borrowers, desperate liquidity crisis, and other adverse developments resulting from the crisis. The MFIs tried to deal with the situation through using their own reserve funds to continue the operation. Additionally, they reduced their operational costs through adopting different austerity measures. But these are highly inadequate relative to the scale of the problems which demands support from the government through targeted 'stimulus package' for the MFIs and other support measures.

The report calls for the adoption of a comprehensive rapid and longer term response framework covering a number of measures to ensure sustainability of MFI operations in the post pandemic world. Moreover, an effective response framework for the MFIs should not be conceived in a compartmentalised manner as the success of any such efforts will be determined by its linkages and interactions with macro and micro- developments outside the microfinance sector as well. For ensuring the success and sustainability of the efforts of the MFIs, Bangladesh's overall development paradigm needs to improve the quality of life of its population in a risk sensitive manner. Obviously, an inclusive and health and well-being focused structural transformation of the Bangladesh economy presents a readily transformative way to advance the people-centred approach to development through both vulnerability reduction and investments in sustainable development that would offset both known and unknown disaster threats to the economy as well as the MFIs. Such a transition to future security and sustained well-being also requires appropriate political and economic contexts; and requires new technological and social breakthroughs that would widen Bangladesh's options for sustainable and inclusive development and reduce hazards, risks, and disasters in society and ensure sustainability of MFI operations in the longer term.

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