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# MICROFINANCE UNDER THE NEW NORMAL

An assessment of the microfinance sector of Bangladesh, Pakistan, and Philippines in the wake of the Covid-19 crisis and suggestive strategies on the road to a sustainable recovery.

# METHODOLOGY

Secondary  
Source of  
Material

Semi  
structured  
Interviews

Second  
Round of  
Research &  
Data  
Collection

Analysis &  
Conclusions

# LIMITATIONS

Unavailability of updated data

Lack of data uniformity

Fragmented data sets from third party sources

No means for cross checking data available in public domain

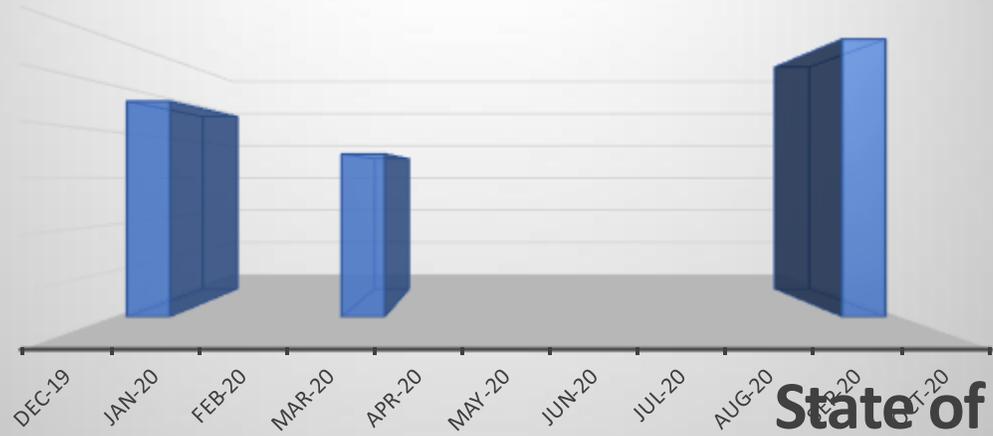
Semi Structured Interviews still in Progress

Preliminary Analysis

# COUNTRY ASSESSMENT-BANGLADESH

- Decrease in monthly household incomes
- Increase in PAR
- Impact on garment industry
- Monsoon floods affected 4 million people
- USD 12.1 million stimulus by government
- Credit gap of USD 2.2 million for MFI
- Rate cuts by Bangladesh Bank
- Refinance schemes- Informal workers, Agriculture, MSMEs
- E-Wallet Adoption
- Formation of Regulatory sandboxes by DFS Lab





## State of NPL in Bangladesh



Source: Chambers & Partners, Bangladesh

# ADB & BANGLADESH

- Covid support package worth USD 1.75 billion (APVAX)
- Trade Finance and Supply Chain Finance
- Digital Financial Solutions for Inclusive Finance
- Microfinance and Lending Partner support
- Skill Development
- Micro Finance Credit Risk Participation & Guarantee Program
- Microenterprise Development Project
- Climate Resilience and Capacity building for Women
- Transformative Gender Equality Agenda
- COVAX, CPRO, Asia Pacific Disaster Response Fund

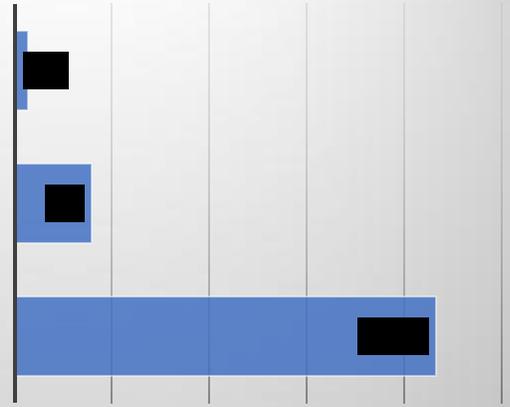


# COUNTRY ASSESSMENT-PAKISTAN

- No major fall in economic output
- Affect on outreach to new borrowers
- Decline in incomes of households/small & cottage industries
- DBT transfers by government through programs like 'Ehsaas'
- Reduced liquidity crisis for deposit taking MFIs
- Lower delinquency rates/Fall in PAR30
- Selective risk sharing by government in Agri
- Collateral free loans to SME with upto 3 years tenure
- High ROI due to high opex
- Mass mobilization of savings through MFS
- Delay in implementation of RFS9
- Rescheduling existing credit lines
- Availability of standby lines of credit



# PENETRATION



## Pakistan Microfinance Penetration



Source: CGAP & Pakistan Microfinance Network

(In Millions)

# ADB & PAKISTAN

- Covid support package worth USD 1.90 billion (APVAX)
- Trade Finance
- Digital Financial Solutions for Inclusive Finance
- Disaster Risk Financing
- Supply Chain Finance
- Skill Development
- Transformative Gender Equality Agenda
- COVAX, CPRO, Asia Pacific Disaster Response Fund

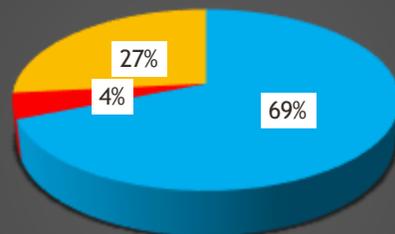


# COUNTRY ASSESSMENT-PHILIPPINES

- Increase in population with access to financial services
- Steady growth in micro deposits /outstanding loans
- Increase in DFS like Pesonet and Instapay
- Fall in credit delivery to MSME
- Increase in dependency on informal sector
- Liquidity Injections by governments
- Moratoriums to MFI and borrowers of MFI
- High cost of internet and slow connectivity
- Underutilization of capital by commercial banks

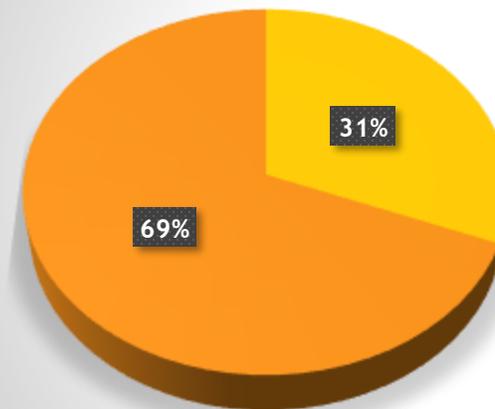


## FINANCIAL SERVICES PENETRATION IN PHILIPPINES Q1 2020



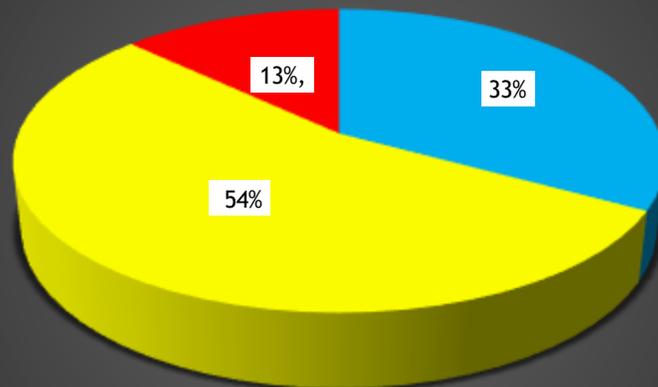
- BANKING PRESENCE
- WITHOUT BANKING PRESENCE
- WITHOUT BANKING PRESENCE BUT WITH FINANCIAL ACCESS POINTS

## MOBILE PHONE ACCESS



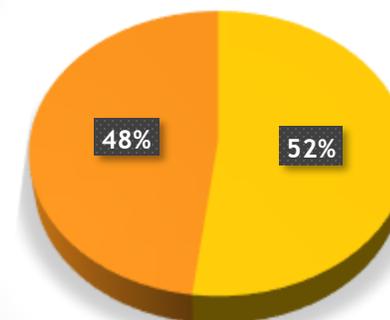
- WITHOUT MOBILE PHONE ACCESS
- MOBILE PHONE ACCESS

## CREDIT SOURCES



- FORMAL CREDIT SOURCES
- INFORMAL CREDIT SOURCES
- NO CREDIT SOURCES / DATA UNAVAILABLE

## SMARTPHONE ACCESS OUT OF 69% OF MOBILE PHONE USERS



- SMARTPHONE ACCESS
- WITHOUT SMARTPHONE ACCESS

# ADB & PHILIPPINES

- Covid support package worth USD 2.37 billion (APVAX)
- Supply Chain Finance
- Social Protection
- Disaster Resilience Improvement Program
- Digital Financial Solutions
- Inclusive Finance Development Program
- COVAX, CPRO, Asia Pacific Disaster Response Fund





# ANALYSIS

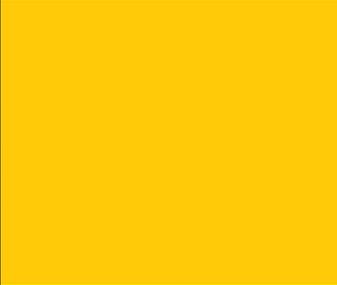


- Microfinance and Agency- Sustainable and Resilient communities
- Private sector reluctant to invest in local businesses, optimistic approach to tap digital markets
- Gender Inequality
- Formalization & Digitization of economy is important from DRM
- Increase in NPAs and impact on larger financial institutions
- Increase in access to remittances and insurance for better social security
- Change in categorization of borrowers and alternative means of credit assessment required
- PPP and donor engagement in Disaster Management and Climate Change
- Importance of reporting and data collection



# STRATEGIES & RECOMMENDATIONS

## FOR MFI & REGULATORS



- Revised policies of revival and rehabilitation of MSMEs
- Clear and accurate classification of asset class
- Adoption of alternate sources of funding to meet asset liability gap and lower cost of capital
- Reduction in interest rates by risk and asset sharing
- Last mile support to small businesses and women entrepreneurs
- Inter lending and onward lending by larger MFIs
- Focus on micro and ESG investments.
- Monitoring of capital utilization of commercial banks and large MFIs



# STRATEGIES & RECOMMENDATIONS

## FOR ADB

- Focus on ESG investors
- Act as third party to foster PPP
- Updation of skill development and employment programs
- Broader client base
- Revised evaluation strategy on ecological impact on existing and future projects
- Inclusion of social and ecological impact on cost of funds





# QUESTIONS



1. PAR- Measurable or Unmeasurable Risk?
2. Regulation of MFI for better institutions or market-oriented approach for better impact?
3. How can the domino effect of large NPAs of MFIs on the entire financial ecosystem be contained?
4. Should capital adequacy norms be relaxed for greater liquidity?
5. Surveillance Capitalism and Data Protection?
6. Is financial assistance and risk sharing permeated to the ultimate borrower?
7. Can sustainable financing be a reviving business model for MFIs?



**THANK YOU**