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Regulatory Flexibility During the Pandemic: Emerging Lessons

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The aim of this policy brief is to examine the types of regulatory flexibility adopted in response to the pandemic and provide early evidence on the impact of these measures. This is the third in a series of policy notes that aim to analyze policy responses to COVID-19 to assess the impact of policies, both in the short- and long-term, on low-income customers and the financial providers that serve them.

1

Introduction

The COVID-19 pandemic affected financial consumers across the globe, disrupting livelihoods and businesses, and limiting people's access to vital financial services such as payments, withdrawals, deposits, and new loans. Financial regulators reacted quickly, implementing a range of measures aimed at avoiding a contraction of credit that would possibly increase the adverse social impact of the pandemic. These measures were critical for financial service providers (FSPs), which faced seriously deteriorating borrower repayment capacity, triggered by the uncertain recovery prospects of the global and local economies.

When financial sectors are buffeted by sudden and dramatic external shocks, regulators strive to implement targeted regulatory responses to mitigate the negative impacts. In this paper, these measures together are generally referred to as “regulatory, or prudential, flexibility,” as they entail adjustments to the standard prudential rules or closely related rules. The aim is that these temporary adjustments will help preserve FSPs' capital and liquidity, which are needed to continue supporting customers.

The purpose of this paper, which is based on desk research and interviews and exchanges¹ with regulators and FSPs, is to: 1) Describe the main types of regulatory flexibility adopted in developing and emerging economies as a response to the pandemic; 2) Provide preliminary evidence of how regulatory flexibility has impacted low-income financial consumers and micro and small enterprises (MSEs), as well as the FSPs that serve them; and 3) Draw some emerging lessons for regulators seeking to better prepare for the future.

Preliminary research findings indicate that many client segments are showing encouraging signs of recovery, with the reactivation of existing businesses or new income-generating activities. However, there are still client groups that are not yet recovering, especially those linked to tourism or those that depend on cross-border or interstate trade. Early indications also show that urban customers have generally fared much worse than rural ones; some FSPs involved in agricultural finance saw almost no impact on their portfolios. There is also evidence that microfinance borrowers felt the impact of the crisis faster than commercial bank borrowers, in part due to the logistical challenges of making cash repayments during lockdowns, as few microfinance FSPs have digital transaction capabilities.

With regard to the prudential flexibility measures we reviewed, there are a handful of emerging lessons.

First, FSPs serving low-income and MSE borrower segments require customized flexibility measures. While some harmonization of the programs may increase clarity, customization is required because of the fundamental differences between FSPs operating at the low end of the customer spectrum and those engaged in traditional commercial banking. The prevalence of numerous small short-term loans with frequent repayments, for instance, as is often the case in microfinance, does not warrant the inclusion of such loans past due for a long period in the special regulatory treatment of moratoria. It also calls for the flexibility to be potentially applied earlier than in conventional commercial lending.

When financial sectors are buffeted by sudden and dramatic external shocks, regulators strive to implement targeted regulatory responses to mitigate the negative impacts.

Second, regulators need to have more efficient and effective monitoring and evaluation systems to deal with future crises. The purpose is to allow them to expeditiously customize regulatory flexibility and monitor its impact without imposing additional compliance costs on FSPs. Supervisors had to substantially increase reporting requirements in the midst of this crisis, exactly when FSPs were least able to invest in compliance. This could have been avoided if better data collection mechanisms were already in place.

Third, deposit-taking FSPs have fared better in the crisis, which argues for supporting the emergence of this type of FSP, in addition to lending-only FSPs. Many FSPs serving low-income customers and MSEs seem likely to make it through this crisis, but a number of smaller FSPs may not. Liquidity has determined whether FSPs could implement a comprehensive crisis response to support their clients. Naturally, deposit-taking FSPs have shown greater resilience, which should be a wake-up call for regulators that still do not offer a regulatory path for specialized deposit-taking non-banking

financial institutions (NBFIs) or banks with a limited range of permitted activities.

Fourth, regulatory flexibility alone cannot address the breadth of challenges that emerge in a crisis of this magnitude. For FSPs serving low-income or underbanked customers, prudential flexibility needs to be complemented by fiscal and other measures targeted at MSEs and low-income households, such as cash transfers; financial grants or subsidized loans to cover fixed costs, retain staff, and support health and safety efforts; and tax relief (for formal businesses).

As always, it's important to note that the COVID-19 crisis is ongoing—second and third waves of infections are underway, and many countries are reinstating lockdowns and other limitations. The full scope and impact of the response measures in the financial sector remains unknown. Year-end FSP financial statements are not yet available, and loan repayments are still suspended in many cases. It may well take many months into 2021 and beyond for us to have a full picture of the impact of the measures on FSPs and their clients.

2

Regulatory (prudential) flexibility as a response to the pandemic

Nearly all countries, including advanced, developing, and emerging economies, have implemented at least one policy measure to respond to the fallout of the COVID-19 pandemic. The IMF's COVID-19 Policy Tracker² lists the various health, fiscal, and regulatory measures taken by 197 countries in 2020 and, in virtually all cases, some element of regulatory flexibility has been introduced.³ The World Bank has compiled over 3,400 regulatory measures in the financial sector adopted all across the globe.⁴

The measures affecting the financial sector are classified into fiscal and regulatory (including supervisory).⁵ Regulatory measures are further divided into prudential (e.g., those affecting classification of loans that entered moratoria) and non-prudential measures (e.g., those related to consumer protection and liquidity facilities made available to FSPs). This note focuses on prudential aspects, which mostly cover deposit-taking and lending FSPs such as banks, financial cooperatives, and regulated non-bank lenders (e.g., MFIs, NBFs). We address non-prudential issues only to the extent that they are related to or complement the prudential measures and as they came up in the interviews. It's important to note, however, that many countries complemented regulatory flexibility with massive relief packages, such as direct financial aid to struggling businesses and households. According to our interviews, these measures have been critical to keeping businesses and families afloat.

The most common objective of regulatory flexibility has been to help maintain pre-pandemic lending levels or limit the contraction, especially in bank lending, to stave off a pro-cyclical credit crunch that would exacerbate the crisis. The main mechanism through which this is done is by temporarily changing prudential rules (or the interpretation of those rules) to address the specific context of this pandemic.

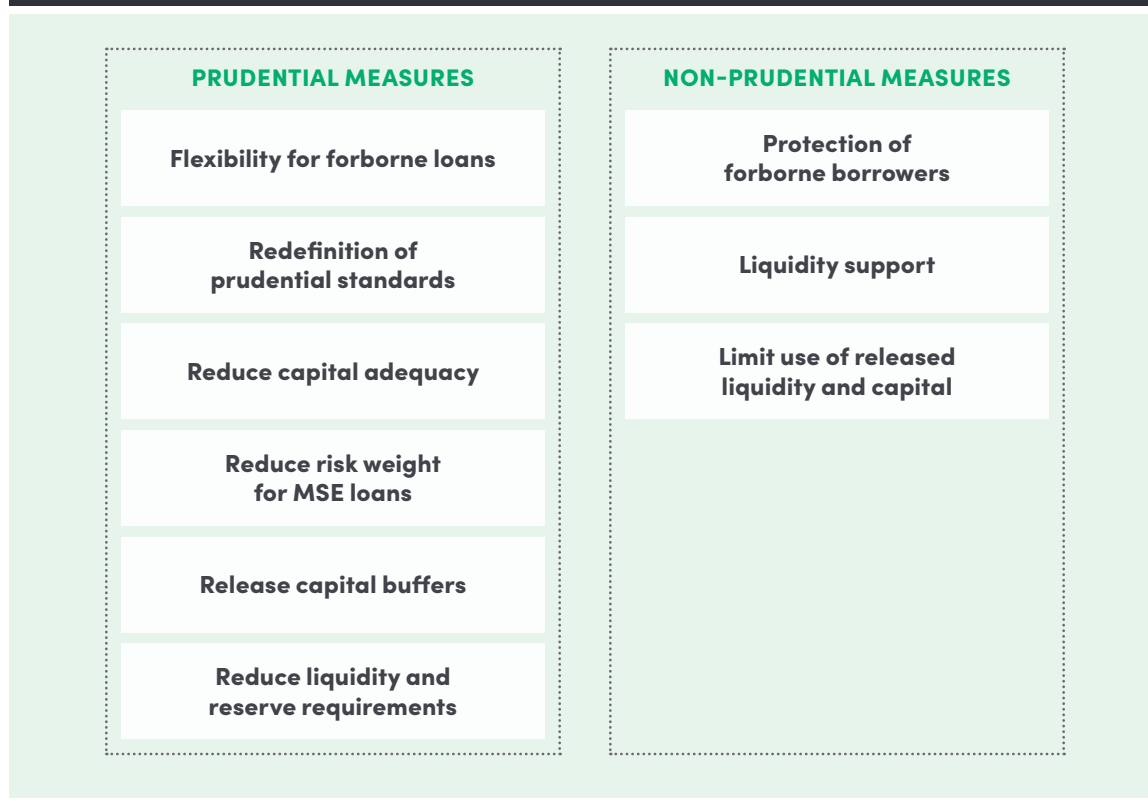
A key measure has been to clarify that FSPs offering relief to their borrowers—such as through suspension of loan payments (i.e., moratoria) and other loan restructuring (e.g., pardoning interest)—need not automatically reclassify the loans to a higher risk category, as is standard procedure. By avoiding the higher provisioning that reclassification would entail, FSPs would preserve the necessary liquidity to continue lending or at least sustain viability while loan collection is suspended. And by encouraging lending during and after the pandemic, regulatory flexibility could also be seen as an essential tool to support the livelihoods of low-income borrowers and the resilience of MSEs.

Many other types of prudential and non-prudential regulatory measures were adopted as well, affecting FSPs serving low-income customers and MSEs. This section explains each type of measure.

2.1 Flexibility for forbore loans

The quintessential regulatory flexibility measure in this pandemic has been special treatment of the relief offered by FSPs to their borrowers. Prudentially regulated FSPs are usually free to use any type of borrower relief at any time, because this is an integral part of a lender's portfolio management and loss-minimization practices. Relief is commonly defined in prudential regulations as loan forbearance. By definition, this solution is adopted by lenders when borrowers are struggling to pay, meaning that forbore loans are automatically reclassified to a higher risk category than the original loan.⁶ Higher risk classification attracts higher provisions⁷ and may impact capital requirements, all in all reducing the liquidity available to FSPs to lend. Regulators anticipated—or mandated—that FSPs would apply forbearance to a significant part of their portfolios as a result of the pandemic. Thus, prudential flexibility was in order not

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only to avoid massive provisioning, but also to encourage lenders to support borrowers facing temporary liquidity shortages or logistical impediments to paying their loans.

The predominant type of relief given by FSPs to their borrowers has been a moratorium, i.e., a temporary suspension of loan payments, with (in most cases) automatic term extension equivalent to the duration of the moratorium. Regulators have allowed moratoria and related term extensions to not be treated as forbearance, meaning that loans would not be automatically reclassified to a higher risk category.⁸

2.1.1.1 Qualifying loans and cut-off date

In all countries, the policy of regulatory flexibility set a limit to the application of the special non-reclassification rule. Generally,⁹ only loans current—or delayed up to a maximum number of days—by a specific cut-off date set in regulation would benefit from the special treatment. The assumption is that clients who were already struggling before the pandemic will continue to

struggle. The cut-off was often fixed as of the date of the outbreak or the declaration of lockdowns or similar restrictions.

2.1.1.2 Interruption of days past due

When allowing non-reclassification of forbore loans, regulators had to clarify that the counting of days past due for purposes of classifying a loan as non-performing (NPL) was to be paused during a moratorium. For instance, a loan classified as “current” at the start of the moratorium would retain that classification until the end of the moratorium, unless the FSP had a reason for downgrading it. Hence, the loan would not attract higher provisioning and higher risk weight in the calculation of the FSP’s risk-weighted capital adequacy (see [definition in 2.3](#)), which would have reduced the liquidity needed to continue lending.

This measure was implemented in all countries allowing non-reclassification. Perhaps Peru stands out for having extended this treatment beyond current loans to other loans that were

not included in the non-reclassification policy (i.e., payment delayed for over 15 days at the cut-off date).¹⁰ This was allowed only for a few months as the measure was effectively reversed later on.

2.1.1.3 Long implementation period versus multiple shorter ones

The implementation period (from cut-off date to end date) of regulatory flexibility varied across countries. Understandably, regulators were and continue to be worried about the risk to the health of FSPs, hence most decided to set a short implementation period. They were also under the initial belief that the crisis would be short-lived. In India and Peru, the flexibility only covered the lockdown periods, which were determined at the national level and extended multiple times. In Mexico and Pakistan, flexibility was allowed for any loans restructured by June 2020 (this was later extended in both cases). In Uganda, the measure covered loans forborne between April 2020 and April 2021, allowing more flexibility and certainty for FSPs to customize solutions for their customers.¹¹

2.1.1.4 Mandated versus voluntary moratoria

In most countries, moratoria were not officially imposed on FSPs by their regulators. According to our interviews, the non-reclassification rule served to encourage FSPs to grant relief to their borrowers while allowing for variations in the implementation. In India, while moratoria were not mandated, industry-level agreements such as the one agreed upon by members of the two largest microfinance associations resulted in harmonized implementation. As a consequence, many FSPs may have felt they did not have an option and that moratoria were mandated. In Bolivia, the situation was more straightforward. An initial nine-month moratorium (later extended) was mandated by law, covering all loans of regulated banks and non-banks, except for loans to salaried formal workers. As a rule, not even customers had the option to continue paying off their loans. In Peru, moratoria were not mandated but extensively used and FSPs were allowed to put loans on moratoria without prior consent from customers.

2.2 Redefinition of prudential standards

In many, if not most, countries, past due loans are classified as non-performing (NPL) after 90 days past due, according to standards set by the Basel Committee. While most countries have not

permanently changed fundamental prudential definitions like this, a few did. In Turkey, the regulator increased the number of past due days for a loan to be considered NPL from 90 to 180 days. Nigeria proposed a similar change prior to the COVID-19 pandemic; those changes are currently on hold, but FSPs are hoping they'll be enacted. In Morocco, the loan classification and provisioning schedule for microfinance loans was modified. These changes are questionable because the pandemic is unlikely to make loans delayed for greater periods less risky from now on. The World Bank¹² and the IMF¹³ recommend not changing prudential definitions.

In Brazil, a six-month change in a prudential standard, specifically the requirement to make additional provision for restructured loans, was applied to performing loans refinanced by September 2020. This measure is conceptually different from the practice of not downgrading restructured loans, described in the previous section, which was also implemented in Brazil. In India, provisioning requirements for forborne loans were actually increased, but FSPs were allowed to offset excess provisions against the actual performance of the loans later on. In the Philippines, provisioning requirements were unchanged, but the FSPs were allowed to stagger recognition of the provisions over five years.

2.3 Reduce the capital adequacy ratio or absolute capital

The capital adequacy ratio determines the regulatory capital, which is the minimum amount of capital that prudentially regulated institutions need to set aside on an ongoing basis, as a cushion for hard times. It's a loss absorption tool. Many countries determine that commercial banks need to maintain a cushion of at least 8 percent of the risk-weighted assets. Each asset will attract an amount of capital according to its risk, which is also determined by regulation. Cash in a bank account, for example, carries no risk, so its risk weight is zero, meaning that \$0 capital needs to be put aside for every dollar held in cash. The minimum absolute capital is a minimum amount of capital that does not change according to the risk of the assets. Often, this is the same value as the minimum capital required for new institutions to obtain a license to start operations.

There are a few examples of flexibility to these capital adequacy elements in response to the pandemic. In Brazil, the capital adequacy ratios for cooperatives and smaller FSPs were reduced temporarily in May 2020 from 12 percent to 10.5 percent and from 17 percent to 15 percent until April 2021. The original levels will be restored gradually by April 2022. In the Philippines and Uganda, while the capital adequacy ratios have not been changed, the supervisor applied flexibility in the cases where an FSP would fall below the required minimum. In Nigeria, the central bank delayed by one year the implementation of a gradual increase of minimum capital for microfinance banks, planned since 2019.

2.4 Reduce risk weight for MSE loans

There are some examples of reduction of the risk weight assigned to MSE loans for purposes of calculating the risk-weighted capital. During the pandemic, many governments instituted or ramped up credit guarantee schemes with the intent of encouraging lending. In some cases, the regulator has assigned a reduced or zero risk weight for such loans. This is the case in Peru and India, for instance. In Brazil, the risk weight for loans to small and medium enterprises (SMEs) restructured or disbursed between April and December 2020 has been reduced from 100 percent to 85 percent. In the Philippines, there was expectation that the risk weight of 150 percent for SME loans would be reduced to 100 percent, but this measure ended up not being implemented. We could not find an example of reduction of risk weight for microfinance loans, partly because in many countries, microfinance loans are not differentiated in the regulatory framework from SME or personal loans.

2.5 Release capital buffers

After the 2008/2009 global financial crisis, many countries imposed capital buffers (extra requirements on top of the risk-weighted capital) on large commercial banks, in addition to the capital adequacy ratio. These were intended to be used in times of crisis, like this pandemic. Accordingly, some developing and emerging economies that had implemented capital buffers have allowed banks to use them to sustain lending during the pandemic, and build them back gradually over time. In Brazil, commercial banks had their capital conservation buffer

reduced from 2.5 percent to 1.25 percent of risk-weighted assets until March 2021 and will have one year to replenish it. In India, the last planned tranche to build up this same buffer was delayed from March 31, 2020 to September 30, 2020, and again to April 1, 2021.

2.6 Reduce liquidity and reserve requirements

Measures of this kind were most frequently targeted at commercial banks—the FSPs subject to the heaviest combination of prudential requirements. Countries like Brazil, India, Peru, the Philippines, Rwanda, and Sri Lanka have all temporarily relaxed a number of reserve and liquidity requirements, to release extra liquidity for FSPs to continue lending during this pandemic.

2.7 Additional measures

The State Bank of Pakistan (SBP), together with Brazil, India, and Peru, is among the regulators that have introduced the largest number of regulatory measures to respond to the pandemic. In addition to many of the above measures, SBP has reduced collateral requirements for SME loans, increased the maximum exposure of FSPs to SME loans, and permanently increased the debt-to-income ratio, which is the proportion of debt a borrower can face as a percentage of her income.

In Brazil, non-bank financing companies (crucial for MSE lending) were allowed to step up their funding through Bank Certificates of Deposit (these are deposits that must remain untouched for a period of time and the certificates are negotiable in the interbank market). Additionally, all lenders were temporarily allowed to use real estate as collateral for multiple loans and to collect and endorse certificates of deposit that have received special coverage by the Deposit Guarantee Fund, designed specifically to deal with this crisis. These measures were among many intended to maintain an active interbank market.

2.8 Key non-prudential measures

Although they cannot be classified as prudential, some closely related regulatory measures were considered necessary to complement prudential flexibility, covering two main areas: consumer protection and liquidity support to FSPs.

2.8.1 PROTECT FORBORNE BORROWERS

The two main types of consumer protection measures relate to credit reporting and to the debt burden of borrowers. Regulators have issued exceptional rules for reporting on restructured loans, in the context of the pandemic, to credit information systems. In some countries like Uganda, reporting of restructured loans has been temporarily suspended, creating an information gap in the credit information system. In most countries, though, FSPs were prohibited from reporting restructured loans as negative events that could downgrade a borrower's score. However, only a few issued specific instructions on how this is to be done in practice. In Mexico and Peru, a special code has been created for loans restructured in the context of the pandemic, so that this restructuring is not considered a negative event.¹⁴

Another concern of regulators is to keep borrowers' debt burden to manageable levels. When loan payments are suspended, the standard rule is that interest continues to accrue over the unchanged principal. The principal accumulated during a moratorium, as well as the accrued interest, will need to be paid. There are three ways to do this: amortizing the values over the remaining life of the loan, a lump sum at the end of the loan term, or a lump sum immediately after the end of the moratorium. When values are amortized, another issue is whether FSPs can apply interest on the interest accrued during the moratorium. Most regulators have not determined how FSPs should collect the accumulated values. However, a few, including the Mexican and Bolivian regulators, have prohibited the application of interest over interest (known as interest capitalization, or compounded interest). The Mexican regulator has also encouraged FSPs to pardon interest and other charges, such as late payment fees, which several FSPs have done. In Colombia and Uganda, FSPs expect to do the same even in the absence of regulatory "encouragement." In India, while the regulator has not prohibited interest accrual and capitalization, a court decision has waived interest capitalization for loans up to \$270,000 as a consequence of the six-month moratorium. In a unique move, the Indian government has committed to refund FSPs for the cost of not capitalizing the interest accrued during the six-month moratorium for these loans.

2.8.2 LIQUIDITY SUPPORT TO FSPS AND CREDIT GUARANTEES

In addition to releasing liquidity through prudential measures, many countries have also provided direct liquidity support to FSPs through credit lines, swap lines, loans, and repurchase agreements. There is a very wide range of measures in this regard, mostly taken by central banks. To encourage lending, many countries have also set up or expanded coverage of existing credit guarantee schemes with high levels of risk coverage by the government. These have been mostly focused on MSE lending.

2.8.3 LIMIT THE USE OF RELEASED LIQUIDITY AND CAPITAL

While regulatory flexibility during the pandemic mainly involved concessions to release liquidity and capital for FSPs, regulators have made a point of limiting the ability of FSPs to direct the extra liquidity (produced by the wide range of prudential and non-prudential measures) to executives and shareholders rather than borrowers. The most common type of "safeguard" came in the shape of temporarily prohibiting or limiting (or at least discouraging, in the case of Peru), the payment of bonuses, dividends, and executive pay raises. Measures of this type were implemented in India, Mexico, Pakistan, Peru, Sri Lanka, Uganda, and Zambia.

Brazil's central bank, in addition to temporarily prohibiting discretionary payments, specifically earmarked some released liquidity. For instance, FSPs were allowed, for up to three years, to deduct up to 30 percent of their reserve requirements on savings deposits, provided that the deducted amount is used to lend to micro and small enterprises. At least 5 percent of the deducted amount was to be disbursed in the form of loans by August 10, 2020 and another 5 percent by September 8, 2020. If the FSP failed to meet this requirement, it would not receive remuneration on the 30 percent of its reserve balance until the end of 2020. Alternatively, the FSP can buy Term Deposits with Special Guarantees (DPGE) from medium and small FSPs,¹⁵ effectively releasing the funds to FSPs that serve low-income borrowers and MSEs.

3

Impact on FSPs and their customers

There is little data so far on the impact of the flexibility measures on FSPs, their customers, and markets as a whole. Beyond complaints about inadequate implementation of moratoria in some countries,¹⁶ there is limited demand-side research describing how MSEs and low-income people are faring after loan repayments restarted in the recent months. Even with abundant data, it would be difficult to establish causality. Despite the lack of data, we have gathered sufficient information through interviews and desk research to make an initial assessment of the usefulness of the flexibility measures, as well as the overall situation of FSPs and their clients.

3.1 Client recovery

Demand-side surveys give a quick picture of the challenges low-income households and MSEs are facing. For instance, CFI's demand-side research with MSMEs in Nigeria, India, Indonesia and Colombia finds that 60 percent of survey respondents in Nigeria said they could cover household expenses only for a month or less.¹⁷ Only 15 percent received some form of government assistance, even though a third faced food insecurity. In a quick survey by MFIN, a microfinance association in India, over 70 percent of respondents (mostly women) had their incomes interrupted. Overall, surveys suggest that poor households have been hit harder than other segments and are coping with the crisis by reducing food consumption and by borrowing, while other segments have been able to tap into savings and insurance. Meanwhile, 53 percent of MSEs in Colombia and 51 percent in Nigeria report cutting their staff, and many say they are turning to family and friends, rather than FSPs, for temporary support.

Our interviews confirm that a great number of businesses, particularly in urban areas, are expected to or have already closed. The situation is dire in sectors like tourism. In some countries, like Brazil and Peru, the virus is still raging. In Peru, the volume of MSE loans entering regulatory flexibility towards September 2020 was still increasing, suggesting that the crisis is far from over.

However, the interviewees also have positive expectations for what seems to be a steady path to recovery, with reactivation of businesses and increased financial stability of many of their clients. We did not have access to data about the income levels of FSP clients, and it is possible that they do not match the population covered in the demand-side surveys mentioned above.¹⁸

One takeaway is that no amount or form of regulatory measures could save all businesses. Strong fiscal action is needed, such as direct government support in the form of cash handouts, utility bill reductions, tax exemptions and loans. These measures have been more robust in developed economies,¹⁹ even though countries like Brazil and Peru implemented comprehensive programs to support MSEs, including informal businesses. In Colombia and South Africa, government actions have focused on formal businesses, despite the prevalence of informality in the economy.

3.2 FSP recovery

Our interviews confirm early data reported by CGAP's Pulse Survey,²⁰ that most FSPs serving low-income segments and MSEs are likely to survive this crisis, but a number of smaller FSPs

and those that were already struggling prior to the crisis will be either acquired or dissolved. The overall picture is of steady improvement in the financial position of FSPs compared to mid-2020, a strong increase in deposits, and reactivation of disbursements (including to new clients) since September 2020. Repayment rates in India, where over 90 percent of microfinance loans have been subject to moratoria, are near pre-crisis levels. Some FSPs report having acquired new customers, many of whom come from competitors that were unable to offer adequate solutions to support the restart of informal businesses. In Mexico, one FSP acquired over 50,000 new clients during the pandemic, and these new clients are so far showing the best performance of the whole portfolio. A leading Mexican FSP is expanding its agent network to acquire new customers and facilitate loan repayments. In Colombia, there are no signs yet of consolidation in the microfinance sector.

According to our interviews, regulatory flexibility for moratoria and loan restructuring was key to buy time for FSPs but was not what ensured their survival. Instead, their fate has depended on the pre-crisis liquidity cushion in deposits and support from investors. One FSP in Uganda has attested to the crucial importance of receiving a timely injection by an international investor. Liquidity has, generally, ceased to be the main issue, but it has determined whether FSPs could put in place a comprehensive set of actions such as holding back on loan collections, renewing loans, retaining staff, disbursing new loans to existing customers, acquiring new customers, and even accelerating implementation of digitalization programs. That said, none of the interviewed FSPs had access to central bank liquidity or government-backed credit guarantee schemes.²¹ Although a few lending-only FSPs entered the pandemic with a good liquidity cushion and strong investor backing, there is a stark contrast between lending-only and deposit-taking FSPs; the latter seem to be in a much more comfortable position today. Our interviews indicate that, after an initial increase in withdrawals, client deposits have increased substantially.²²

Liquidity has been important but is not solely sufficient to ensure success in dealing with this crisis. In the absence of skilled, experienced executives able to act fast to implement well-targeted strategies, even FSPs backed by committed and deep-pocketed investors can perform badly. One of our interviewees failed to successfully respond to the crisis despite having no liquidity constraints. The result: the major part of its portfolio is now unrecoverable and clients have shifted to competitors. The approach to managing borrower relief and client communications is possibly the most important differential factor in how FSPs have weathered this crisis, apart from liquidity. High-touch approaches combining constant and personalized communication with clients, along with provision of insurance, health advice, and customized financing solutions, seem to have worked well.

FSPs that applied a blanket moratorium to all clients and did not follow up with each customer to assess their conditions and provide support, such as a simple phone call to check on her family, are registering lower repayment rates. One interviewee suggested that customers with loans in multiple FSPs may have “given preference” to FSPs that were closely communicating with them, as opposed to FSPs that took a more impersonal, transactional approach. There are negative reports in Colombia, the Philippines, and Mexico about banks taking this type of approach.

“Our marching order from day one was to keep in touch with our clients. We know them by name.”

– A RURAL BANK IN THE PHILIPPINES

“We have faced huge contingency situations before with our clients, like hurricanes. Our priority has always been to not to let them down when they most need us. The result is that they behave better with us than with competitors.”

– A MICROFINANCE FSP IN MEXICO

3.3 Observations on the implementation of regulatory flexibility

Our interviews confirm that supervisors have enhanced their monitoring of FSPs, including smaller non-banks, through frequent virtual meetings and expanded reporting on liquidity, capital, loan portfolio, and granular information on restructured loans. But they are only starting to publish specific data. FSPs have just closed their yearly financial statements and part of their portfolios will continue under moratoria for some time. It will take more time to have a full view of the impact of the pandemic and the regulatory flexibility, although most interviewed FSPs had already provisioned part of their restructured portfolios.

Few regulators have established a full framework to measure the impact of flexibility measures, even in cases like Colombia and Peru, which publish detailed data about MSE lending. In Colombia, over 700,000 new loans to microenterprises were disbursed between March 2020 and January 2021 (this reflects a loan approval rate of 87 percent), at lower average rates compared to pre-COVID levels.²³ However, it is not clear whether and how the flexibility measures had an impact. India's and Brazil's regulators have estimated the potential impact of regulatory flexibility in the volume of banking lending, but there is no data showing the link between all measures and changes in the levels of MSE lending.

3.3.1 FLEXIBILITY FOR LOAN FORBEARANCE

3.3.1.1 Non-reclassification and related flexibility

FSPs seem to have taken full advantage of the main flexibility measure, applying non-reclassification to all loans under moratoria, regardless of any prior analysis of each borrower's repayment capacity. In fact, a good portion of loan portfolios—ranging from 15 to 50 percent—continues under the second or third “wave” of moratoria. Some interviewed FSPs described how, following the application or at least offer of the initial moratorium for nearly all clients, they started the process of evaluating each client's true situation and recovery prospects. Based on that, they individually decided their next steps,

which have included new loans, normalizing repayment of existing loans, and further restructuring (e.g., pardoning interest and arrears and extending the loan term). For clients with slim prospects of recovery, the restructuring resulted in risk downgrading and provisioning, despite the regulatory flexibility. Most interviewed FSPs have now achieved reasonable visibility into their clients' situation. All FSPs reported that a small part of their portfolio is probably unrecoverable. Most interviewed FSPs made substantial provisions prior to the end of 2020. The reduced results are more realistic and attract lower income tax than if the whole portfolio closed the year under the pandemic-related non-reclassification guidelines.

In general, the non-reclassification flexibility bought FSPs time to immediately offer moratoria without the financial shock of sudden provisioning, and to devise strategies to both manage their portfolio quality and support clients. An important factor has been the effort and ability of FSPs to differentiate between customers who could continue paying from those facing temporary liquidity shortage and those whose situation was unlikely to improve and would likely default. By not suddenly stripping FSPs of their liquidity, the flexibility measures allowed FSPs to continue disbursing and even acquiring new customers after the first months into the crisis.

With respect to the cut-off date and the qualification criteria for this flexibility, our interviews suggest that microfinance borrowers felt the impact of the crisis faster than commercial bank borrowers. One factor is that even before the financial impact of reduced incomes, many, if not most, microfinance borrowers faced logistical challenges to paying off their loans as a result of lockdowns. In all but one interviewed FSP, the predominant method for loan repayment is in person, in cash. Hence, the cut-off date ended up excluding some loans that got delayed due to logistical reasons. Some regulators embedded a “cushion”; for instance, in Peru, the non-reclassification rule benefited loans that were current or delayed by 15 days at the cut-off date, assuming that loans could have

been delayed for two weeks due to the lockdowns. One interviewee (not from Peru) observed that a cushion is useful, but too big of a cushion carries its own risk. Including loans that were delayed for too long (e.g., a six-month delay in Pakistan) is unreasonable for microfinance, where loans are short-term and have weekly or bi-weekly payments. A microfinance loan delayed for that long would normally be unrecoverable.

Regarding the implementation period of the flexibility, our interviews suggest that a longer period for the identification of loans to be forborne and included in the non-reclassification measure would have enhanced flexibility as well as certainty. Renewing short flexibility periods in line with lockdowns, as many countries did, resulted in a bumpy ride for FSPs and their clients, creating gaps (i.e., uncovered loans) due to regulatory delays, as well as uncertainty and anxiety.

3.3.1.2 Mandated versus voluntary moratoria

If there is one area of agreement among our interviewees, it is the preference for optional rather than mandated moratoria. While FSPs mentioned a desire for some level of harmonization in the implementation of moratoria for their particular segment—such as for the collection of accumulated amounts when moratoria are lifted—the potential transparency and coverage benefits of mandated moratoria are outstripped by the downsides. The latter include the inability of FSPs to customize relief to the situation and prospects of each borrower, and the lack of options for customers able and willing to continue paying to avoid the costs of moratoria. Our interviews support the view that client circumstances and preferences vary widely even within a seemingly homogenous portfolio segment. Nearly all FSPs reported that many customers asked to continue paying even during lockdowns, especially customers who were in the last installments of their loans. When customers were not able to pay their loans due to logistical challenges, FSPs felt the duty to forgive the interest that would otherwise have accrued, because the

lack of payment was not the borrower's fault. Interviewed FSPs also condemned the practice among some FSPs of imposing blanket moratoria on customers. In Peru, FSPs were allowed to apply moratoria without seeking borrower consent, creating a range of consumer issues.²⁴ Similar situations were reported in Mexico and Colombia. In Bolivia, neither customers nor FSPs had any option.

3.3.1.3 Credit reporting

It is too early to say how the different regulators' approaches to credit information will play out with respect to loans restructured as a result of the pandemic. Using special flags or codes in the credit information system seems to be a more reasonable approach than either no reporting of the restructuring or suspension of reporting. However, it is unclear whether the flagging could potentially be used to discriminate against borrowers in the future and how regulators will ensure protection. Early evidence from the United States shows the challenge of ensuring non-discrimination based on pandemic-related reporting.²⁵

3.3.1.4 Post-moratoria payments

Our interviews indicate that the lack of rules or guidelines for FSPs on the collection of amounts accumulated during moratoria allowed some FSPs to impose lump-sum payments immediately after the moratorium was lifted. This practice, together with abusive collection practices, may have put many borrowers under undue pressure and tainted their credit scores. All interviewed FSPs reported having clients who did not understand that they had to bear increased costs or even continue paying their loans after participating in a moratorium. Some FSPs reported having forgiven or considering forgiveness of all accrued interest and all fees or charges that may otherwise have been applied. This is one area where specific regulatory guidance would have been helpful for both FSPs and customers. In Bolivia, the law instituting the mandatory moratorium established that all suspended payments would be paid after the end of the original loan term, in installments.

3.3.2 RELEASE OF LIQUIDITY AND CAPITAL

There is little data on how measures such as reductions in liquidity, capital and reserve requirements, or lower risk weights have impacted specialized FSPs, including through their bank lenders or the interbank market. None of the interviewed FSPs reported feeling the benefits from the liquidity released in the banking sector. While measures such as suspension of dividend payments may have avoided the moral hazard of regulatory flexibility benefitting private shareholders, in most cases the FSP was able to use the released liquidity in any way they wished. Our interviews suggest that much of the liquidity and capital released at conventional banks has been used to support large corporate borrowers—including struggling industries such as aviation and oil—and little went to new lending, let alone MSE lending.

Another common observation was that banks have held on to the released liquidity rather than disburse it all. In other cases, central bank liquidity measures imposed conditions that many NBFIs couldn't meet, so the support went unused. For example, in Uganda, the central bank's liquidity support required the FSP to put an equivalent amount aside in commercial banks, meaning that none of the microfinance banks were able to take advantage of the liquidity facility.

In India, commercial banks suspended loan payments for their FSP borrowers only after the Reserve Bank of India allowed them to not automatically downgrade such loans. In the Philippines, since the rural bank sector is over-capitalized (well above minimum requirements), the reduction in capital requirements ended up not being very useful to most rural banks. The FSPs who were struggling prior to the pandemic may have felt some relief but may become insolvent regardless.

In Brazil, some measures targeted MSE lending.²⁶ The reduction of reserve requirements on savings deposits has so far resulted (the flexibility

will be in place for three years) in \$9.8 billion in bank loans to MSEs and \$1.4 billion in bank funding to other FSPs, and the reduction of capital requirements on contingent fiscal liabilities resulted in \$2.7 billion in working capital loans to MSEs. However, the data on non-targeted measures, such as the reduction in reserve requirements for term deposits, which released \$38 billion in liquidity, does not allow us to draw conclusions on how the released liquidity and capital supported MSEs (directly by bank lending or indirectly through specialized FSPs). Other examples include the reduction in risk weight for SME loans, which released \$6.6 billion, the reduction of the capital conservation buffer, which released \$121 billion, and the reduction of capital requirement for small FSPs, equivalent to \$3.11 billion of released capital.

3.3.3 CREDIT GUARANTEE SCHEMES

It seems that the impact of credit guarantee schemes has been limited, at least among the interviewed FSPs. Credit guarantee schemes generally require some form of collateral or clear accountability in their design, so FSPs that primarily work with uncollateralized loans and with group loans weren't able to make significant use of the schemes. A rural bank in the Philippines that only works with collateralized loans reported that it had already been accredited by the guarantee scheme, and that it would have been useful to acquire new clients, especially informal businesses, but the scheme did not make the funds available. In countries where new schemes were created after the pandemic hit, the coverage may have arrived too late to support many struggling MSEs.

In general, FSPs with loans from commercial banks have not found the guarantee schemes useful to their particular situation, for a few reasons: the FSPs do not fit the eligibility criteria (e.g., credit rating), the bureaucracy involved in loan approval was overwhelming, or bank loans were not a major source of the FSP's funding. India is an exception in this regard, as it implemented a Partial Credit Guarantee

Scheme 2.0,²⁷ specifically aimed at NBFCs, housing finance companies (HFCs) and MFIs with low ratings. An extension of an earlier partial guarantee scheme started in August 2019, which covered 10 percent of losses; the new scheme, worth \$6.4 billion, extends into 2021. It provides a sovereign guarantee of up to 20 percent of first loss of state-owned banks that support NBFCs, HFCs, and MFIs, either through loans or purchase of two-year instruments such as bonds or commercial paper of NBFCs. Banks can invoke the guarantee for pooled assets when the principal remains overdue for 90 days or when funds are not paid by the institutions on maturity of the commercial paper or bond.

There are other examples of credit guarantee schemes that cater specifically to MSE lending or guarantee bank lending to FSPs that serve this market. Both Colombia and Peru have well-established schemes that have been widely used since the start of the pandemic. Another interesting example is the Credit Guarantee Company of Egypt (CGC Egypt), which is one of the only guarantee networks explicitly working with MFIs and has been doing so for several years. They offer a 100 percent guarantee to banks to provide lines of credit to new MFI clients, and at the same time provide extensive monitoring and technical assistance to those MFIs to ensure healthy portfolios. After a period of time, when the MFIs “graduate” from their initial support from CGC and reach certain performance milestones, the guarantee ratios are reduced. Banks benefit from having CGC involved in their MFI lending, as it helps ensure healthy MFI clients, and they are more likely to continue lending to the MFIs with CGC’s MFI team involved. CGC’s shareholders are the Central Bank of Egypt along with eight banks, which provides a strong link between the regulator, industry, and the MFI sector. While MFIs account for only 4 percent of CGC’s guarantee portfolio,

MFIs make up about 70 percent of CGC’s clients, representing an important client segment for technical assistance.

3.3.4 ACCOUNTING AND TAX TREATMENT

One aspect of the prudential flexibility measures that has not been widely addressed yet is the accounting treatment of the measures on FSPs. Policymakers did not expect the pandemic to last as long as it has, and year-end reporting has exposed challenges that should have been foreseen. Historical experience shows that credit losses remain elevated for several years after recessions end.²⁸ Accounting and legal processes tend to delay recognition of losses, and policy measures in response to the current situation will result in even slower loss recognition than usual. The result can be FSPs having to report incomes that are at least partially fictitious, and pay income taxes on them. This is more of a problem where blanket moratoria have been mandated and income taxes are high, like in Bolivia. In Uganda, where a large part of the loan portfolio is still under moratoria, the accounting and tax treatment of interest income has not yet been fully discussed.

Delays, lack of guidance, or sudden changes in the accounting approach not only impact FSPs financially but also create operational and administrative challenges. Bolivia suddenly announced in late 2020²⁹ that all interest accrued on suspended loans since the start of the mandated moratorium in May 2020 would need to be reversed, and any interest already paid between May and December must be refunded by the FSPs to their clients. In addition to the unprogrammed financial loss imposed on FSPs (which –could possibly force smaller FSPs into insolvency), this entails undoing months of accounting already registered in the FSP systems. There is no clear guidance on how this is to be done.

4

Emerging lessons

Any recommendations based on the experience so far would be preliminary. However, it is possible to identify some emerging lessons to guide future regulatory and industry action.³⁰ First, FSPs serving low-income and MSE borrower segments require customized flexibility measures. There is a clear need to at least differentiate between conventional bank lending and microfinance.

Second, regulators need to prepare monitoring and evaluation systems to deal with future crises. This is largely dependent on their ability to collect granular and timely data from FSPs. Supervisors had to substantially increase reporting requirements in the midst of this crisis, exactly when FSPs were the least able to invest in compliance. Had granular data collection mechanisms fueled by supervisory technology (SupTech) been in place prior to the pandemic, regulators would have been able to quickly customize regulatory flexibility to FSPs serving low-income and MSE segments, and to better estimate and measure impact.

Third, our interviews suggest that deposit-taking FSPs have had a less bumpy ride in this crisis, due to the accumulated liquidity that allowed them room to design solutions for their clients. This can—and should—be a wake-up call for regulators that still do not offer a regulatory window for specialized deposit-taking non-banks or banks with a limited range of permitted activities with proportional entry and operating requirements.

Fourth, regulatory flexibility alone cannot fully address the breadth of challenges that emerge in a crisis of this magnitude. Fiscal measures such as cash handouts and tax relief are fundamental to provide badly needed respite to MSEs and low-income households.

With regard to the customization of regulatory flexibility, we offer the following preliminary observations.

Moratoria: Moratoria should not be imposed on FSPs and their clients. While there are benefits to harmonization and wide coverage, these are often outweighed by downsides such as the extra costs imposed on borrowers who would otherwise be able to continue paying, and the lack of understanding of the measures by many low-income clients. It's also critical that FSPs be allowed to personalize responses to specific segments of the portfolio, including between urban and rural clients, whose behavior in this crisis has been markedly different. While FSPs may decide to apply an initial moratorium to most of the portfolio, they should have the leeway to implement customized next steps. Another issue is how FSPs collect customer consent for the application of moratoria. FSPs and regulators must agree on reasonable, exceptional, and temporary changes to standard procedures, such as by allowing agreements to be made with customers over the phone, as was done in Uganda.

Special prudential treatment for loan restructuring: Not requiring automatic risk downgrade for loans under moratoria or other structuring during the pandemic has been by far the most common and apparently useful regulatory flexibility measure. By not suddenly stripping FSPs of their liquidity, the measure allowed FSPs to continue disbursing to, and (in some cases) even acquiring new, customers. Nonetheless, regulators should either differentiate their approach to different market segments, or provide room for customization for MFIs given their particular dynamics. Some implementation issues deserve specific attention:

➤ **Implementation period:** A longer implementation period, as opposed to the more common practice of renewing short periods of two or three months, may be preferable for increasing certainty and ensuring there are no gaps in loan coverage. After an initial moratorium for nearly all loans, FSPs would have a longer period to differentiate borrowers with short-term liquidity from those with solvency issues, and make the appropriate provisions for the latter. A longer implementation period would also provide greater certainty to FSP investors to continue supporting viable FSPs through the crisis.

➤ **Cut-off date (start date):** It is necessary to set an unambiguous cut-off date from which the special rule is valid (loans issued prior to that date). This needs to be linked to the start of the troubles affecting the population as a whole. Regulators need to take into account the challenges faced by low-income borrowers in making their payments and operating their businesses, considering lockdowns and other restrictions or interruptions. In this crisis, it became evident that low-income clients experienced logistical difficulties prior to other client segments. Regional differences need also to be considered, as restrictions and economic slowdowns have varied within countries.

➤ **Inclusion of past due loans.** A closely related issue is the inclusion of past due loans. While flexibility should mainly benefit loans that were current at the cut-off date, it makes sense to include some past due loans, especially given the practical and early challenges faced by microfinance clients. The number of acceptable past due days needs to be customized to microfinance and take into consideration differences across markets and regions. Including loans past due for too long is imprudent, especially for portfolios of short-term loans with frequent repayments. What works for conventional banking may not work for microfinance.

Interest accrual: While this issue was left out of most flexibility measures, it is worth considering whether, for specific market segments, interest accrual should be halted during a moratorium. Doing so could benefit low-income borrowers unable to cover the extra burden or understand that suspending payments will result in an additional debt amount. Regulators would need to be extra careful if taking on this issue and coordinate closely with FSPs to avoid any undesired impacts on FSPs. The Bolivian approach of reversing months of accrued interest offers a cautionary tale. Also, differentiated approaches within a single portfolio should be allowed.

Post-moratoria payments: While FSPs should be free to make customized post-moratoria agreements with their clients, low-income customers and MSEs are often vulnerable to abusive practices. In general, FSPs should refrain from imposing lump-sum payments of postponed principal and interest. They should, instead, automatically extend the term of the loan and amortize the delayed amounts over the new loan term. If possible, FSPs should also refrain from compounding interest accrued during moratoria. Again, this is an issue that should be carefully discussed with FSPs before it is set in regulation. A potential approach could be

to determine a differentiated rule for low-income segments if feasible. Regardless, the regulator should make its position clear about these issues.

Customer communications and disclosures:

There are many reports of borrowers not being fully aware of the consequences of entering into moratoria, especially the costs involved. One possible measure to consider is to create simple, short, standardized public messaging about moratoria and loan restructuring, to be used both by FSPs and in government awareness campaigns. Industry associations could play an important role in increasing public understanding about moratoria as well.

Credit reporting of crises-related restructuring:

FSPs and clients would have benefited from greater clarity with regard to credit reporting of restructured loans. The appropriate approach seems to be to continue, rather than halt, reporting to avoid information gaps. Regulators should require reporting of restructurings under a special code and explicitly prohibit future discrimination based on this code. Recognizing the difficulty of ensuring client protection in this regard, market conduct supervisors need to pay special attention to this issue and conduct focused assessments, analyzing accounts using pandemic-related codes (e.g., denied loan applications, terms and conditions of approved loans).

High-touch approach during crisis: While this may not be part of regulatory flexibility measures, it is a supervisory issue. Supervisors need to require FSPs to actively communicate

with their clients to assess their true prospects, in order to differentiate those facing short-term difficulties from those who will not recover from the crisis. Our interviews show that FSPs that did not follow a high-touch (including virtual) approach to communicating with clients may still be in the dark. Equally, supervisors need to adopt a high-touch monitoring approach, not only through data collection, but also with frequent meetings to discuss emerging issues, assess the evolving situation, and discuss potential temporary breaches of minimum prudential standards by struggling FSPs.

Liquidity support directly to FSPs or indirectly through banks:

FSPs subject to capital and liquidity requirements benefited directly from flexibility measures in some countries. However, most FSPs serving low-income segments and MSEs are less complex institutions, including banks, and require better customization of liquidity support. For instance, central bank lending facilities that require minimum credit ratings, or are backed by certain classes of assets, may exclude a large portion of FSPs. Another consideration is that FSPs operating in the microfinance sector may require support before conventional banking, given the short-term nature of their portfolios and the greater need their customers have for liquidity. Another lesson from this crisis is that measures that release or provide liquidity and capital need to be counterbalanced with measures limiting discretionary distributions such as dividend payments. Earmarking released liquidity (as done in Brazil) was not a common approach during this crisis but could be considered.



Notes

- 1** This work is based on desk research focused on Brazil, Bolivia, Colombia, India, Mexico, Nigeria, Pakistan, Peru, Philippines, Uganda, and Zambia, and select interviews with regulators, FSPs, and other stakeholders to gather insights about the same countries except Bolivia and Zambia. It may not reflect the reality in all countries and the applicability of our recommendations may vary.
- 2** “Policy Responses to COVID-19.” International Monetary Fund. <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>.
- 3** The few exceptions are conflict zones like Yemen and small island states such as Nauru who’ve not experienced major COVID-19 impacts.
- 4** “Financial Sector Response: Guidance Notes on the COVID-19 Outbreak.” World Bank. 2020. <https://www.worldbank.org/en/topic/financialsector/coronavirus>.
- 5** “Microfinance and Covid: A framework for regulatory response. CGAP Covid-19 Briefing: Insights for Inclusive Finance.” CGAP. June 2020. <https://www.cgap.org/research/covid-19-briefing/microfinance-and-covid-19-framework-regulatory-response>.
- 6** Note that all forbearance is a type of loan restructuring, but not all restructuring is forbearance. For instance, an MSE may request an increase in the amount and term of a loan which is current (not past due) due to greater than anticipated volume of business. In this case, the resulting loan restructuring would not be considered forbearance and would not be reclassified at a higher risk category than the original loan.
- 7** A loan loss provision is an income statement expense set aside to allow for uncollected loans and loan payments. Banks are required to account for potential loan defaults and expenses to ensure they are presenting an accurate assessment of their overall financial health. The amount of capital a bank is required to hold (and therefore not lend) to guard against insolvency is heavily impacted by risk classification of loans.
- 8** The technical reasoning behind this flexibility has not always been clearly articulated. In the European Union, the flexibility has been justified by the assumption that general moratoria were used to respond to a systemic shock, rather than individual borrower’s troubles (which would require risk downgrading).
- 9** There was wide variation across countries, and terms like “current loans” are defined differently.
- 10** This refers to Peru’s first set of flexibility measures with Feb 29th, 2020 as the cut-off date. The regulator issued another set of measures later on.
- 11** FSPs in Uganda expect the central bank to extend the end date, as the economy slowly recovers.
- 12** Dijkman, Miquel, and Valeria Salomão Garcia. “Borrower Relief Measures in ECA Region.” World Bank Group. April 2020. <http://pubdocs.worldbank.org/en/993701588092073659/Borrower-Relief-Measures-Note-for-ECA.pdf>.
- 13** “COVID-19: The Regulatory and Supervisory Implications for the Banking Sector: A Joint IMF-World Bank Staff Position Note.” IMF and World Bank. May 21, 2020. <https://www.imf.org/en/Publications/Miscellaneous-Publication-Other/Issues/2020/05/20/COVID-19-The-Regulatory-and-Supervisory-Implications-for-the-Banking-Sector-49452>.
- 14** This is the recommended approach by the International Committee on Credit Reporting (ICCR). <http://pubdocs.worldbank.org/en/972911586271609158/COVID-19-ICCR-Credit-Reporting-Policy-Recommendations-for-distribution-6346.pdf>.
- 15** Prudential segments S3, S4 and S5.

- 16** CGAP discusses such issues in India, Peru and Uganda: <https://www.cgap.org/research/covid-19-briefing/debt-relief-pandemic-lessons-india-peru-and-uganda>.
- 17** See overview and country data dashboards: <https://www.centerforfinancialinclusion.org/covid-19-and-msmes-data-and-analysis-to-understand-impact>.
- 18** The OECD reports that, whereas surveys since February 2020 showed SMEs were concerned the most about their liquidity, the most recent surveys they showed improved confidence, hinting that policy action would shift from liquidity to SME survival. <https://www.oecd.org/coronavirus/policy-responses/coronavirus-covid-19-sme-policy-responses-04440101/>.
- 19** As a reference, while Japan's COVID stimulus package amounts to 21 percent of its GDP, Mexico's amounts to only 0.7 percent (source: Statista.com <https://www.statista.com/statistics/1107572/covid-19-value-g20-stimulus-packages-share-gdp>).
- 20** "CGAP Global Pulse Survey of Microfinance Institutions." CGAP. <https://www.cgap.org/pulse>.
- 21** Note that we did not interview FSPs in Colombia and Peru, where there are widely used guarantee schemes for MSE lending.
- 22** This aligns with reports by the International Monetary Fund (IMF) of a strong growth of bank deposits across countries and regions during 2020. While demand-side data is scarce, a robust increase in savings was noted in the Bangladesh Hrishipara Financial Diaries, attesting to the savings capacity and financial acumen of low-income segments. <https://sites.google.com/site/hrishiparadailydiaries/home/corona-virus>.
- 23** "Superfinanciera measures in the face of COVID-19 situation: Follow-up figures for measurements" (translated). Superfinanciera. February 2, 2021. <https://www.superfinanciera.gov.co/inicio/sala-de-prensa/publicaciones-/medidas-de-la-superfinanciera-ante-coyuntura-por-covid-/cifras-de-seguimiento-a-las-medidas-10103899>.
- 24** CGAP discusses some consumer issues observed in India, Peru and Uganda. <https://www.cgap.org/research/covid-19-briefing/debt-relief-pandemic-lessons-india-peru-and-uganda>.
- 25** "Covid-19 Credit Reporting and Scoring Update." FinRegLab. July 2020. <https://finreglab.org/covid-19-credit-reporting-scoring-update>.
- 26** "Measures to Combat the Effects of COVID-19" (translated). Banco Central Do Brasil. https://www.bcb.gov.br/acessoinformacao/acompanhamento_covid19.
- 27** Gopakumar, Gopika. "₹20 Trillion Package: Govt Announces Stimulus for NBFs, HFCs, MFIs." Mint. May 13, 2020. <https://www.livemint.com/news/india/rs-20-trillion-package-govt-announces-stimulus-for-nbfcs-hfcs-mfis-11589371951282.html>.
- 28** "Microfinance and COVID-19: Principles for Regulatory Response." CGAP. September 2020. <https://www.cgap.org/research/publication/microfinance-and-covid-19-principles-regulatory-response>.
- 29** "Bolivia: Decreto Supremo N° 4409." Portal Jurídico Libre De Bolivia. December 2, 2020. <https://www.lexivox.org/norms/BO-DS-N4409.xhtml>.
- 30** CGAP identified five high level principles for crisis responses to regulated microfinance providers. Responses should be pro-poor, clear and predictable, have broad coverage, preserve safety and soundness of FSPs, and supervision should be adjusted to the monitoring required by the crisis.

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