

Impact of the COVID-19 Pandemic on Microfinance Clients in Europe

30.09.2020



This webinar has received financial support from the European Union Programme for Employment and Social Innovation "EaSI" (2014-2020). For further information please consult: <http://ec.europa.eu/social/easi>

Objectives



- To learn how COVID-19 lockdown impacted microfinance clients
- To learn what solutions MFIs introduced to support clients
- To discuss what solutions could be introduced to support the recovery of microfinance clients

Speakers



- Justyna Pytkowska, MFC
- Laura David, BCR Social Finance
- David Taquin, Microstart

Research methodology



- Desk research & analyzes
- 22 in depth interviews with representatives of microfinance sector in Europe
 - Albania, Belgium, BiH, France, Greece, Ireland, Italy, Luxemburg, Montenegro, North Macedonia, Poland, Portugal, Romania, Spain
- July – August 2020



www.mfc.org.pl/covid19

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Key findings

Justyna Pytkowska



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Facts

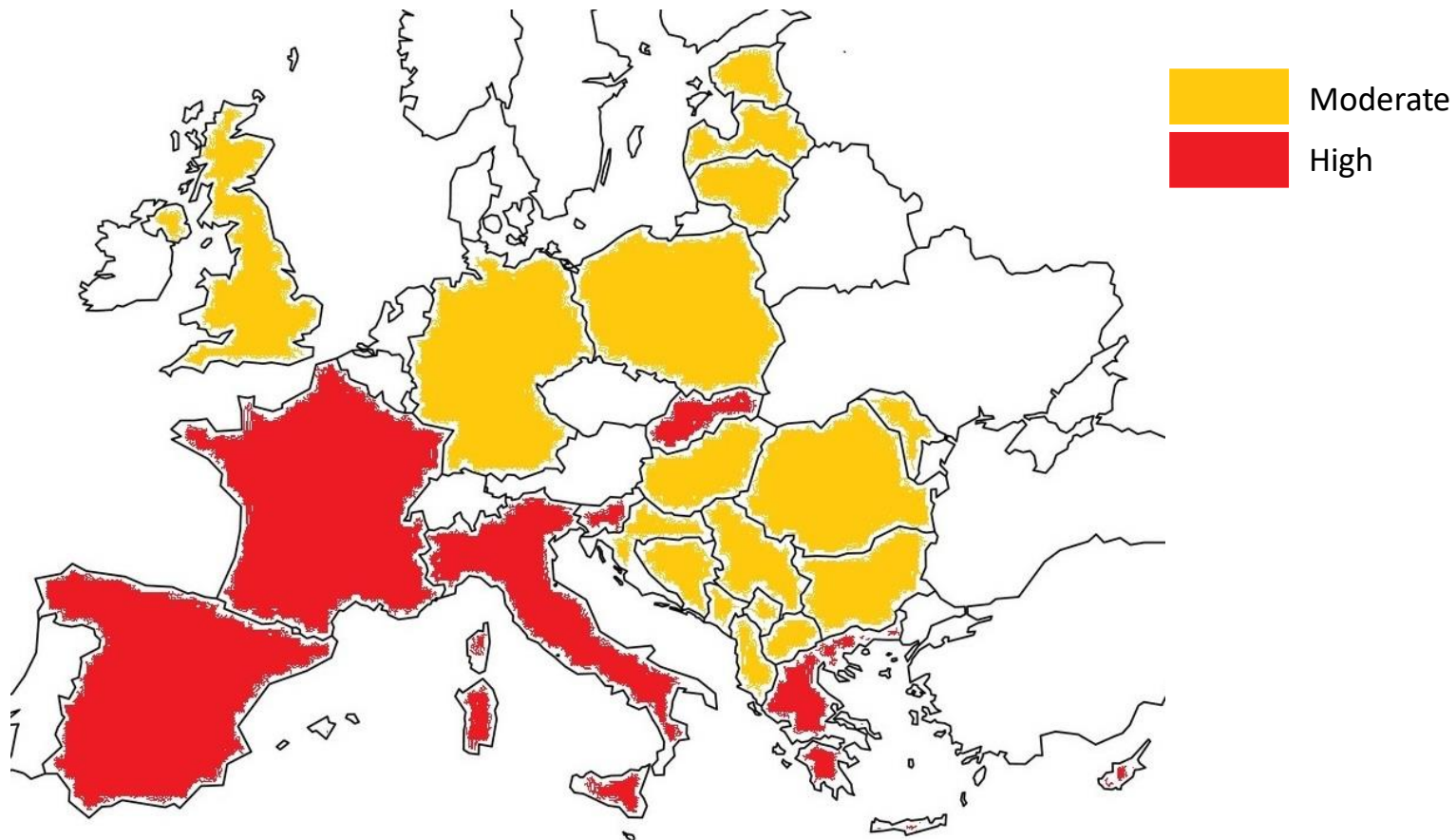


Lockdown in all countries between March and May but with varying degree of restrictions

- Closed schools, cultural institutions, restaurants, bars, non-critical stores and services
- Restrictions in mobility
 - Curfew
 - Suspended public transportation
 - Individual car travel restrictions



Severity of the lockdown



Source: 'Ease of exiting social distancing and achieving economic recovery in the EBRD regions', EBRD Note June 2020

Impact



Impact on:

- **Business continuity**
- **Business performance**
- **Employees and salaries**
- **Future outlook**

Institutional responses



State support:

- Income tax waiver
- Deferral of social security payments, payroll taxes, income taxes, rent
- Salary support
- Grant schemes
- Subsidised loans



Institutional responses



Support from MFIs:

- Moratoria and rescheduling
- Support in accessing state support
- Emergency lending
- Online facilities for loan application, monitoring, repayment
- Online coaching and mentoring
- Online communication tools
- Online sales platforms





Examples from the microfinance institutions responses

BCR SOCIAL FINANCE

Webinar on pandemic impact on clients and operations

BCR Social Finance

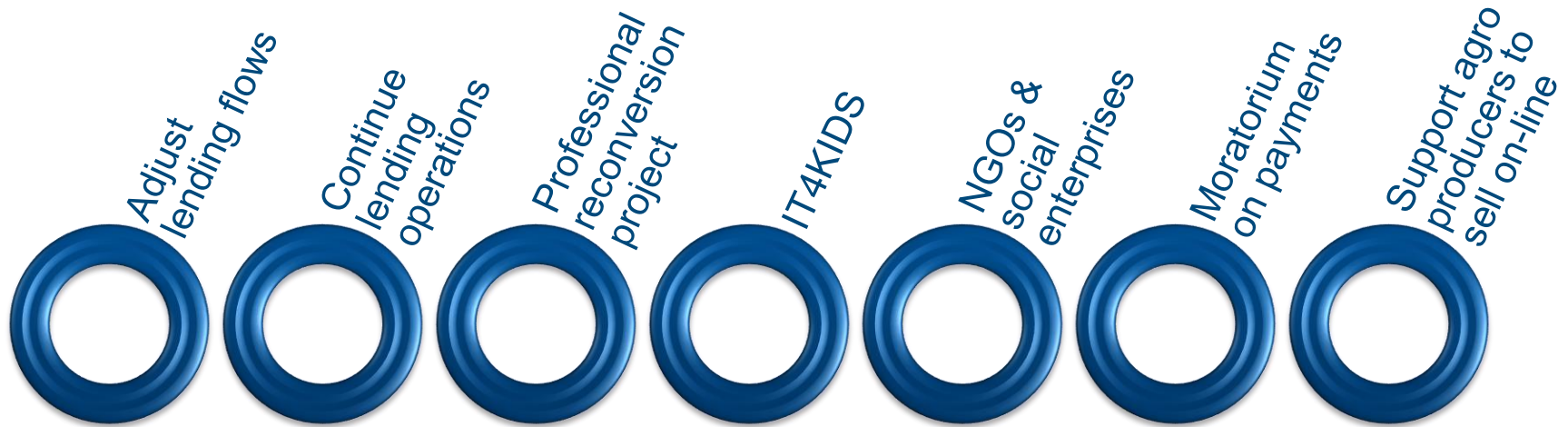
BCR Social Finance (former known as **good.bee Credit**) was established in 2008 in Romania as a non-banking financial institution

The main objective of BCR Social Finance is to support entrepreneurs and social enterprises to successfully develop their business through quality financial services in order to create impact in their communities

In 2017 BCR Social Finance received as the first institution in CEE the Award on the European Code of Good Conduct from the European Commission.

BCR Social Finance is owned by Erste Social Finance Holding (51%) and Banca Comerciala Romana - BCR (49%) aiming to become the first social finance company in Romania

BCR Social Finance projects for clients



BCR Social Finance

projects for clients - details 1/4

Adjust lending flows

- documents sent by email for analysis
- change order of operations to limit exposure to one visit
- collect and sign original documents requested by law all in one stop

Continue lending

- some of the banks and MFIs limited their activity to restructuring
- loan analysis - assess pre-Covid business performance & future plans
- support businesses digitization projects

Digital People with Informal School for IT

- Support 70 unemployed persons to enroll for specialized IT courses
- Payment of the courses is postponed until finding a new job
- Press conference on the program => companies offered to hire graduates of the courses

IT4KIDS

- Together with Romanian Commercial Bank, Informal School for IT, Ecotic, A.P.D.E.T.I.C and Ateliere fără frontiere
- Distribute over 300 tablets and laptops in rural areas for kids to be able to follow school online

NGOs & Social Enterprises

projects for clients 2/4

NGOs & Social
enterprises
were not
included in
Government
measures

BCR Social
Finance
implemented a
dedicated
product

Used EaSI SE
guarantee

Offer zero
interest until
end of 2020
with ERSTE
Foundation
support

Moratorium on payments

projects for clients 3/4

BCR Social Finance

- Prevention calls immediately when lockdown was enforced to check on need for
- Apply Government & BCR Social Finance moratorium
- BCR Social Finance solution
 - Interest & principal payment delayed
 - Interest not added to principal
- **Advantage:** more flexible solution, no increase in the principal
- **Disadvantage:** had to be reported as restructurings

Government solution

- Moratorium on payments up to 9 months
- Interest for the 9 months has to be capitalized
- Clients must not have past due payments at the time of the moratorium
- Postponed payments will not be reported as restructured loans
- **Advantage:** no reporting in the Credit Bureau
- **Disadvantage:** increased amount of the loan, interest on interest

Support agro producers to sell on-line

Projects for clients 4/4

Develop a partnership with agro market place Taraba Virtuala

Run an awareness campaign with BCR Social Finance clients

Cover for 2 months all costs for the agri producers (BCR Social Finance clients/non clients)

50% coverage of the costs for BCR Social Finance clients



tarabavirtuala.ro/blog/2020/04/02/taraba-virtuala-devine-partener-bcr-social-finance/

TARABA VIRTUALĂ VINDE-ȚI PRODUSELE CONTACT DESPRE

NOUȚĂȚI

Taraba Virtuală devine partener BCR Social Finance

Posted by TARABA VIRTUALĂ on APRIL 2, 2020

Pandemia de coronavirus ne testează pe toți și generează un șoc major pentru societate și economie. Acum este momentul să utilizăm tehnologia pentru binele societății și să testăm abilitatea noastră de a colabora pentru a ajuta economia reală.

În contextul actual, [BCR Social Finance](#) a semnat un parteneriat cu Taraba Virtuală, o platformă online care reprezintă o alternativă de vânzare a produselor tradiționale românești, pe care ne dorim să o dezvoltăm în cadrul [Acceleratorului BCR InnoV](#).

Limba: [RO](#) [EN](#) [FR](#) [ES](#)

Taraba Virtuală
Produse și povești proaspete

BLOG VINDE-ȚI PRODUSELE CONTACT

Produse locale, oricând la ușa ta

Caută producătorii locali ce pot livra la adresa ta

Stradă și număr

Ține-ne în buzunar!

BCR Social Finance employees





**TOGETHER,
FOR MORE IMPACT.**

Technical assistance to our clients via webinars

OUR MISSIONS

FINANCE

People without access to loans from the mainstream banking system, who want to create, consolidate or develop their business.

SUPPORT

Entrepreneurs, before, during and after their business creation to ensure the development and the sustainability of their activity.

DEFEND

Through advocacy, the right to economic initiative for everyone.

COVID's impact on ME's in Belgium

- ▶ Mid-march: **lockdown** for almost ALL entrepreneurs
- ▶ **Governments** (Federal and regionals) put in place several **support measures** to help entrepreneurs:
 - ▶ Deferral of payment of social security contributions
 - ▶ Deferral of payment of VAT
 - ▶ Possibility to get a social income of +/- 1.200€/month
 - ▶ Possibility to get a compensation between 3 & 5.000€ to pay the fixed costs (depending on the region)
- ▶ **BUT not all MEs have access** to these compensations
 - ▶ Lack of information / difficult access
 - ▶ Based on revenues 2 years from now
 - ▶ Language issues
 - ▶ Etc.
- ▶ **Same statement for the relaunch plan** of the governments that depend on the bank sector

microStart's relaunch plan

EMERGENCY



Credit: Max 2.000€ +
1.000€ (0%)

Free **webinars** on COVID
measurements

Individual **coaching** (via
phone or video call)

From march till May 2020

RELAUNCH



Credit: Max 12.000€ +
3.000€ (0%)

Free **webinars** on
specific topics

Individual **coaching**
(onsite or video call)

Collective **training**
(onsite or online)

From June till September 2020

GROWTH



Credit: 20.000€ + 5.000€
(0%)

Free **webinars** on
specific topics

Individual **coaching**
(Onsite or video call)

Collective **training**
(onsite)

Start on October 2020

microStart's measures

- ▶ The 1st day of the lockdown, we set-up a **crisis unit**
- ▶ The following actions have been put in place:
 - ▶ **Hotline** to answer all clients / entrepreneurs questions
 - ▶ All advisors **called** all their client (each month)
 - ▶ Implementation of **digital coaching**
 - ▶ Implementation of **digital loan request**
 - ▶ Implementation of **digital signature** (CONGA)
 - ▶ Development of a new website with a **chatbot**
 - ▶ Give our clients the possibility to have **payment exemption**
 - ▶ Development of **webinars** offer
- ▶ We also did a **survey** (with Accenture) to measure the economic impact on MEs
- ▶ We **advocate** the results + propose some additional measures to all governments

Follow-up of microStart's emergency support

+4500

Calls treated
(incoming or outgoing)

+950

Participants
to webinars

+1300

Deferals of payment
realized (40% of PF)

+215

microcredits
since March

+180

Prêts d'honneur (0%)
Since March

+1800

Coaching actions
By video call or onsite

80%

of customers
reached by phone

Numbers on 31/08/2020

Webinars' topic

- ▶ Thanks to the **support of our partners** such as ING, BNPPF, Accenture, YBI / google (content, funds etc.)
- ▶ We use the following **tools**: clickmeeting, hangoutmeets or zoom
- ▶ Topics **during the lockdown**:
 - ▶ COVID's measures from government and microStart (French, Dutch, English and Arabic)
 - ▶ Cashflow management during a crisis (Dutch & French)
- ▶ Topics **after the lockdown**:
 - ▶ Redefine your commercial strategy (both directly to the entrepreneurs + through accountants)
 - ▶ Become a social media expert
 - ▶ (Dutch & French)

Webinars' topic

- ▶ Till the end of 2020: **5 webinars / month:**
- ▶ **Old topics** (cashflow, etc.)
- ▶ **New topics development:**
 - ▶ Manage your bankruptcy
 - ▶ Negotiate your rent
 - ▶ How to finance your project
 - ▶ Business Model Canva
 - ▶ Or With the support of partners:
 - ▶ Factoring (Koalaboox),
 - ▶ Subsidies in Brussels (BNP)
 - ▶ Etc.



OUR PARTNERS

Thanks to:



Ce financement bénéficie du soutien de l'Union européenne au titre de l'instrument de garantie institué par le règlement (UE) n° 1296/2013 du Parlement européen et du Conseil établissant un programme de l'Union européenne pour l'emploi et l'innovation sociale (EaSI)

with the support of:



Winners and Losers & Looking ahead

Winners



- Not mandated to close their businesses
- Located in rural areas
- Able switch to online selling and marketing
- Able to take advantage of support programs during the pandemic



Losers



- Forced to close down their business activities and were not offered any financial compensation or support.
- Operating in the services sector, with those providing personal services.
- Not prepared to or not able digitalize their operations and use online channels
- Early stage businesses which did not have time to establish themselves on the market



Future challenges



Financial challenges

- paying loans to MFIs and other lenders
- meeting other financial obligations

Business challenges

- Restarting business activities
- Rebuilding the client base and restoring prior business relations
- Adapting the business to the new rules of doing business

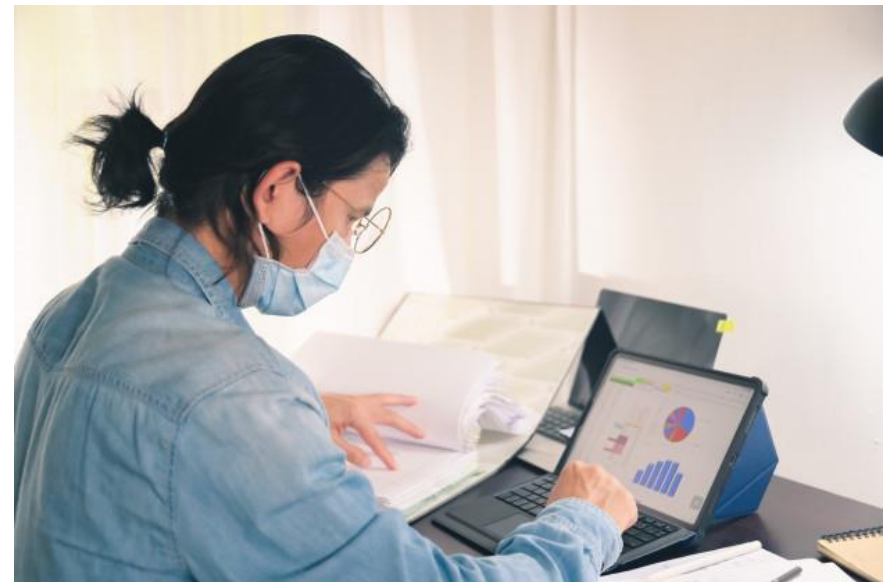


Future challenges



Personal challenges

- Learning new skills to operate in the virtual and digital world
- Overcoming the fear of failure when restarting the business



Solutions



- Targeted support incentives to increase demand for products and services offered by microfinance clients
- General support packages to restart or re-profile a business after the COVID-19 crisis
- Conditional full or partial loan forgiveness for entrepreneurs who will restart their businesses or create new jobs within the next 12-18 months
- Coaching and mentoring to improve business management and digital skills

 **500⁺**
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MICROFINANCE CENTRE

Discussion & Question time

Coming next



**07.10, 11.00 - Impact of the COVID-19 Pandemic
on Microfinance institutions in Europe**

Digital Literacy Bootcamp



06.10 at 11.00 Artificial Intelligence for MFIs – case studies

13.10 at 11.00 Introduction to Data Management Platforms



... and more at <http://mfc.org.pl/digital-literacy-bootcamp-diglit/>

#DigLit Bootcamp

NEW: Leaders in digital era



October 8th: Always winning team

- Understand emotional capabilities of people
- Incentivising employees working from home
- Reading non verbal communication
- And more...

More information



Thank you!



Contact us!

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