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### **RESEARCH ARTICLE**

#### **EFFECTS OF LOCKDOWN ON MICROCREDIT PROGRAMMES AND ITS BORROWERS LIVELIHOOD CONDITION DUE TO COVID-19 ON SOME SELECTED NGO-MFIS IN BANGLADESH**

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#### **Abstract**

A new type of life threaten virus namely COVID-19 spread out all over the world at the end of 2019 and it is continuing until now. Government of many countries were forced to declare state of emergency like lockdown to maintain social distance from each other as the virus was infectious and still there is no vaccination or medication innovated to protect it. Bangladesh Government was also declared lockdown for more than two months started from end of March to end of May in the year 2020. All types of communication and economic activities were stopped during the lockdown time. Like many other sector microfinance sector and its beneficiaries were also suffered a lot. Through this study it has been revealed that during lockdown period microfinance programme affected and the livelihood situation of its beneficiaries were also affected severely. Based on the findings, some recommendations have been made for further strengthening of microfinance programmes and improvement of livelihood situation of its beneficiaries.

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#### **Introduction:-**

Microcredit/ Microfinance programme has been proved as an effective poverty alleviation tool with a positive impact on economic growth and social development. Microfinance programs globally considered as one of the most significant tool to fight against poverty. Bangladesh is the birthplace of modern microcredit/ microfinance and it has achieved a significant maturity from its inception in the country. It is also believed that microcredit / microfinance is now a day the life blood of rural economy of Bangladesh. A number of Non-Government Organization – Microfinance Institutes (NGO – MFIs) in Bangladesh are now operating microcredit/ microfinance programme to alleviate the poverty of poor people as well as for their organizational sustainability. But in the year 2020 a new type of life threaten virus spread out all over the world and government in many countries were forced to declare state of emergency like lockdown to maintain social distance from each other as the virus was infectious and still there is no hundred percent effective vaccination or medication innovated to cure up from it. The Government of Bangladesh declared a nationwide holiday (Lockdown) for more than two months in 2020. However, this type of holiday affected the microcredit/ microfinance sector in Bangladesh. Thus, like many sectors microfinance sector was also disrupted in Bangladesh due to the lockdown declared by the Bangladesh Government to stop spread of Covid – 19 viruses. Microcredit Regulatory Authority (MRA) in Bangladesh was also issued some circulars for

NGO- MFIs for not to classify loan installment as overdue amount until December 2020. Thus, NGO-MFIs in Bangladesh had to face a challenge to survive in this critical situation. Considering these circumstances, we planned to conduct a short survey to oversee the effect of lockdown on NGO –MFIs microcredit / Microfinance programme and its borrower's livelihood condition during the lockdown period.

### **Objective:-**

The overall objective of this survey was to find out the general effect of lockdown (two months long holidays) declared by Bangladesh Government due to Covid-19 on microcredit / microfinance programmes and the livelihood condition of its borrowers.

### **Methodology:-**

The research has been conducted using both qualitative and quantitative data and information. A short survey was conducted among the selected credit beneficiaries of four NGO-MFI's microcredit programme. A well-structured short questionnaire was used for this purpose which contains both quantitative and qualitative questions. A checklist was also used to collect basic information of NGO-MFIs microcredit programmes of two financial years like until June 2019 and until June 2020 to compare the situation of the microcredit status. It is noted here that 622 microcredit borrowers have been selected from microcredit programmes run by four NGO-MFIs in Bangladesh. Purposive sampling technique was applied to select the respondents for interview.

### **Findings And Discussion:-**

It has been found that total number of member of microcredit/ microfinance programme has decreased and the total number of active borrowers has also decreased from 2019 to 2020. Loan disbursement has decreased in 2020 but loan outstanding has increased within this period. Loan realization/ recovery have also been reduced in the year 2020 and the overdue amount has also increased in this period. Total income from microcredit/ microfinance programme has decreased in 2020 and the net surplus has also decreased remarkably in 2019 -2020 financial year. So, all these indicators indicate that there is an effect of lockdown due to Covid -19 on NGO-MFIs microcredit/ microfinance programme. The net surplus income from the Service Charge has been reduced from the previous year due to the following reasons: (i) as per Government decision the microcredit programme was operated in a limited scale for about 03 months (April 2020 -June 2020) due to Corona Virus Pandemic, (ii) The disbursement and Realization of credit money could not be done fully during this period, (iii) The local administration instructed to all NGO-MFIs for not creating pressure to credit beneficiaries for realization of the credit money until September 2020. The borrowers who are willing to pay back the money only realization can be made from them. For these reasons the net surplus income from the service charge was less than the previous year.

From the survey regarding the effects on livelihood situation it has been found that a very large portion of the respondents (96.4%) mentioned that their monthly personal income was decreased during lockdown period. A good portion of the respondents (95.2%) mentioned that their household average total monthly income decreased during lockdown period. Around 77.5 percent of them mentioned that their household average total monthly savings has decreased in this time. Thus, it indicates that as they had no income during this period so they were forced to spend their savings money. The other issues of socio-economic effects are as: compelled to leased out agricultural land; Compelled to starve / without food; Bound to sell the cattle/livestock; Failing to pay electricity bill, gas and water bill; It became difficult to bear household expenses; compelled to sell movable assets like, television, refrigerator, mobile phone, etc. Regarding the effects on health care and education all the respondents (100%) admitted that due to lockdown their school going children experienced hinder of session loss/ lesson learning at school. Around 70.5 percent of them mentioned that they failed to take doctors help/ treatment during own or any other person's illness in their family. Regarding the Effects on Income Generating Activities (IGAs) and Back Payment of Loan Installment over two-third (66.7%) of the respondents mentioned that they were bound to withdraw their savings money during lockdown period. A good portion of them (65%) mentioned that they were compelled to shut down their income generating activities (IGAs) during lockdown. Many of them mentioned that they were bound to spend the loan capital for their household expenses. Some of them mentioned that they were forced to withdraw the savings money. A good portion of them mentioned that they were incapable to pay back the loan installment. Regarding psychosocial effects, a very large portion of the respondents (98.5%) reported that they were lived in acute panic during lockdown period. A very good portion of them (97.8%) of them mentioned that their mental anxiety was increased during this time. The other psychosocial effects that the respondents mentioned

are: increased obsessive behaviors; increased paranoia; increased depression; spousal violence happened during lockdown; violence on children happened; feeling of uncertainty increased during this time, etc.

The respondents who had to stop their IGAs opined that they had to stop their IGAs during lock-down period but they think that they will start the IGAs again after lockdown. They need further loan (re-scheduling the existing loan) to start their IGAs otherwise it would be difficult for them to pay back the loan installment regularly. They also mentioned that they never faced such difficulties in their life so they need some time to pay back the loan installment. They also mentioned that during lockdown they had to suffer a lot as they could not go outside for work so their income was down and many of them had to pass the day with one or two meal. All the respondents mentioned that they received food support like rice, potato, pulse, salt and hygiene kits like soap or hand sanitizer from NGO-MFIs. They mentioned that the support was very helpful for them. A few of them mentioned that they did not receive any cash or kind support from Government or other NGOs.

Branch Manager (BM), Accountant and the Field Workers (FW) of NGO-MFIs mentioned that due to lockdown the microcredit programme disrupted. During lockdown period most of credit borrowers were bound to stay at home. They could not go outside and work. They spent their loan capital for their survival. Credit borrowers could not pay back their loan installment. All these made a crisis on smooth operation of microcredit programme. During lockdown the recovery rate was 30% to 40 % but now the recovery rate is almost 80%. They also opined most of the loanee member and others income earner of their family were unemployed during lockdown period. Some of them were forced to shut down their IGAs and small business. Many of them had to suffer from money and food crisis. They also mentioned that they never experienced such an incident in their life. They have also mentioned that by preparing a ‘Strategic Work Plan’ they may collect the overdue amount. Moreover, they will classify the overdue amount year wise and they will strengthen their team work to collect the most recent overdue amount. Those loanee members who became most damaged should be given priority to provide second loan by rescheduling their earlier loan. They also mentioned that during this time the relationship between credit workers and credit borrowers should be cooperative and friendly. They also mentioned that the organization should be more supportive to its credit staffs at this time of corona situation. They also stated that the microcredit borrowers are severely affected financially which affected the collection of installments of the loan money provided by selected NGO-MFIs. So, it is better to provide some sorts of assistance like re-scheduling the loan or give them more time to encourage the microcredit borrowers to pay back their due installments. At present the situation is improving gradually. They also mentioned that they are working with a humanitarian way and also they are encouraging their group leaders to motivate the group members on several social and environmental issues maintaining social distance.

### **Recommendations:-**

Based on the study findings we may keep some recommendations for further strengthening of the microcredit programme of NGO-MFIs.

1. It needs to prepare a “Strategic Plan” to run the microfinance programme smoothly which could be coming back step by step.
2. Loanee members who have become default during lockdown period should communicate regularly to overcome their bad economic situation and motivate them to pay back the loan in installment. Not only should that staff provide all sorts of Govt. information on Covid management.
3. Group activities should be strengthened through psychological motivation and try to create scope for working environment.
4. Overdue loan needs to classify according to Microcredit Regulatory Authority (MRA) rules and proper steps should be taken to collect it.
5. Loan rescheduling process should be considered in case of those borrowers who could not re-pay a few installments of their last loan.
6. In this Covid - 19 pandemic situation motivations on health, hygiene, child care and education, violence against women etc. should be provided to the credit beneficiaries to build up their health and mental courage.
7. Organization should be more supportive to its workers and beneficiaries.

### **Conclusion:-**

The two months long lockdown due to a global pandemic Corona Virus Disease (Covid-19) disrupted normal operation of microcredit/ microfinance programme of NGO-MFIs in Bangladesh. It has also affected thousands of microcredit/ microfinance borrowers financially, socially and psychologically. But despite all these obstacles it is the believe that the microcredit/ microfinance programme of NGO-MFIs will turn around forward like before

pandemic to serve for the millions of deprived and destitute women in Bangladesh. The dedicated management and skilled staff of NGO-MFIs microcredit programme will be working tirelessly in this regard. In this crisis moment of COVID - 19 situation NGO-MFIs authority has shown their highest strengths to save the microcredit system. They should protect their whole staff in cash and kind with a very humanitarian outlook. Thus, in conclusion we can say that though the microcredit/ microfinance programme of NGO-MFIs hampered but it will be back again on its own path (way). With all sorts of fear society is also coming back in to a new normal life. NGO-MFIs authority is very much hopeful that their beneficiaries will be able to uplift their livelihood through this microcredit/ microfinance. Microcredit/ microfinance as a system, as a scheme, as tool for fighting against poverty will sustained over time.

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