

Understanding the Impact of **COVID-19 PANDEMIC** On Microfinance clients

Round 2 Survey Main Report

May 2021





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1. TIMELINE of LAO PDR GOVERNMENT COVID-19 ACTIONS

Background and Context

- **First wave of COVID-19 happen in March 2020 with Prime Minister's Order No. 06 dated 29 March 2020 imposing the first lockdown.**
- **Second wave of COVID-19 occurred in April 2021 with issuance Prime Minister Order No.15/PM(dated 21 April 2021) imposing the start of the second lockdown**
- **MFIs should seriously take more permanent action to help clients attain long-term resiliency to mitigate and cushion the ongoing impact of a pandemic.**
- **MFIs should be able to take immediate action to make its operation pandemic-proof and become institutionally ready to help clients in times of severe crises.**

1. TIMELINE of LAO PDR GOVERNMENT COVID-19 ACTIONS

1ST WAVE

2ND WAVE

CONTAINMENT of OUTBREAK

Airport: Tight Screening
Controls at Border crossings
Controls at Foreign Workers'
Camps: Screened &
Quarantined for 14 days foreign
workers at all camp sites

End March- April

Feb-March

1st LOCKDOWN

Enforced Nationwide, April 1-19
2020 (Prime Minister order No.
6 March 29 2020) lockdown later
extended to May 2020.
Movement of people controlled
and including travels
Border checkpoints blocked
Suspension of work

CONTROLLED REOPENING

Prime Minister Notice 580- dated
May 15, 2020

Vital Health measures still imposed
Resume work in public & private offices
Resume retail & some services
businesses
Border remain closed
VISA issuance to travelers on hold

May 2020

April 2021

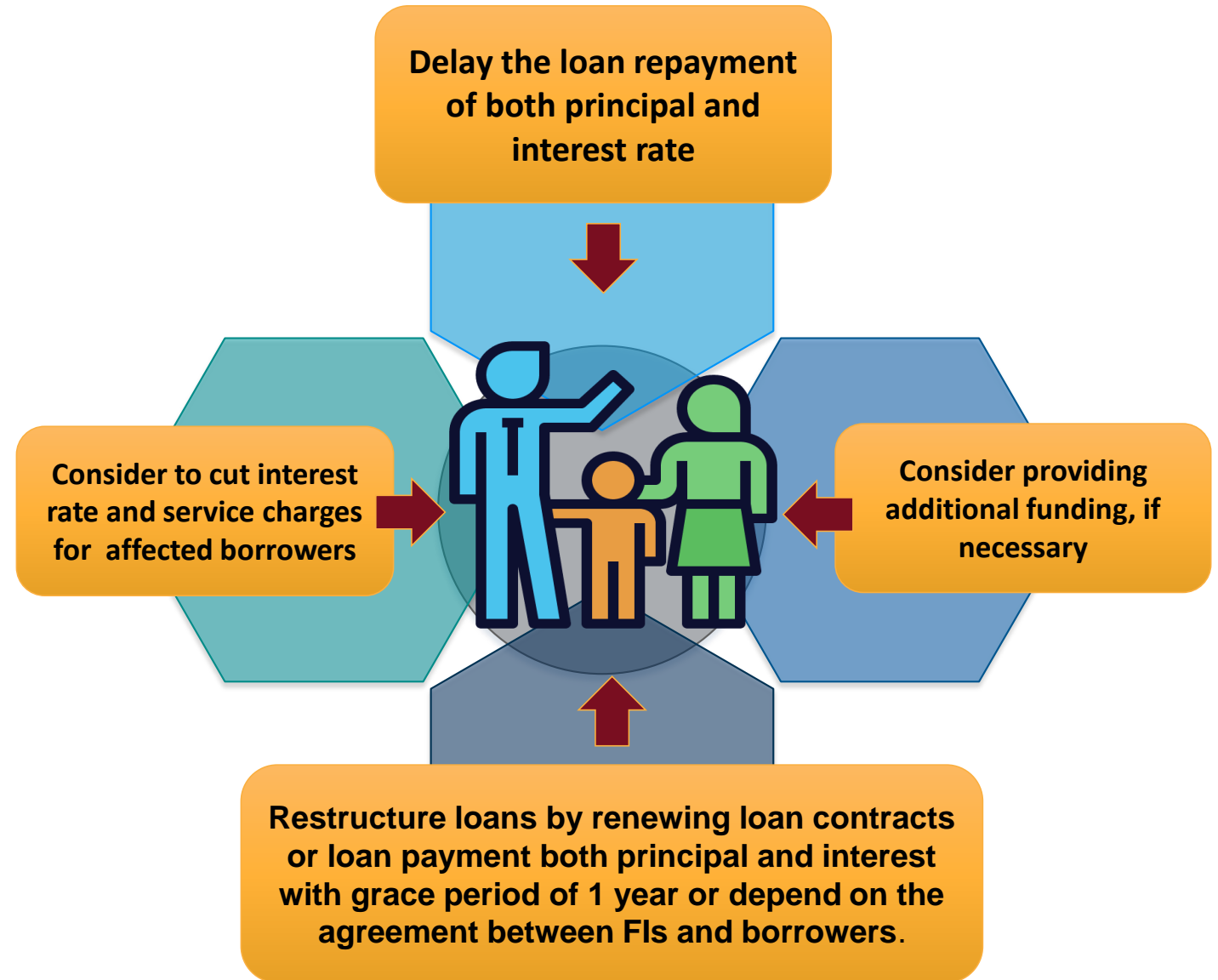
2nd LOCKDOWN

Enforced , 22 April to 6 May 2021
(Prime Minister order No. 15 Dated
April 21, 2021)
Movement of people controlled
Suspension of work in all public & private
offices except for vital businesses
Localized infection in all 18 provinces
As of 10 May 2021:
Total reported cases:1,327
Total Active cases: 1,088

1. TIMELINE of LAO PDR GOVERNMENT COVID-19 ACTIONS

Background and Context

- The Bank of Lao PDR issued the Decision on Specific Credit Policy for Commercial Banks and Financial Institutions, No 238/BOL in March 2020
- Financial service providers are encouraged to take action to ease the loan burden of affected clients;



2. OBJECTIVES

Specifically the survey was designed to:

- ✓ Understand how the COVID-19 impacted MFI clients
- ✓ Apply the results of the survey to MFIs product design
- ✓ Present the results and engage the regulators

3.Key Activities

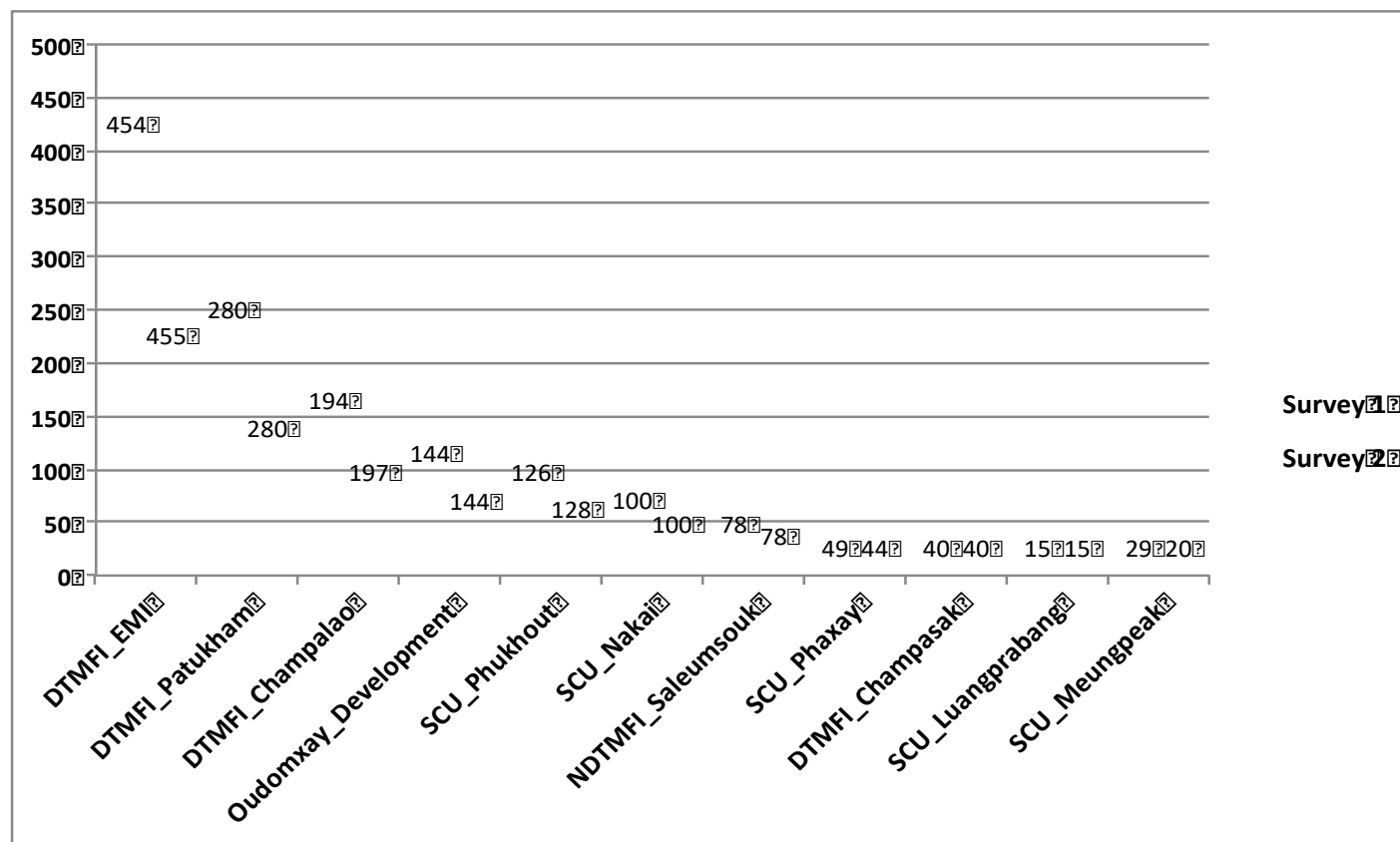
This survey involved 2 rounds where randomly selected clients of 11 MFIs were interviewed. Specifically the following activities were carried out;

- Worked with 11 MFI members to survey 1500 clients
- Used SPTF COVID-19 Survey tool and ValiData on-line platform to manage survey results
- Trained and deployed 18 surveyors. The first-round of survey started November 2020
- Conduct two-rounds of survey– one in November 2020 and another one in April 2021
- Disseminate analysis of the results of each of the survey to participating MFIs
- Discuss the final results after the 2nd round with sector leaders and identify actions to take in response to the findings
- Prepare final report summarizing key findings and lessons learned during the implementation

Part 4. Survey Results

Distribution of Respondents

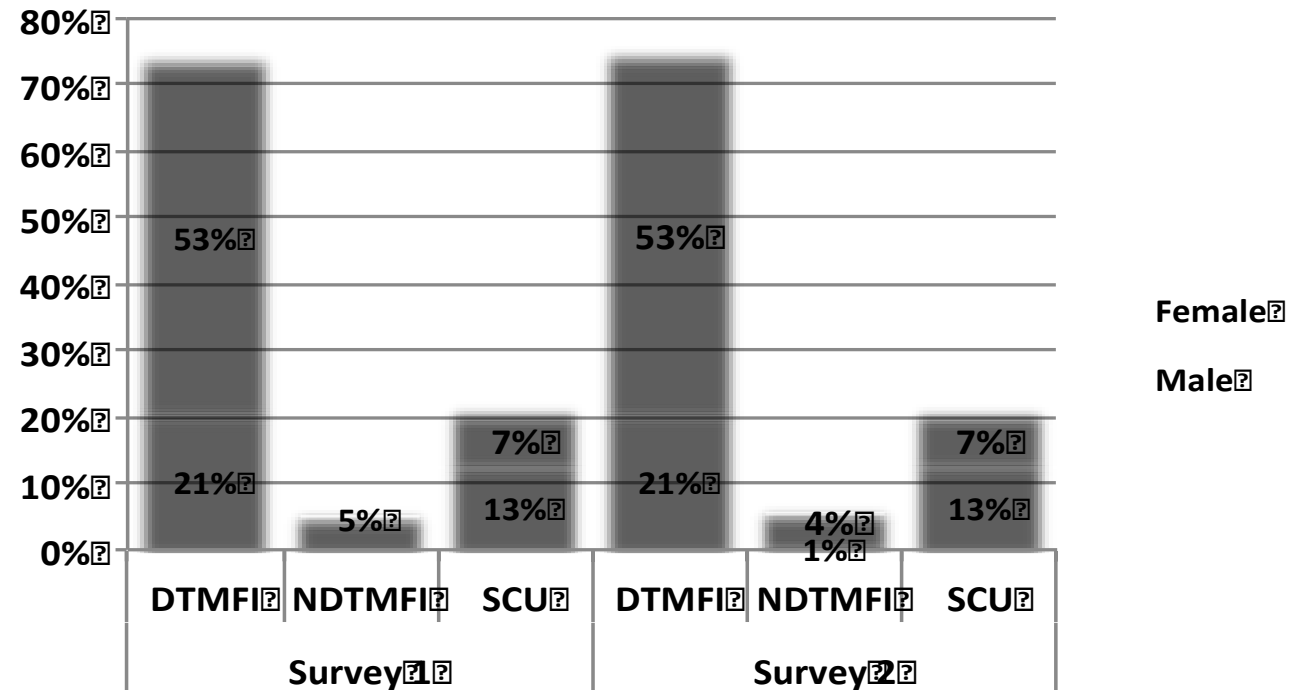
The total respondents for this round of the survey was 1501 clients. Three MFIs contributed more than 50% of the total MFI clients that were surveyed.



Part 4. Survey Results

Respondents Profile

For both surveys, majority of the respondents were women MFI clients

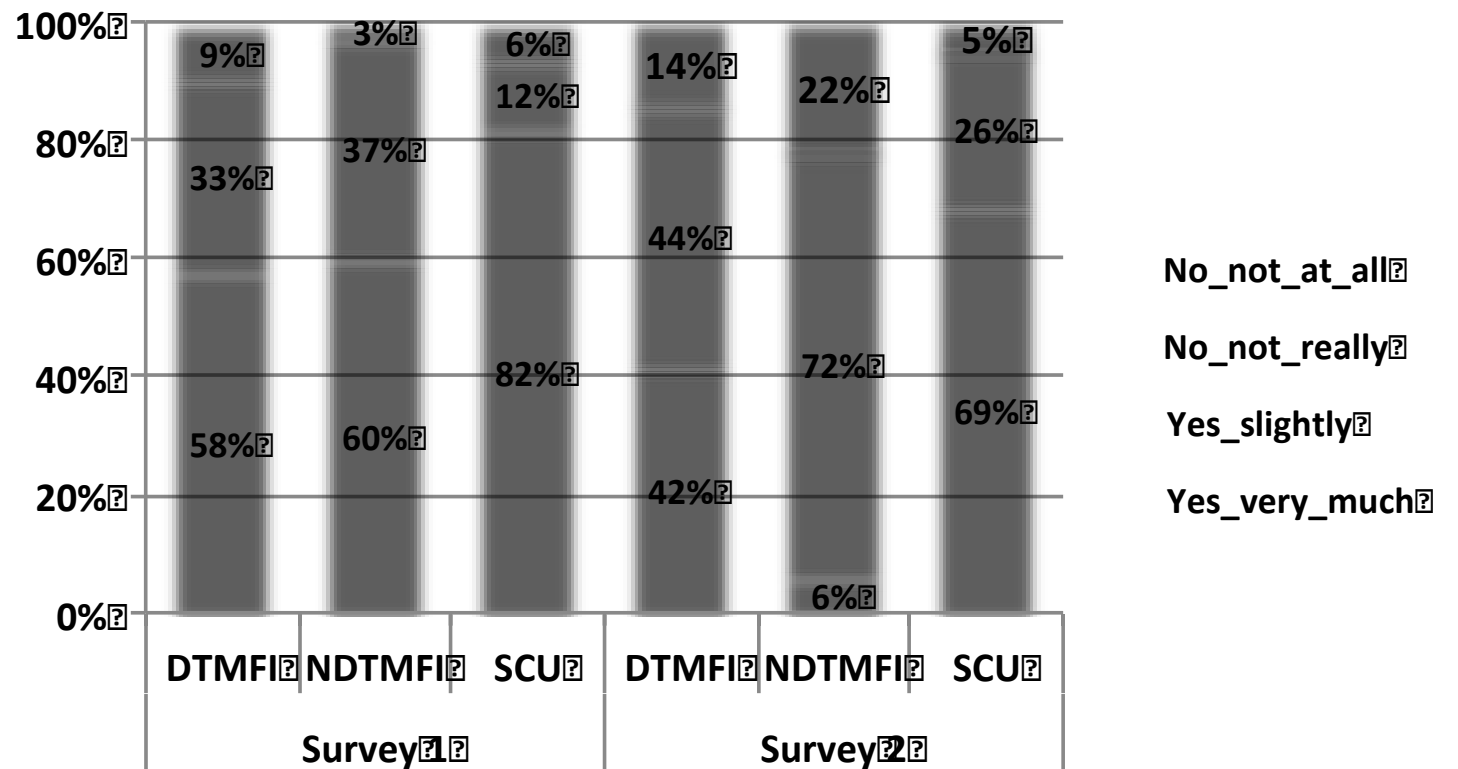


A. Insights on Clients' Concerns about COVID-19

The vast majority of clients have experienced a lesser degree of anxiety.

During the first round of the survey the majority of clients were very much concerned about the impact of the pandemic.

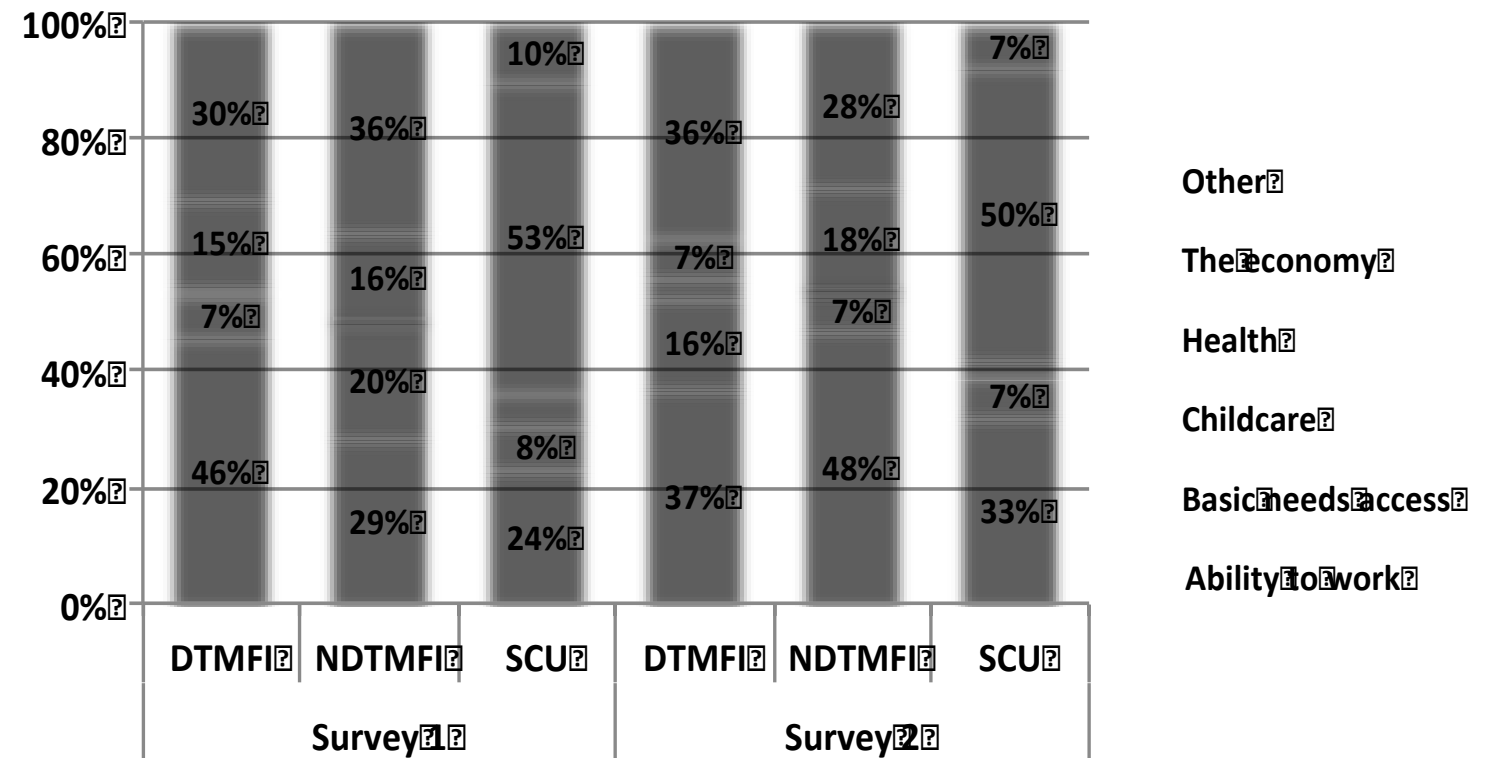
But during the second round, fewer clients are experiencing high level of concern



A. Insights on Clients' Concerns about COVID-19

The top two concerns of most clients are;

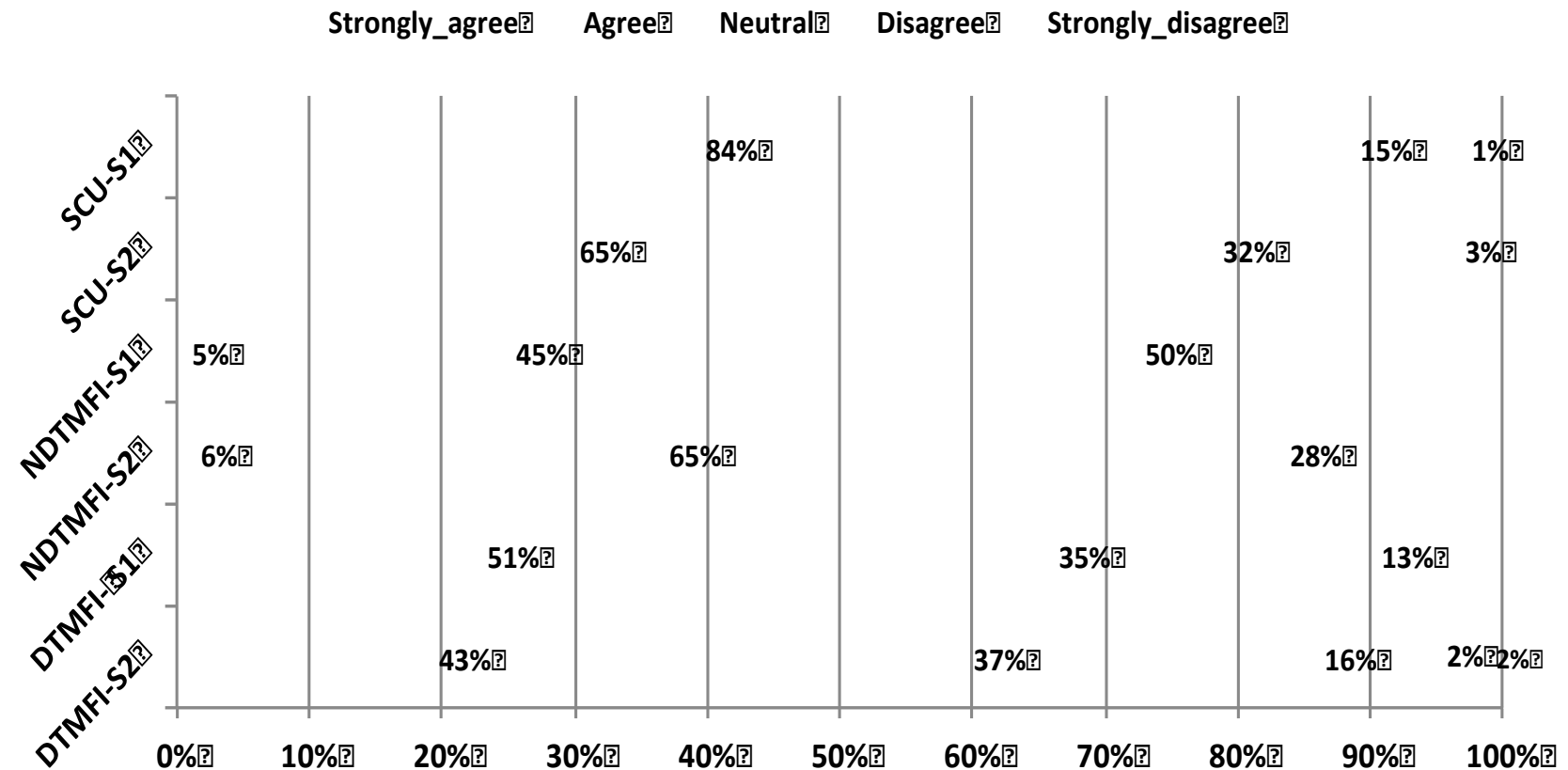
- ✓ their ability to work;
- ✓ the negative impact on the economy.



A. Insights on Clients' Concerns about COVID-19

Health risk remained to be a serious concern for the majority.

Clients remained worried and felt disturbed about the impact of the pandemic on their health including their family.

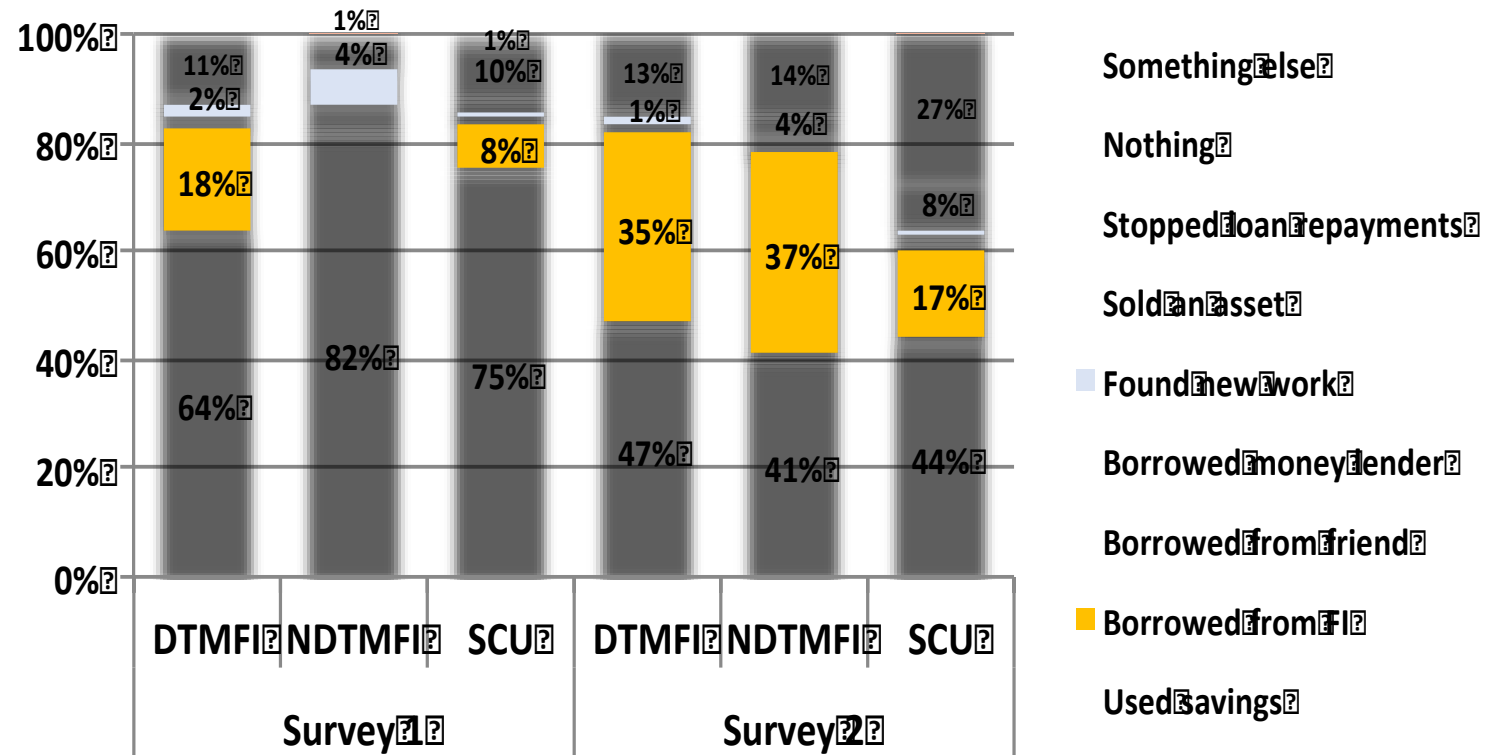


A. Insights on Clients' Concerns about COVID-19

Throughout the pandemic, the coping mechanisms that majority of clients resorted to, have evolved—

Savings remained to be a very important coping mechanism.

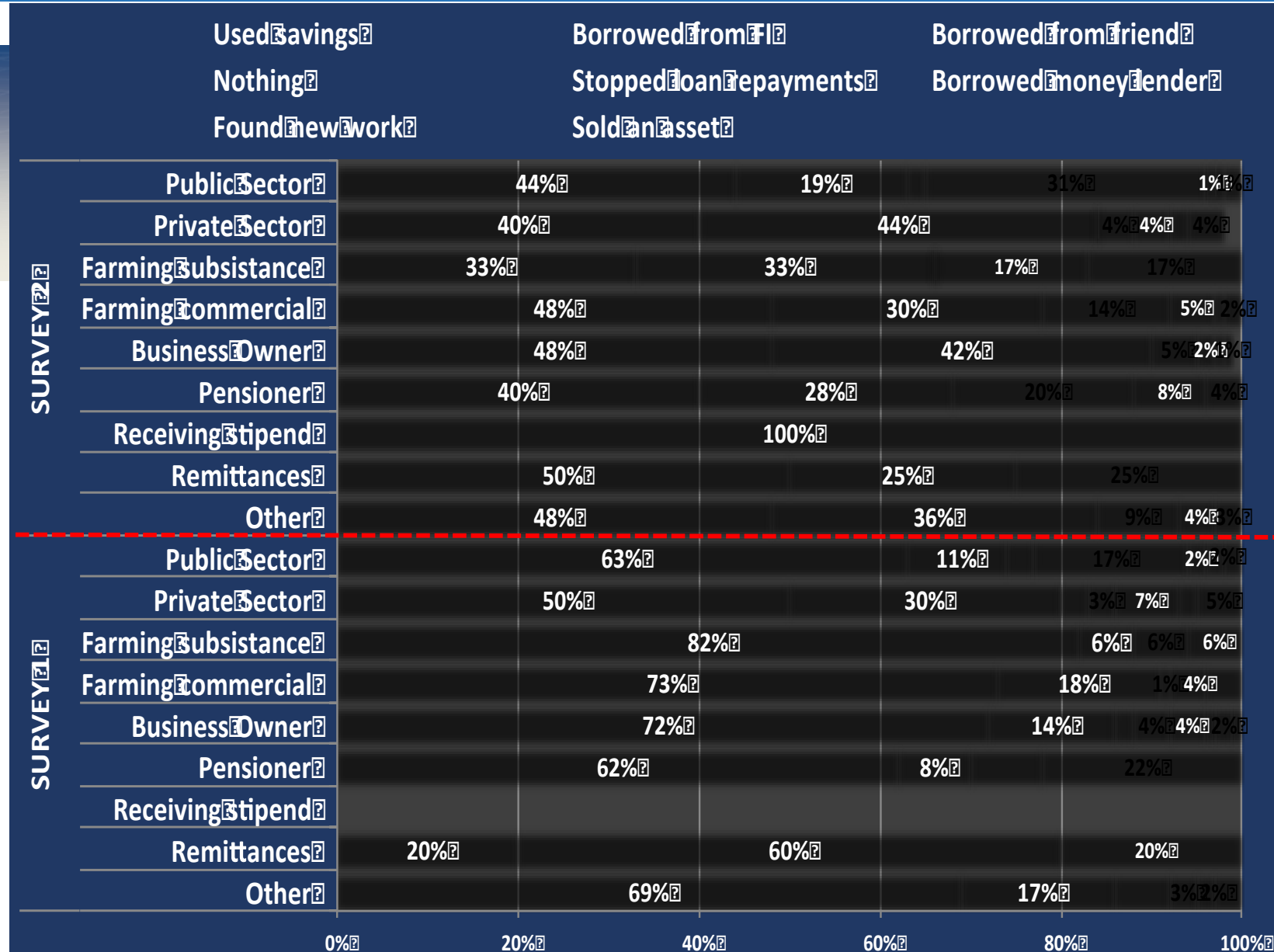
More and more clients shifted to use the loan from MFIs to cope.



A. Insights on Clients' Concerns about COVID-19

By type of income sources, the majority of clients continued to rely on their savings to cope with the pandemic.

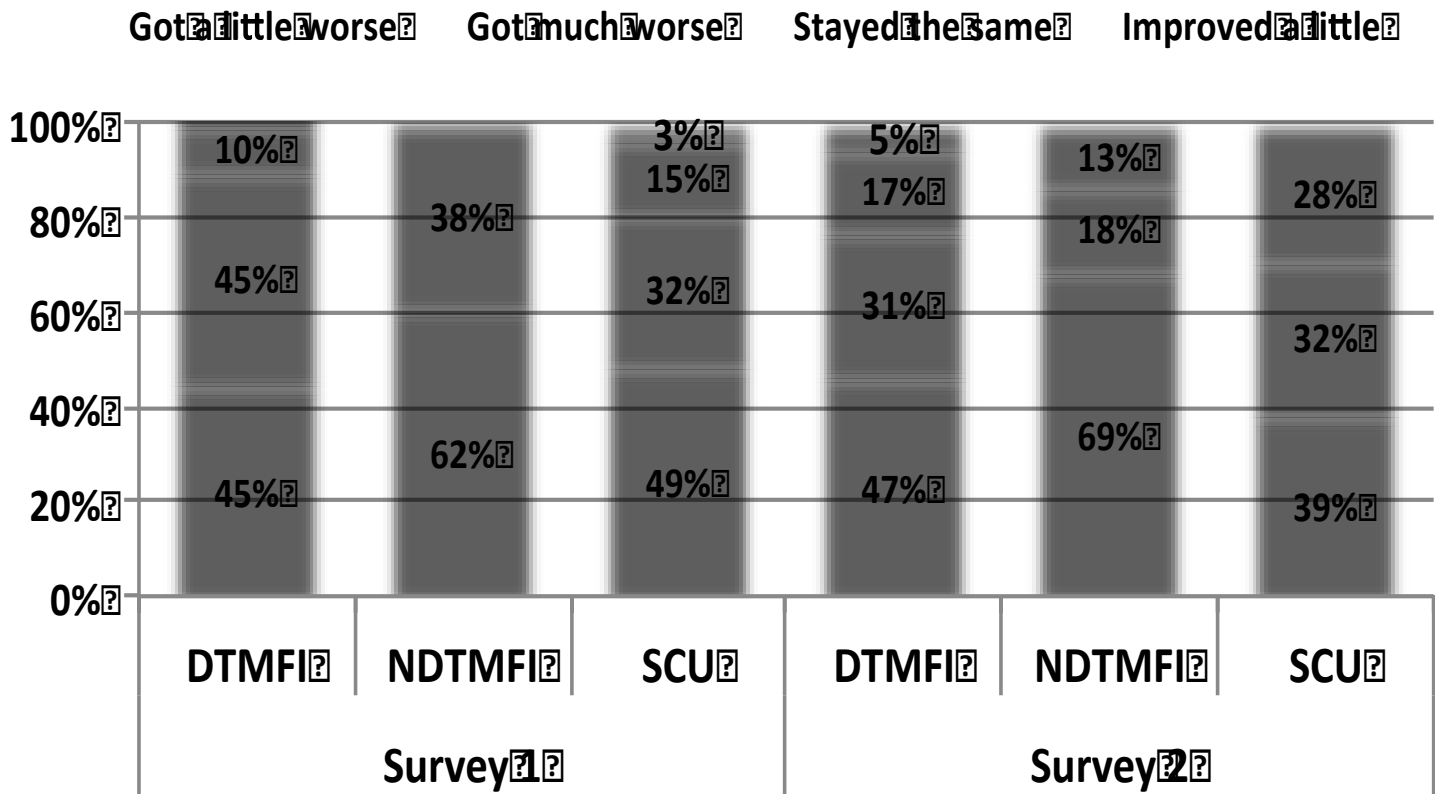
These trend is a result of clients beginning to use up all of their savings over time.



B. Insights on the impact of COVID-19 to Clients' Finances

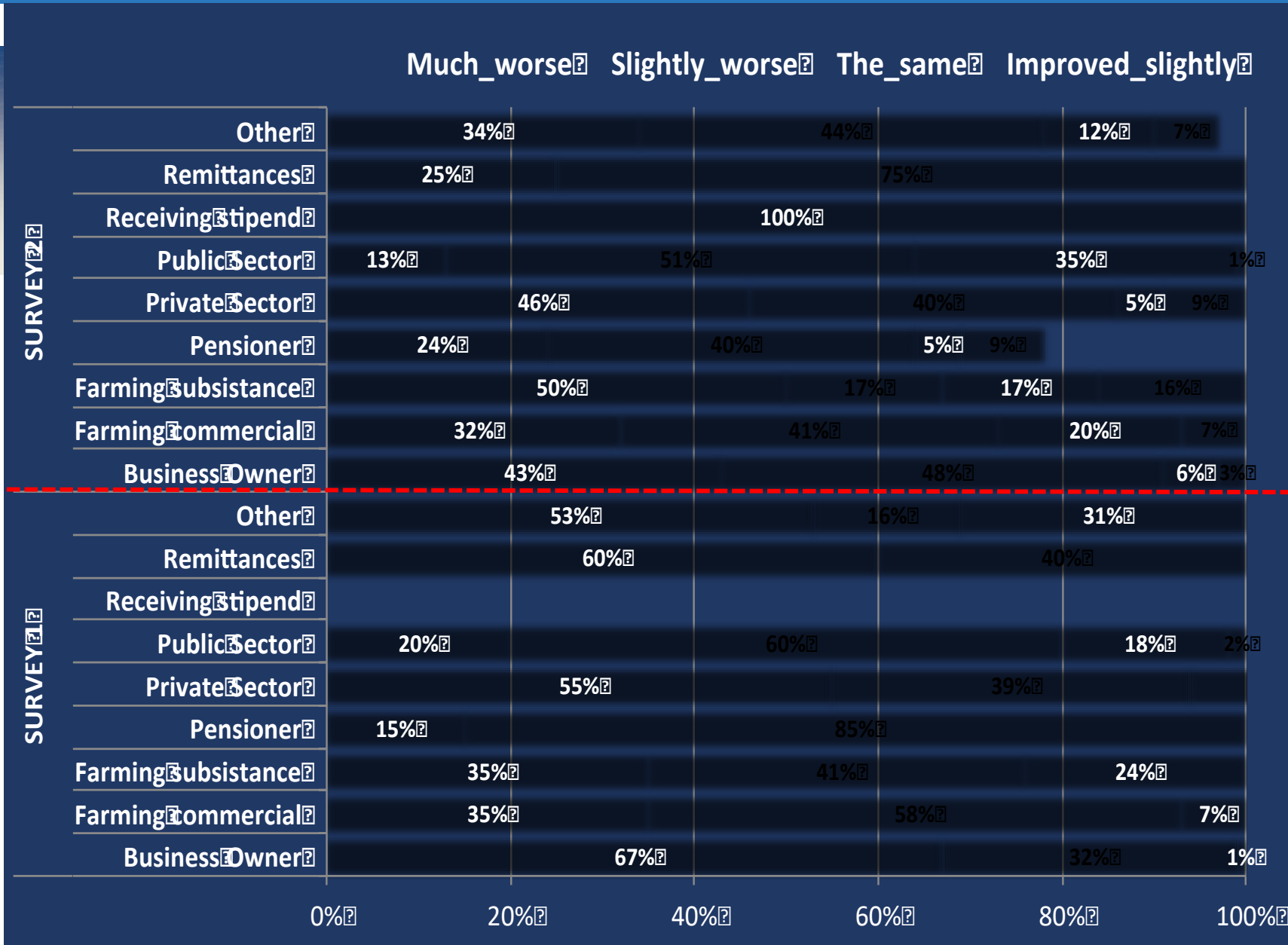
The majority of clients felt that their financial situation has deteriorated because of the pandemic.

But, there is a slight recovery in the financial position of some clients.



B. Insights on the impact of COVID-19 to Clients' Finances

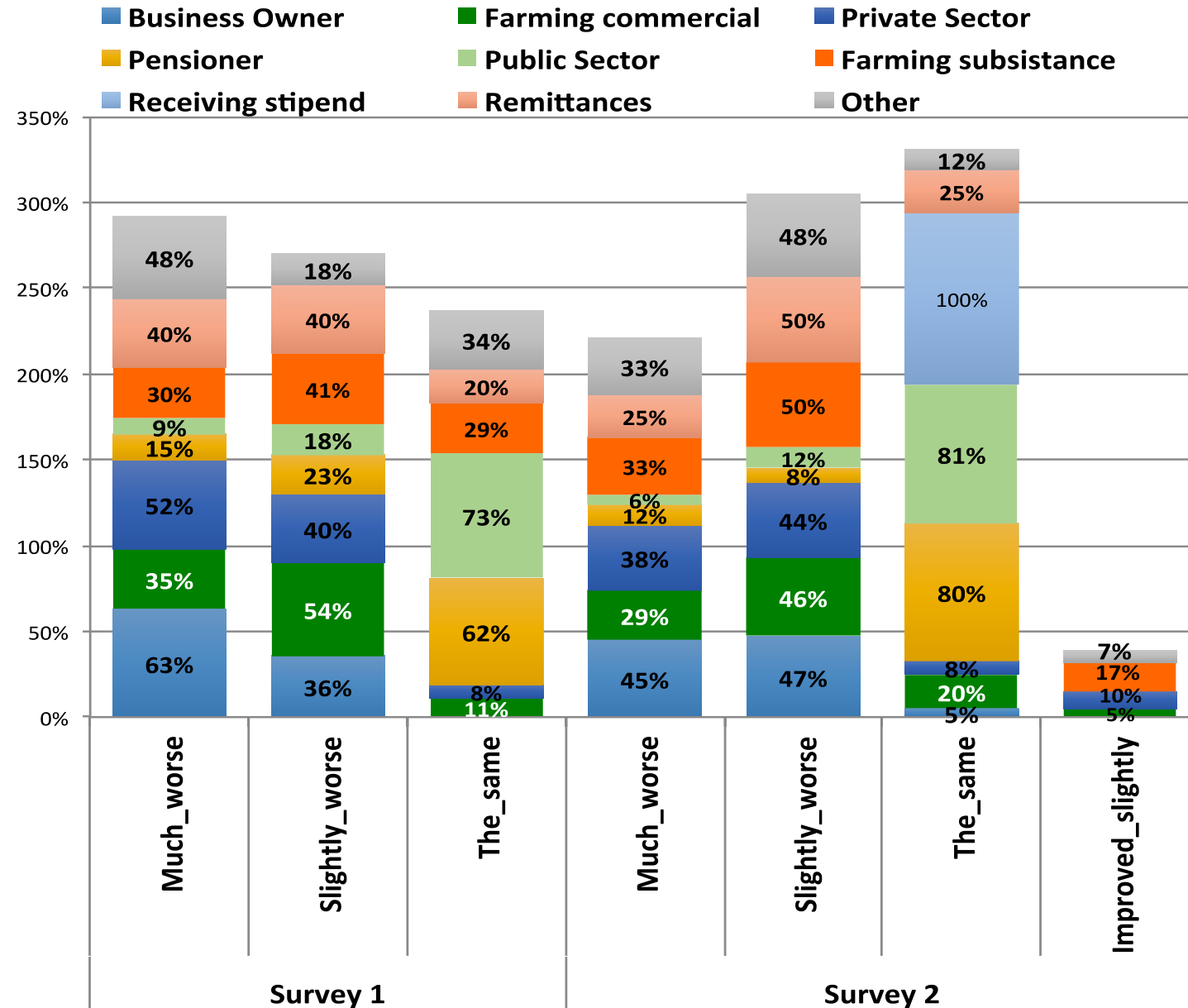
The negative impact of the pandemic continued to deepen on the finances of the majority of clients across income sources but some experiencing a slight recovery in their financial position.



B. Insights on the impact of COVID-19 to Clients' Finances

The main income source of the majority of MFI clients took severe impact, some clients experienced slight recovery with fewer citing much-worsened situation.

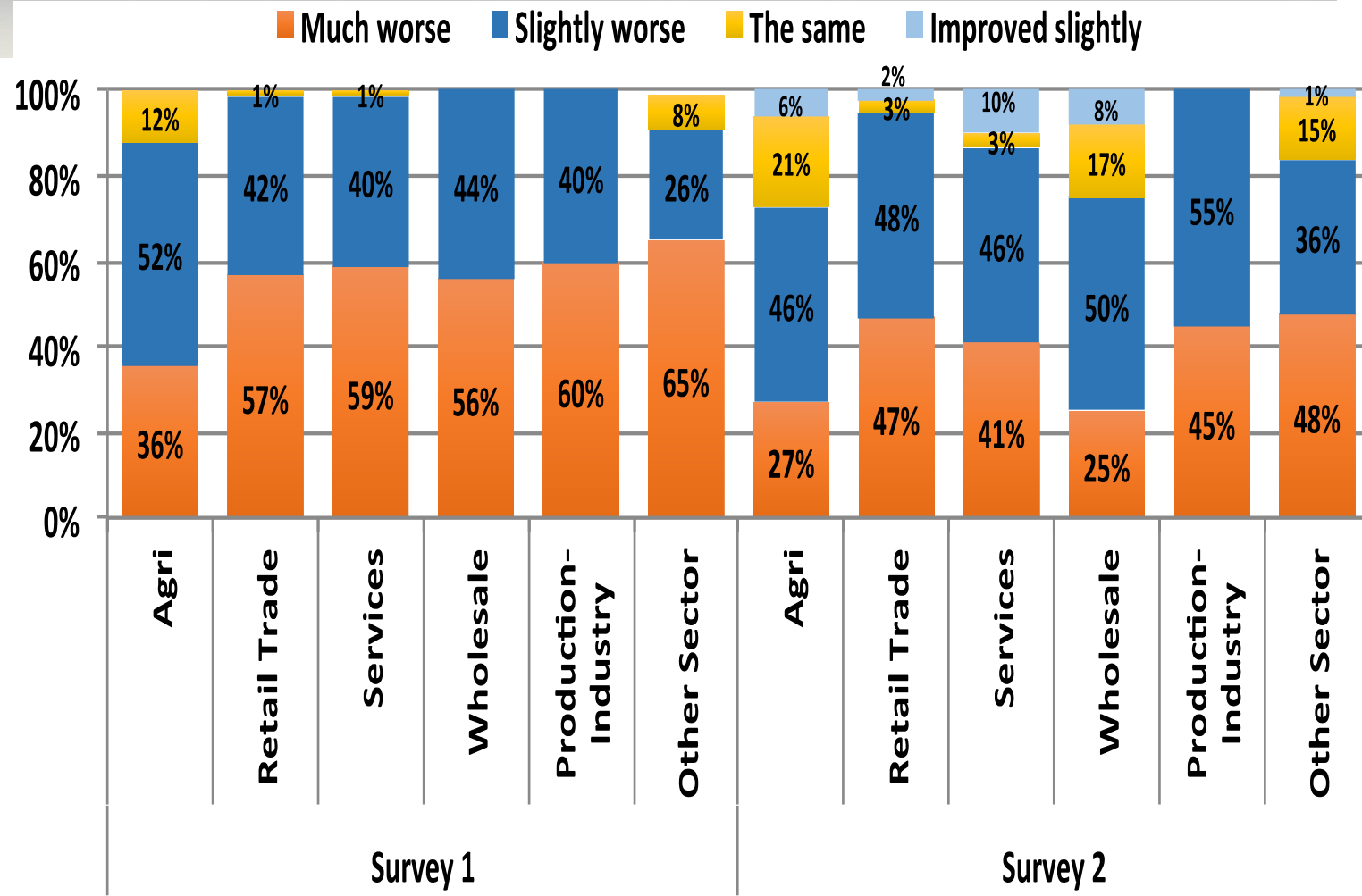
The second round of the survey showed that, in general, there has been slight improvement experienced by most of the clients.



B. Insights on the impact of COVID-19 to Clients' Finances

The majority of clients across sectors experienced deteriorating main income.

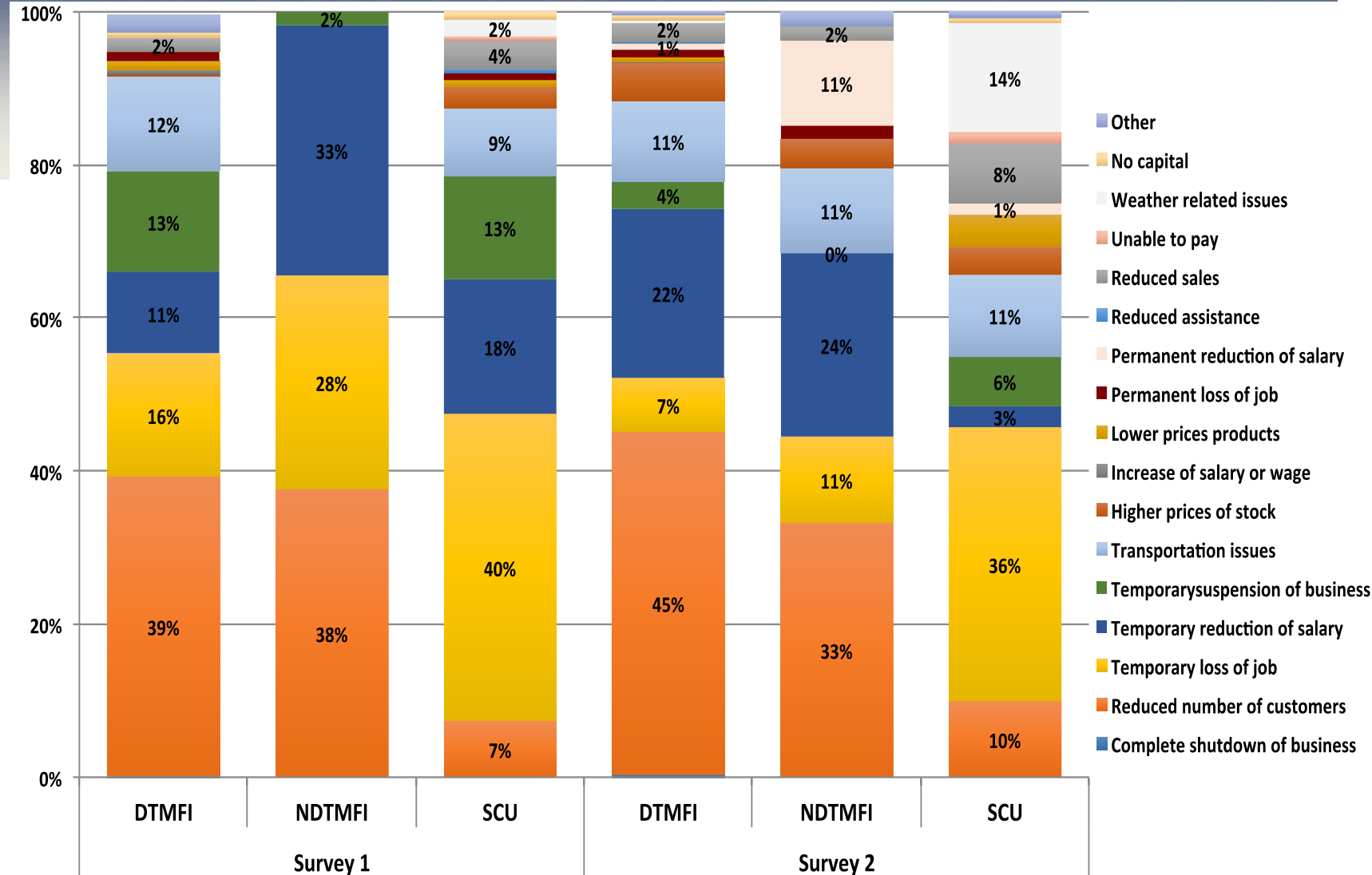
But, over time, fewer percentage of clients have experienced worsened situations.



Stacked bar chart showing the percentage of respondents by age group and gender who have received a capital grant. The chart compares 'Other' (blue) and 'No capital' (orange) groups across age ranges from 18-24 to 65+.

Age Group	Other (%)	No capital (%)
18-24	12%	2%
25-34	33%	2%
35-44	9%	4%
45-54	11%	1%
55-64	11%	2%
65+	8%	14%

- ✓ reduced number of customers
- ✓ disruption in business operations resulting in the loss of jobs

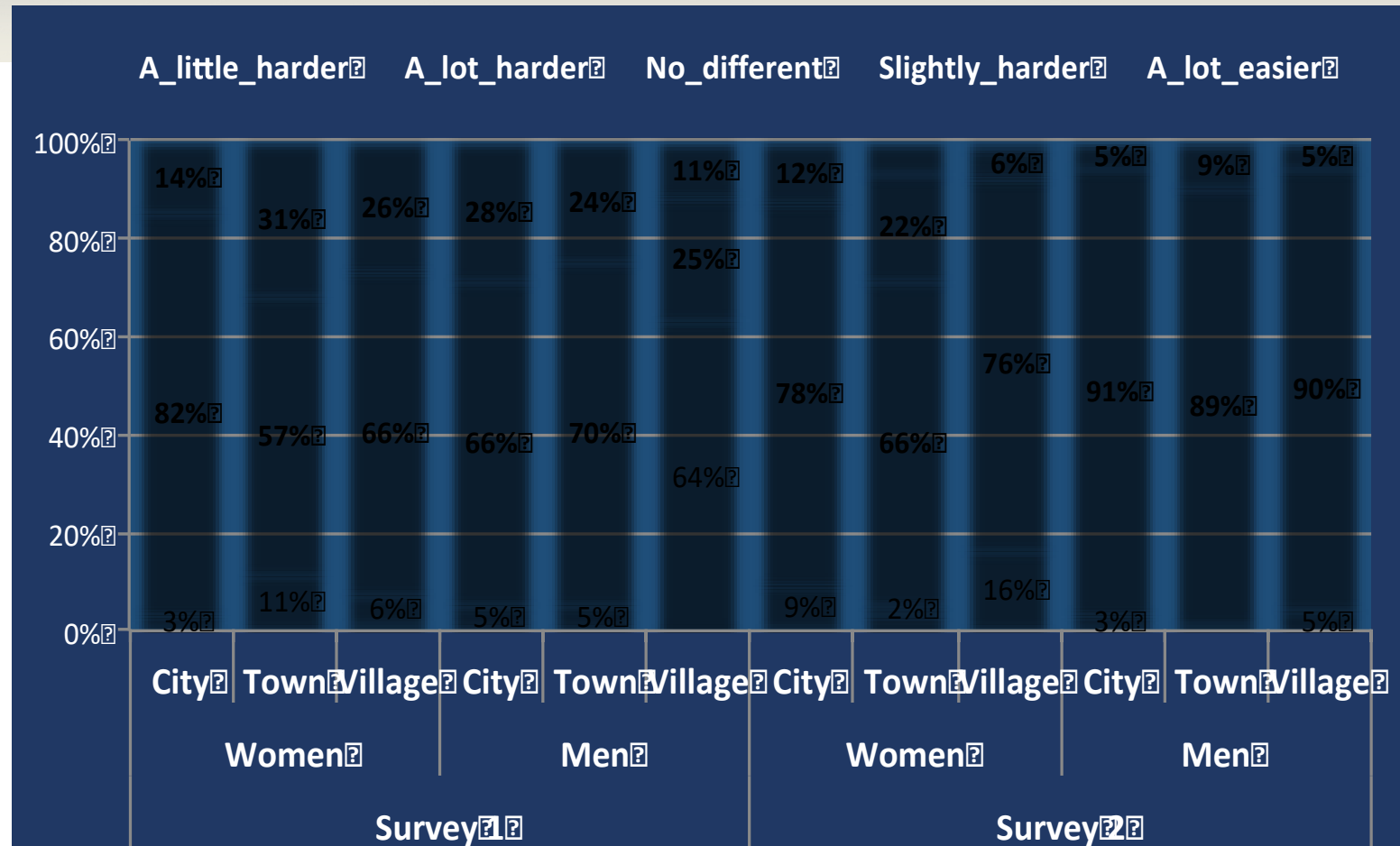


B. Insights on the impact of COVID-19 to Clients' Finances

The impact of the pandemic did not severely disrupted MFI client's access to cash.

In general, women did not experience difficulties in accessing cash.

Male clients have better cash access than women.

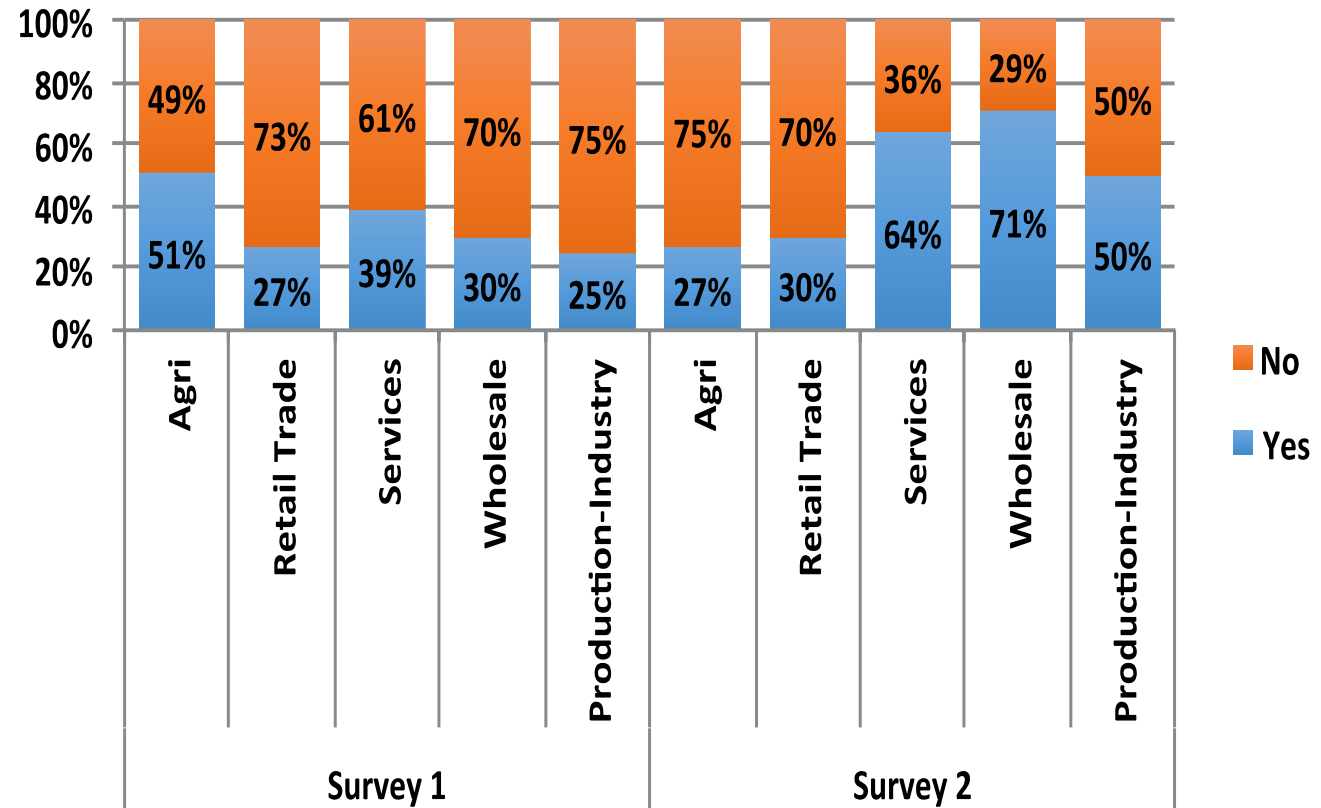


C. Insights on COVID-19 impact on Clients' Food Security

The majority of clients remained food secure with some exceptions

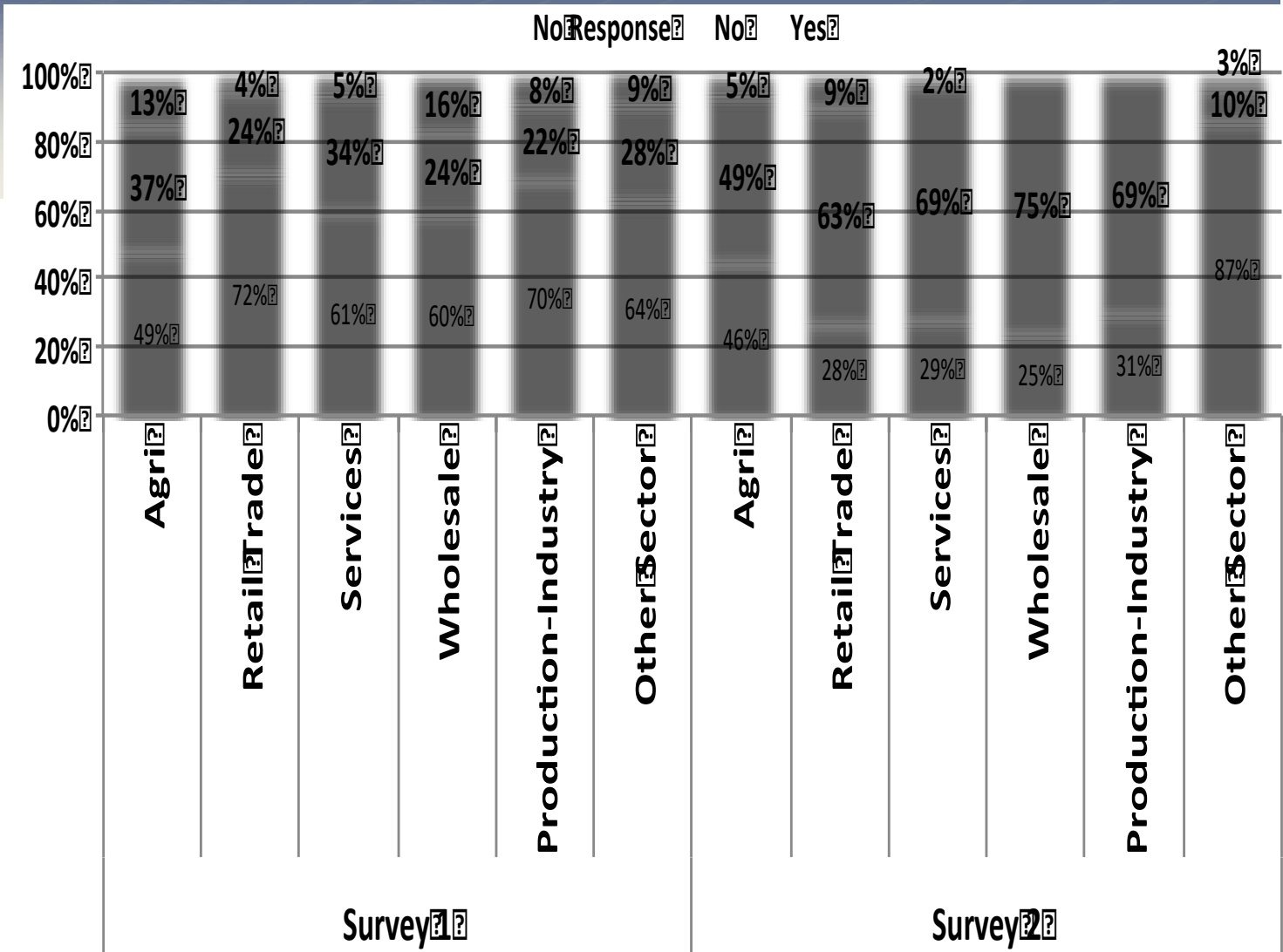
More than half of clients involved;

- ✓ in retail sector
- ✓ in the services sector,
- ✓ in wholesale trade, and
- ✓ in production industry experienced declining food security situations.



C. Insights on COVID-19 impact on Clients' Food Security

For those who experienced changes in their food consumption, the percentage of clients who reported changes in the number of meal they eat per day have increased.

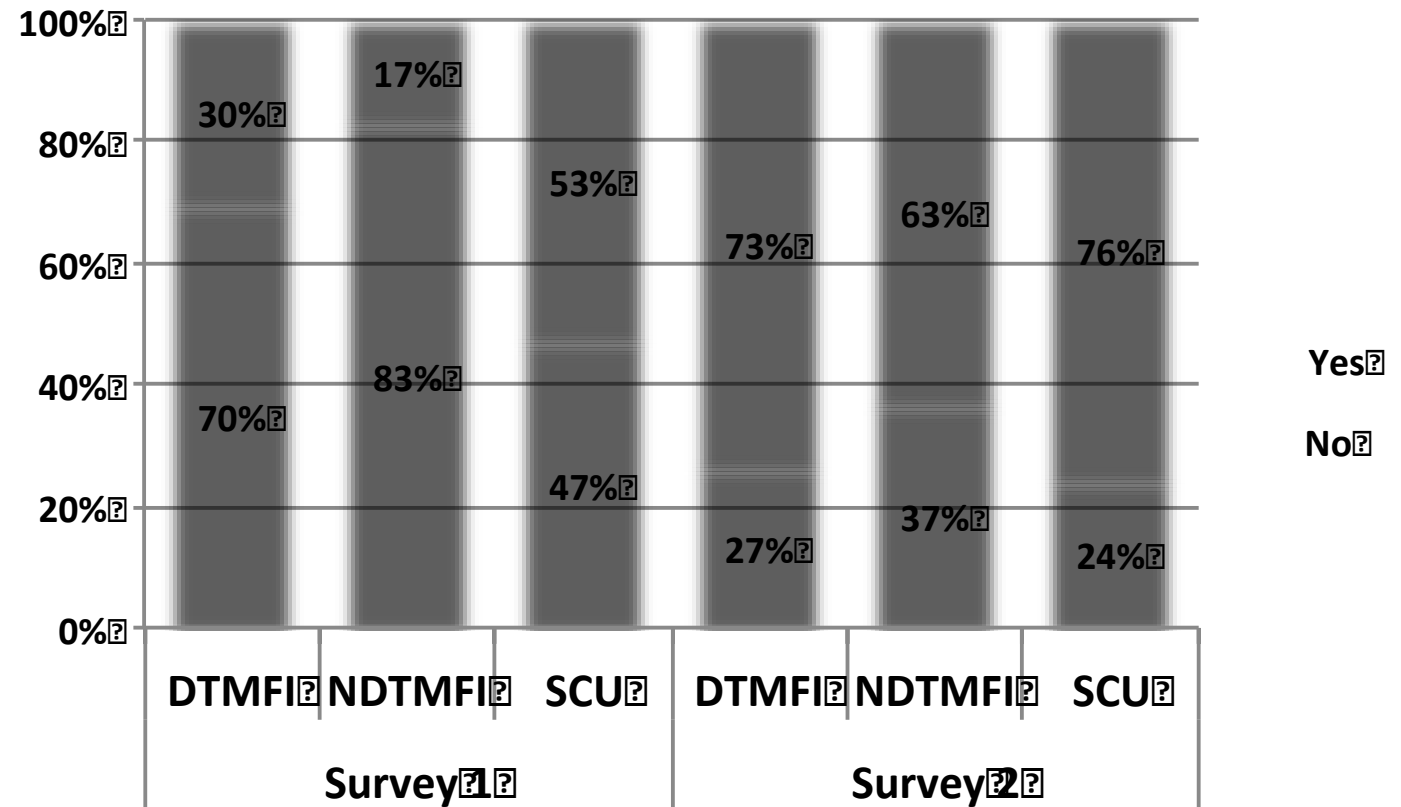


C. Insights on COVID-19 impact on Clients' Food Security

There have been some changes in the pattern of food consumption--- majority has reduced consuming certain food types like meat.

During the first round of the survey, most MFI clients did not experience a change in their consumption pattern concerning certain types of food like meat,

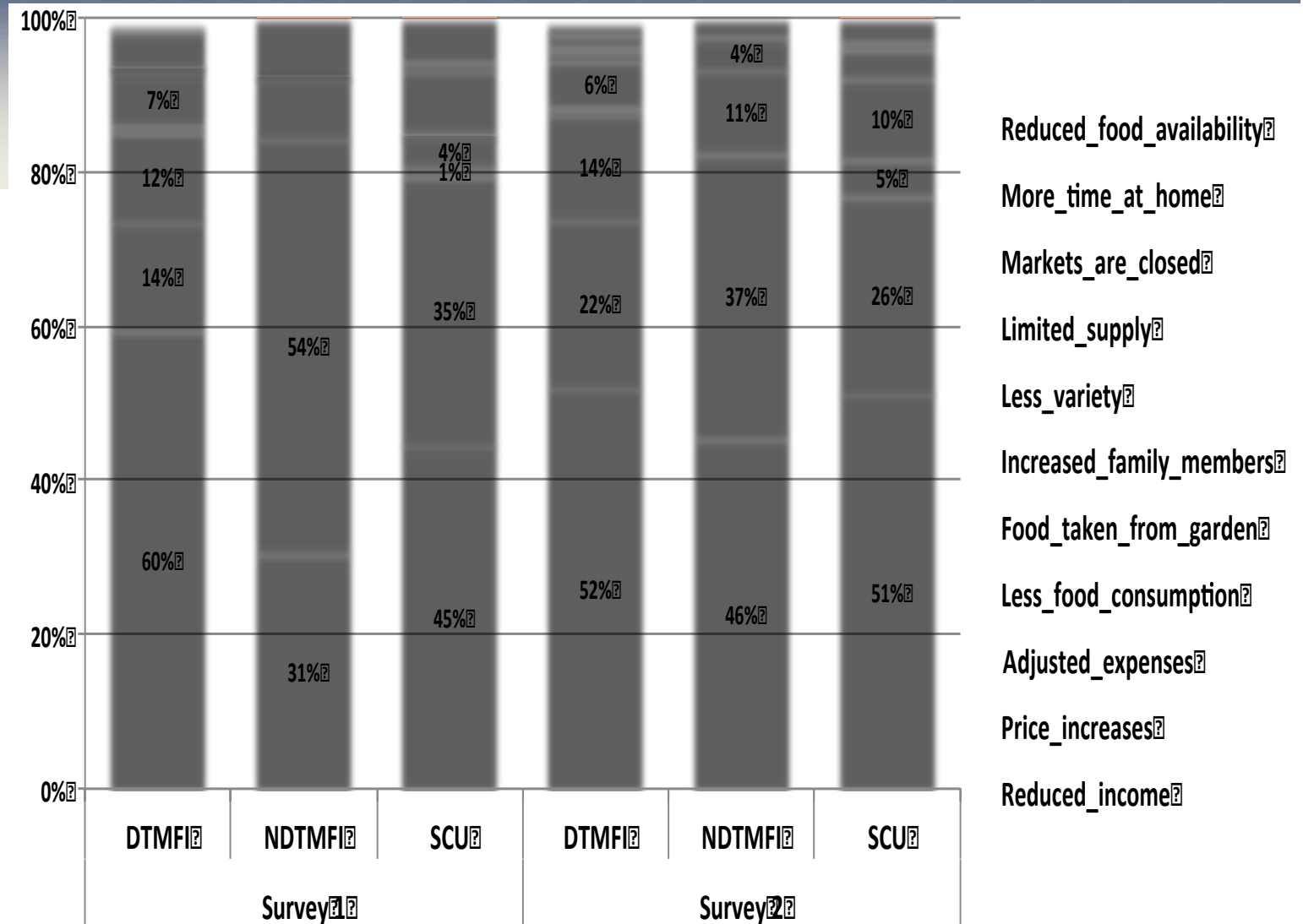
The second survey showed that the majority avoided spending on specific food types like meat.



C. Insights on COVID-19 impact on Clients' Food Security

The main reasons cited by the majority of clients who experienced reduced consumption of certain food items like meat are;

- ✓ reduced income
- ✓ increases in food prices.



C. Insights on support needed by clients

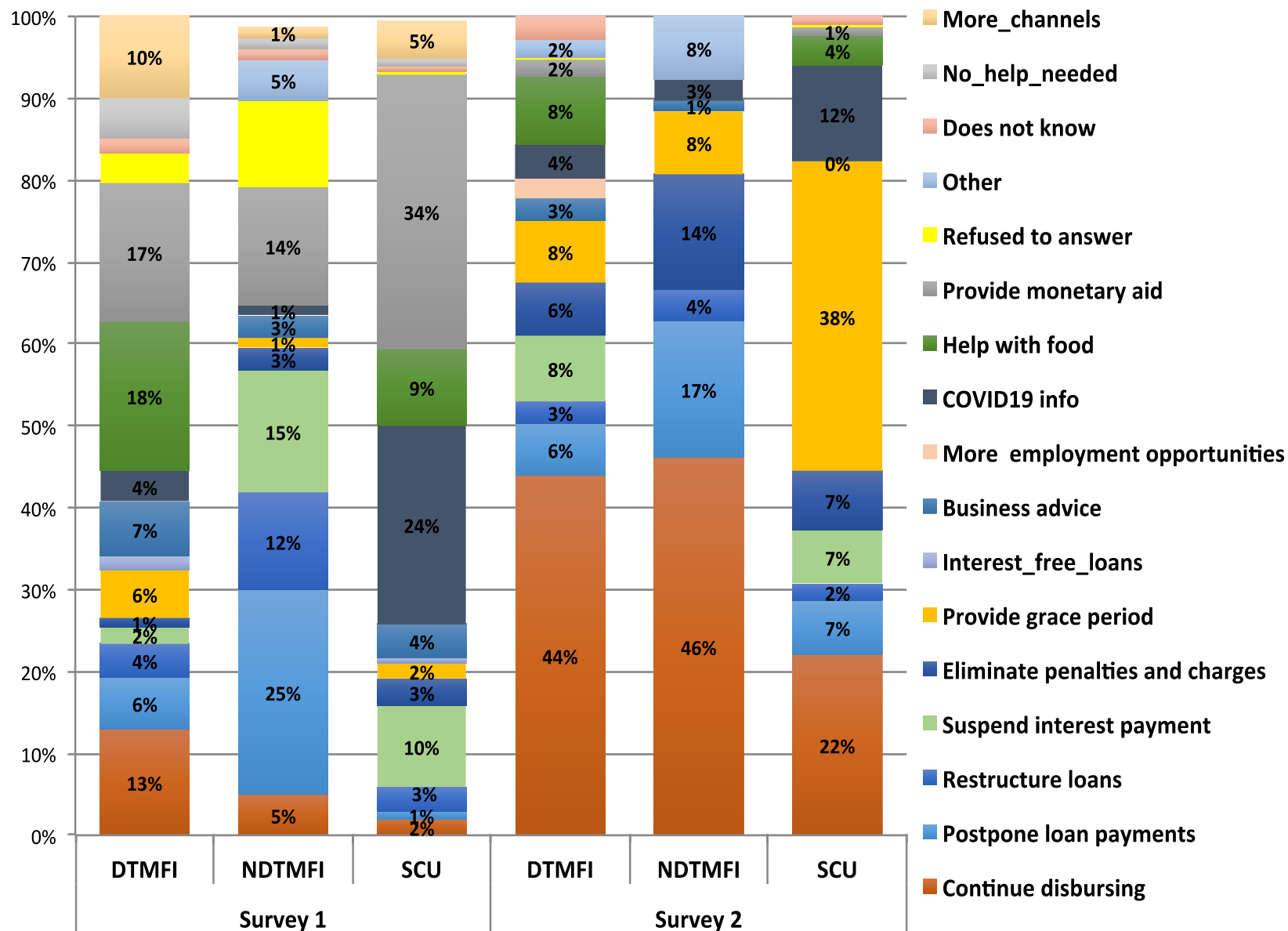
There is a marked change in the support requested by clients during the pandemic.

At the early stages, most of the clients needed immediate relief measures;

- providing monetary aid,
- COVID-19 information, and
- food aid

At the later stage of the pandemic, majority of clients cited that they needed;

- Postponement of loan payments
- Restructuring loans
- Suspension of interest payment
- Grace period for payments



5. Key Insights

1

The impact of the pandemic continued to deepen its impact on the financial situation of the majority of clients. However, there is some observable trend toward a slight recovery in the financial position of some clients.

Throughout the pandemic, while the main income source of almost a third of the MFI clients took severe impact, some clients experienced slight recovery with fewer citing much worse situation.

5. Key Insights

2

The vast majority of clients have experienced a lesser degree of anxiety during the pandemic at a time when daily life activities have gradually return to normal as business and employment picked up, and the risk for infection is effectively controlled with the easing of restrictions.

Clients remained worried and felt disturbed about the impact of the pandemic on their health. Such risk remained to be a serious concern for the majority of clients and their families.

5. Key Insights

3

Throughout the pandemic, the majority of clients of MFIs were able to remain food secure with some exceptions for clients belonging to specific sectors that experienced changes in their food consumption specifically a reduction in their food intake.

More than half of clients involved in the retail trade, services sector, wholesale trade, and production industry experienced declining food security situation.

5. Key Insights

4

Throughout the pandemic, the support needed by clients has changed over time from one that is more on relief and recovery to more on the support that the MFIs can directly act on.

At the early stages of the pandemic, most of the clients needed support that is immediate relief measures such as providing monetary aid, COVID-19 information, and food aid.

6. Recommendations

1

The MFIs should be able to act decisively to support the recovery of their client's financial situation during the pandemic. Both rounds of the surveys clearly showed that the pandemic has resulted in continued deterioration majority of clients' financial situation.

- **Continue to support clients to ease their difficulties in meeting loan obligations while at the same time ensuring that those who need loan can continue to access it.**
- **Redesign loan products and delivery channel to make it pandemic-proof and become responsive to similar crises in the future.**

6. Recommendations

2

The MFIs should develop a strategy that would help clients better withstand the pandemic's impact of a by reinforcing their coping strategies with appropriate interventions such as better-designed financial services complemented with delivery of non-financial services.

- **Help clients become resilient in the long run by reinforcing their coping strategies with appropriate interventions such as better-designed financial services.**
- **Provide services or link to support channels that can help improve mental and physical health of clients**

6. Recommendations

3

The MFIs should be able to provide assistance to the most vulnerable clients either by linking them to other COVID-19 recovery support channels or directly doing it in-house especially those that has the resources and capacity to provide such.

- **MFIs should be pandemic ready thus it must build in-house capacity to provided direct support to most vulnerable clients**
- **Link to as many support channels responding to the impact of COVID-19 pandemic such as immediate food assistance, and business advice.**

5. Recommendations

4

The MFIs should be able to continue to provide the following support to their client throughout the pandemic and beyond.

Financial Services

A. Loan Management and Administration

The following are actions to ease the impact of the pandemic to clients with valid circumstances and respond to the support requested by clients;

- ✓ Continue Loan disbursement
- ✓ Consider postponement loan payments
- ✓ Provide grace period
- ✓ Consider innovating loan payment channels

B. Product design

These are actions that MFIs can take to provide financial services that helps clients deal with severe crises situations like a pandemic.

- ✓ Assess current loan product design and policy
- ✓ Consider providing other risk-mitigating financial service
- ✓ Improve product design to support food self-sufficiency activities
- ✓ Review loan policies to support clients request for restructuring and adjustment in interest rate policies

Non-financial Services

A. Client Financial education

- ✓ Educate clients on the benefits of savings through financial literacy training.

B. Clients' Business Recovery

- ✓ Provide support to clients to seize new business start-up ideas or diversification for those that already operate a business such as e-commerce which has emerged to be a huge opportunity as consumer habits shifted as a result of the lockdown.
- ✓ Support clients to find a market for their products and services again this can be done through e-commerce as various players have emerged and fulfillment of consumer demands improved with delivery platforms for food, products, and other basic household needs.
- ✓ Provide training to clients to help them recover and restart their micro-business operations.
- ✓ Provide training on business skills especially how to ensure business continuity even during the pandemic and other catastrophic disruptions.

