

Challenges and opportunities for micro finance institutions during COVID-19

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Abstract: COVID-19 (Coronavirus) has unambiguously indoors within the developing nations. Thousands of patients are found and reported diagonally on planet. Many countries across the planet including India announced that they might enter lockdown for a few periods; in India initially, it had been for three weeks with poorly equipped health-care systems to deal with pandemic, there are lots of reasons to consider that the cost of the coronavirus within the developing nations are going to be still extra harmful than that within the developed nations, with higher death rates. On the other hand, we observed very little facts and figures that the worldwide microfinance community has awakened to complete degree of the disaster because the virus spreads and grasps very fast in developing nations across the world. The international community of microfinance deploy to respond and answer to the COVID-19 catastrophe; now we would like to require taking some major and important steps as to make sure the universal microfinance industry that gives micro financial products and services to the necessitous person should not be left behind. If the microfinance service goes to survive during this tough time, we would be in position to treat coronavirus because of the fundamental threat. We would start lending with easing borrowing terms in the every a part of the planet to overcome from Catastrophe. We would maintain flow of funds in microfinance institutions, by introducing additional capital into them so that these institutions will be in position to lend again and play important and major role in the recovery of economies. Worldwide this industry was built from first to last with cooperative act of venture capitalist, contributors' decision makers, faculties, researchers, etc to form comprehensive financial services make obtainable to the poor people on earth. We have achieved much together. We now got to deploy as a sector to come out from this catastrophe as e arly as possible and protected the maximized wealth max of the last four decades. The underprivileged persons from all part of planet who presume to take complete financial services such as borrow, save, and transfer money is totally depending on microfinance.

Keywords: Microfinance, COVID-19, Catastrophe.

Introduction

This topic only focuses on challenges and opportunities of micro finance institutions during covid-19. Coronavirus also named as COVID-19. This is a very tough time for all the economies across the world. Microfinance institutes mainly dispense financial services to underprovided persons coming from rural and semi urban areas. During this pandemic all of us living on the planet affected, but when I am thinking about these underprivileged people who are daily wagers; affected very bad. Due to the lockdown announced in many countries many person lost their livelihood. This underprivileged person does not have enough savings in their account. So it is very hard to survive with this tough time. The Microfinance institutions provide financial services to these peoples. So that these unemployed, feared peoples come out from depression and live their normal lives.

MICROFINANCE INSTITUTIONS:

The microfinance institutions industry has grown promptly over the precedent little decades. Novelist professor from Chittagong University in southern Bangladesh Professor (Dr.) Muhammad Yunus is recognized with spreading the encouragement of the trendy MFIs. During the year 1983 Professor Yunus established of Grameen Bank, in Bangladesh. Microfinance institutes dispense financial services to the poorest and weakest persons specially women as well as groups of individuals from the society mainly reside in rural and semi-urban areas; **who might not otherwise have access** to formal commercial banking services. Microfinance services allow individuals as well groups to obtain realistic financial services mainly credit, and in such a way that is reliable with moral advance credit practices. The Micro Financing services widely held less developed countries worldwide, for example Indonesia, Bangladesh, Honduras, India, etc. Similar to unadventurous lenders, Microfinance services provider institutes also charged some percentage of interest on credit amount. According to the report published by the World Bank approximates that in close proximity to 500 million persons have make the most of from microfinance services provides by MFIs. Today it is evolved into a vibrant industry exhibiting a spread of business models. Micro Finance is also known as microcredit, possibly a type of financial service dispense to individuals or group of individuals who have less family earnings, unemployed and who might not any other access to financial services. Micro Finance services include the provision of financial services to less earning customers or cohesion lending groups, who traditionally not having access to formal banking and other financial services. It is not almost giving

microcredit to the poor rather it's an economic development tool whose objective is to help the poor to figure their answer of poverty. It covers a good range of services like saving accounts, loan products of different types, micro insurance, money transfer, etc. These institutes also provide some non-financial services such as training, counselling, etc.

COVID-19

COVID-19 is a communicable virus infection that is caused by a recently exposed Coronavirus. A lot of the persons across the world suffered and infected with the catastrophe coronavirus will occurrence calm to temperate respiratory illness and get well without requiring any special treatment or without getting hospitalized. Persons above 60 years of age and children below 10 years are at high risk. The diabetics, heart, and cancer patients are also at very high risk. This dangerous virus mainly lay out in the course of drops of spit that discharge from the nose or mouth of contaminated person when that person sneezes or coughs and touches any surface, so it is very important that you simply also practice respiratory etiquette and follow the guidelines issued by WHO. In the current situation, there is not at all exact vaccine, medicine or treatment for dealing and curing the coronavirus. The Government and scientist from different countries are trying their best to develop the vaccine. However, many ongoing clinical trials are evaluating prospective treatments. World Health Organisation will still make available rationalized information as soon as early clinical findings become available to all of us. The situation is out of control in some countries .As per data shared by World Health Organisation on its portal on 20 August 2020 when I am drafting this paper, there have been 22,213,869 confirmed cases of coronavirus, including 781,677 deaths. While in India the 29, 05,823 confirmed cases suffering with coronavirus including 54,849 deaths. The data itself tells the disaster story; how the countries across the world fighting with this pandemic.

The coronavirus affected number of countries' financial system badly worldwide. The attitude is more than ever depressing for the most defenceless populations in less developed countries across the world. Daily waged, agriculturists, and Micro and Small business owners are coming in cruel economic pressure due to lockdown. Social distancing and lockdown are essential tools to fight with this crisis. Whereas underprivileged persons in developing countries are elastic and a lots of them depends on these microfinance services, such as savings accounts services, micro lending services, micro insurance services, etc.

Methodology

This research paper is purely based on secondary data that is available on different internet websites. Research papers and articles published by national and international journals, business magazines, reports published by micro finance institutions, newspaper.

CHALLENGES:

Pandemic COVID-19 brings the financial system of the earth to a surprising stop, the planet's most developing and weak nations are paining from increasing destruction. Most of the good running, profitable and existing businesses totally evaporated its sales. Due to this, the workers working with these organizations could not get wages or salaries. Savings are to be spent on fulfilling daily household needs. Many of the individuals live in rented houses unable to pay the rent to the owner due to losing their jobs. The investment in new as well as new area in existing businesses among the nations worldwide is run away. The business relations among the nations has affected badly due to this pandemic. The value of money declining rapidly during this pandemic. The individual forced to pay more for necessary imported goods such as food, medicines, fuel, etc. Due to lockdown in many countries affected businesses across the world. Many industrial units in different nations across the world are standing near to shut down. Manufacturing units does not getting raw material for production. The markets lost balance of demand and supply. According to the report published by The International Labour Organisation, In India more than 41 lakhs youth lost their job during this crisis. The world most powerful and developed countries such as United States, Japan, United Kingdom, Germany, Canada, Italy, France popularly known as G7 nations. Many millions of persons lost their jobs, In United States more than 30 million persons lost their job while in Japan the figure is 1.76 million. Controlling unemployment in countries is the biggest challenge among the nations. Some other cases that I have been observed worldwide during my studies are as follows:

- In the National Capital of India, New Delhi, a small fruit and vegetable vendor who is selling fruits and vegetables for his livelihood whose sales have dropped by less than half during the crisis unable to serve food and milk to her children.
- In Turkey, a company that runs a business for tourists by offering hot air balloon rides affected badly and sent its employees on leave for indefinite time duration.

- One of my very close friends in India running tours and travelling business shut down his business and sold all the vehicles at very low price because he was unable to pay loan installments and road taxes of vehicles.
- In Johannesburg, a lady who is a hair braider and owns a small shop in market makes her living by braiding hair goes home daily empty-handed impacted badly during this crisis.
- In Buenos Aires, a taxi driver creep empty roads for passengers losses his fares, terrified that he will contract the virus, however more worried of losing his minicab and it to taking back.

OPPORTUNITIES:

Every Challenge has an Opportunity. Worldwide, the microfinance institutions provide financial as well as non-financial products and services to more than 130 million low-income customers. Microfinance plays a very important and key role to finance income-generating activities, not only in the formal but also in the informal sector. During Covid-19 crisis, micro and small enterprises in the informal economy plays important role in overall an essential basis for social and economic recovery. We all knows that Microfinance Institutions supporting in this situation is therefore plays an essential importance to protect the most weak borrowers. On 1st March 2020 the India's Central Bank The Reserve Bank of India had issued a circular giving freedom to all formal banks and financial institutions to allow a suspension of payment on loan instalments for the period of not less than three months in respect of all term loans outstanding, subject to the borrower making such a request. Upon things getting normal, the companies would introduce such type of products that will help improve flows of cash for the consumers and help them in getting back to regular business flow. Developing Countries such as India still represents an enormous opportunity for banking and the microfinance industry because most of the persons or we can say a major segment of its total population falls in the low-income group and also, a large part of its population still lacks access to credit from the formal financial sector forcing them to borrow from informal lending channels.

SOME MAJOR FINDING AND SUGGESTIONS FOR MICROFINANCE INSTITUTIONS TO OVERCOME FROM THIS CRISIS

During wring this article I found some noticeable things; loan appraisal, underwriting and disbursement of loan in rural area is not so easy that it generally seems. But there is a say; that every challenge has an opportunity seems and fit true in case of microfinance sector also. Many people lost

their job during this crisis. They need financial support to start with new journey. Microfinance is the strong weapon to fight with poverty. Through microfinance institutions we can maintain flow of cash in the economy.

➤ **E-CONNECT WITH CUSTOMERS:**

During this pandemic the way of communication with the clients has been changed some of the leading Micro Finance Institutions across the World electronically connects with its customers through different modes by doing some electronic campaign such as e-mail, messages, phone calls, etc. To control and overcome from this pandemic it is necessary for all of us to follow the WHO as well as the Government guidelines. Social distancing can help us to overcome from this disaster situation. So it is very important to connect with clients as far as possible through electronic modes. Through bulk SMS campaign we can provide product features and knowledge to customers and invite them for training sessions through online modes. By making phone calls to customers one should connects with clients. We can give instalment reminders and other information too through these electronic modes. Webinar and meeting also be conducted through theses modes.

➤ **DIGITAL UNDERWRITINGS**

During this pandemic situation some institutions preferred digital underwritings to sanction the loan amount.

➤ **HELPDESKS CUM COUNSELLING CENTRES:**

During this tough time period when people are feared and confused about their future livelihood; Minimum two helpdesks should be situate in response to serve its customers, one helpdesk is to serve the clients by describing features and facilities of different loan products and the second helpdesk worked as a counselling centre of customers during this pandemic.

➤ **SUSPENSION OF LOAN INSTALLMENTS**

Installments for the coming months during this pandemic period should be suspended for some time duration especially of April, May, June, and July. Customers benefiting from this facility will recommence the repayment of loan installment of their loan after completing July month.

➤ **EXIGENCY LOAN**

During this catastrophe a number of microfinance institutions launched a new product called the Exigency loan. It is the decency of this product that there is no prerequisite of guarantor.

➤ **WAIVE OFF PENALTY**

If any amount charged as penalty due to non-payment of loan installment should be immediately waived off by the Micro Finance Institutions.

➤ **WAIVE OFF INTEREST**

For this pandemic period where these people lost their livelihood and it is very hard to survive during this period how one can pay the installment of the loan. I suggest the Institutions, as well as Government, waive off Interest charged on loan during this time.

➤ **COVID-19 MEDICAL INSURANCE**

It is the responsibility of every employer to take care of employees who worked for the growth of the organization and going to file frequently to meet the clients. It is my suggestion for them to take a group medical plan that covers COVID-19.

Conclusion

Yes, we accept that COVID-19 is the biggest challenge for the Countries but this fact cannot be denied that the COVID-19 crisis gives some opportunities also to the economy worldwide. The economic and political relations among the countries rapidly changes during this pandemic. New business areas also explored during this pandemic. Microfinance institution's services are mainly designed for low-income individuals if the above suggestions are implemented by the institutions that really help the individual to overcome the situation. However, in the current situation, it is very important for the microfinance sector to understand, identify, and analyze the growth prospects. Every challenge comes with an opportunity. Identify and assess the rising needs within the industry and tackle the same through applicable initiatives. I am concluding with a concluding remark; 'A decelerate in less developed nations countries may be cause decelerate for the planet'. These emerging nations' market covers approx 62% of the earth economy.

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