

# Responding to the COVID-19 Pandemic: Guidance for Financial Service Providers

MARCH 25, 2020

**ACCION**

# Contents

**01**

Overview

**02**

Macroeconomic  
and regulatory  
environment

**03**

Findings  
from  
partners

**04**

Crisis  
response  
plan for  
partners



# Contents

**01**

**Overview**

02

Macroeconomic  
and regulatory  
environment

03

Findings  
from  
partners

04

Crisis  
response  
plans for  
partners



# Overview

## Our mission matters more than ever

Accion is a mission-driven organization focused on empowering underserved individuals in the U.S. and around the world, and we are aware that those populations are acutely vulnerable to the impact of a global pandemic.

## The populations we serve are uniquely vulnerable

They are less likely to have access to quality, affordable health care and paid leave to care for sick family members. Their microbusinesses – and therefore their livelihoods – are particularly vulnerable to the business interruptions likely to result from COVID-19; and they are less likely to have adequate savings, insurance, or credit that can help them weather economic downturns.

## From understanding comes action

As we assess how COVID-19 affects our partners, we are looking at ways we can help them prepare and adapt for disruptions that may occur in the communities where they work.

## We are committed to supporting our partners through this crisis

All of us at Accion remain focused on achieving our mission of a financially inclusive world, while ensuring the safety and security of our staff and our partners in this challenging time.

## **‘Wait and see’ is no longer a viable strategy**

**Financial Service Providers around the world need to act promptly.** This briefing note is meant to share our findings on how COVID-19 is impacting the financial inclusion industry, and to provide recommendations for senior leaders to protect their customers, employees, and business operations. The findings included in this document and resulting recommendations were based on interviews with our partners to understand how they are addressing this unprecedented global pandemic.

# Contents

01

Overview

02

**Macroeconomic  
and regulatory  
environment**

03

Findings  
from  
partners

04

Crisis  
response  
plans for  
partners



## COVID-19 BY THE NUMBERS

The impacts of the spread of COVID-19 are being felt globally

**460,000+**

Confirmed cases

**20,000+**

Reported fatalities

**113,000+**

Recovered

**28**

Countries with >1000 reported cases

**>40**

New countries with cases March 9-15th

**>140**

Countries or territories with reported cases

**2 - 14**

Incubation period (days)

**6**

Days for the number of confirmed deaths globally to double

**39,738**

Daily new confirmed cases\*

# Governments' responses to the crisis have varied, from “business as usual” to strict containment measures

COUNTRY	POLICY RESPONSE				
	Mandatory quarantine / lockdown (in some or all areas)	Recommended quarantine / isolation (in some or all areas)	Travel restrictions / bans (from some or all countries)	Epidemiological surveillance	Public awareness campaigns
NICARAGUA				✓	✓
MEXICO			✓		
PERU	✓				
CHILE		✓			
BOLIVIA	✓		✓		
COLOMBIA	✓		✓		
ECUADOR		✓	✓		
NIGERIA		✓	✓		
MOZAMBIQUE					
INDIA	✓		✓		
CHINA	✓		✓		
MYANMAR					
INDONESIA	✓		✓		



# With economic impacts being felt universally, regulators have taken steps to mitigate shocks to MSMEs, including stimulus packages, tax breaks, and interest rate reductions



Announced a series of support measures, including waivers and relaxations of tax and bankruptcy codes. A material stimulus of \$20 billion is being discussed. The Reserve Bank is considering cutting rates by more than 50bp. RBI is prepared to support any surge in liquidity as a result of the lockdown.



The Central Bank of Nigeria introduced measures last week specifically for Deposit Money Banks which includes a ~130M USD fund for MSMEs, moratorium on principal repayments and reduction on interest rates for CBN intervention funds. MFIs are a separate category and so far the CBN has not introduced any new regulations or policies targeting MFIs specifically.



BoG introduced measures that include interest rate reduction from 16% to 14.5% and reduction in capital adequacy requirements for banks.



Announced an initial stimulus package of loans, eased tax payment deadlines, and tax exemptions for local businesses. Covid-19 fund of \$70 million USD has been created to assist local MSMEs. Central Bank of Myanmar cuts lending rates by 1.5 %.



Bank of Uganda released a statement last week about 6 measures it will be undertaking (including waiving limitations on credit restructuring and providing liquidity assistance on an exceptional basis to FIs that may require it) but there are scant details on implementation.



The Chilean Central Bank introduced measures to lower the interest rate by 75 points to promote consumption and investment. The Central Bank also modified reserve requirements and ruled that banks can have their reserve in CLP, USD, yen and euros.



VAT reduced from 3 percent to 1 percent for small businesses until the end of May; VAT cut on supplies related to the outbreak



Central Bank of Kenya announced a 70m USD package including expediting of VAT refunds and other payments to small businesses, cost-free (to the borrower) loan restructuring and extending suspension of transaction fees on mobile money transactions



Announced a reduction in local currency (TES) bond auctions planned for this year among other measures to support the functioning of the credit market. Established VAT exemptions for imports of medical supplies needed to control the pandemic. Announced additional transfers to different social programs targeting the most vulnerable populations.

# Contents

01

Overview

02

Macroeconomic  
and regulatory  
environment

03

**Findings  
from  
partners**

04

Crisis  
response  
plans for  
partners



# Findings: addressing the impact of COVID-19 on clients



## Findings



### I. Ability to Repay

- As the global economy slows, GDP global growth is projected to slow to 1%- 1.5% (S&P Global Ratings). As this will bring local economies to a near standstill, clients' ability to repay their loans will be adversely affected in the short term.
- MSME customer segments in urban locations are highly vulnerable. Eventually, all non-essential businesses may be locked down – leading to additional challenges including lack of customer footfall and/or supplier challenges. Those dependent on import/export supply chains are most exposed to disruptions and reduction in demand, and many are experiencing a lack of places to sell and merchandise to buy with loans. Non-essential businesses, including travel, restaurants, schools, hospitality, beauty salons and garment production, are also likely to be severely impacted.
- Whether or not agricultural businesses that provide life essential products will be affected or not depends on how the agricultural products are procured in the supply chain and government policy. For example, in China, supermarkets continue to operate but agricultural businesses that sell to small distributors are severely affected.
- Clients have strong, trusting bonds with relationship officers. The lack of physical meetings, especially for group lending clients, will create a challenge for those who primarily work with cash and repay through this channel, likely leading to an increase in defaults, pain points, and fears.
- Prices of basic food products are going to go up, i.e. in Indonesia rice and sugar are now 1 - 1.5x what they were in Jan. Hoarding is occurring in some markets due to panicked preparation for lockdowns.



### II. Digital Acceptance

- Digital channels, where in place, are not always widely accepted or understood. This is especially true for rural clients.
- In some places, customers are reaching out to FSPs to ask about digital channel options.



### III. Safety

- Physical cash (notes and coins) can be a means for transmission of the virus.
- Marketplaces where MSMEs operate are viewed as high risk areas due to the quality of infrastructure and the high volume of visitors. MSME owners need to protect themselves and their employees. FSP staff do not want to enter marketplaces due to uncertainty. This creates a need for clients to use bank channels, like branches.
- Banks are usually deemed to be essential businesses which must remain open, albeit on reduced staffing schedules. This can create challenges for clients who wait in queues for a long time to get cash, exposing them to risk.
- Fraud and scams are increasing as the situation is evolving and information is changing. The most common fraud and scams that have been seen in China include: government loan / grant schemes, mask and sanitizer sales scams, or donation fraud related to virus prevention and treatment.

# Findings: addressing the impact of COVID-19 on staff



## Findings



### I. Job security & morale

- Due to the news surrounding COVID-19 and uncertainty around changing business practices, staff morale is starting to drop. In those locations where branches or offices have already been closed, there is a fear of losing wages at the very least and loss of employment at the worst.
- Staff are uncomfortable handling cash and would prefer fewer people entering branch locations.
- There is a lack of clarity around using vacation time, sick leave or unpaid leave.
- There may be an impact on bonus payments for employees that are incentivized by performance bonuses



### II. Remote work challenges

- Front-line staff typically interface regularly with customers, and it is not clear if they will be effective working remotely.
- Sales teams are increasingly finding it difficult to move around and source business as more countries move towards lockdowns.
- Staff not equipped to work from home: lack of laptops, reliable power supply, internet access, and security devices.
- Staff may not be able to work remotely due to a lack of a conducive environment (i.e., small or shared living accommodations, disturbances caused by environmental noise, other people in the home).



### III. Safety & security

- Institutions are working to secure the availability of protective equipment (e.g. gloves, masks, sanitizer) for staff but countries are experiencing stock outs or stock may be unreliable in some markets.
- As the crisis unfolds, official advice does not exist in some cases or may be contradictory in nature. Employees are feeling confused and fearful.

# Findings: addressing the impact of COVID-19 on business operations



## Findings

---



### I. Disaster preparedness

- COVID-19 is unlike any previous crisis. Traditional crisis response and business continuity approaches which are mainly based on geographically isolated incidents (fire, floods, earthquakes, theft, etc. in a location, for example) will not be sufficient, as this is world-wide and affecting everyone.
  - Ability to stand up alternative HQ locations, as a complete mirror of the primary, is not possible for most institutions.
  - Having to evacuate entire buildings at short notice is not easy, especially if operations are paper-based.
- 



### II. Regulatory compliance and challenges

- Different governments and regulators are unclear about their tactics – repayment holidays, tax breaks, etc. This creates confusion in the market and causes clients to be unclear and in some cases, take advantage of the situation and not repay.
  - It is not yet clear how insurance companies will respond in this situation.
- 



### III. Digital channels

- Customers are using digital channels when and where available. Those in rural areas may have less access.
  - Staff who use digital channels (tablet-based loan origination systems, etc.) will be most effective.
  - Systems may not have been stress-tested to handle large volumes of staff using remote access.
-

# Findings: addressing the impact of COVID-19 on financial readiness (1/2)



## Findings



### I. Loan book

- Client acquisition and loan disbursement activities are suspended in certain geographies where local governments have started restricting human movements and residents fear for their safety.
- Certain regions' loan book is not growing due to lack of demand for credit (due to low business activity) and in many cases, is expected to shrink in the coming months.



### II. Portfolio quality

- Due to low business activity or the lack of ability to repay in cash (where alternate channels are not available), portfolio quality of certain regions and/or of clients in certain business segments (e.g. general services, manufacturing, hospitality) has started to deteriorate and is expected to worsen over the coming months.



### III. Revenue stream

- Loan interest income has dropped/is expected to decrease due to a reduction in repayments and interest payments as well as a shrinking loan book.
- Revenue streams from other ancillary sources, e.g. account opening fees and interest income on cash deposits, have dropped/are expected to decrease due to suspension of client acquisition activities and respective central banks lowering of benchmark interest rates.



### IV. Funding cost

- Funding costs, particularly those of existing long-term loans, are fixed in loan agreements with lenders prior to the COVID-19 pandemic. Some of these loans are in foreign currencies, that are appreciating in value, increasing the cost of serving the loans.
- Some institutions are trying to re-negotiate funding cost levels with their respective lenders in order to lower overall financing cost.
- Fewer debt funders willing to support liquidity requirements due to uncertainty of the contagion. Renewals will likely be in question and will be slow to disburse.



### V. Operating & capital expenditure

- With reduced/restricted operations, institutions are starting to review operating expenses and capital expenditure plans in order to identify areas to trim without jeopardizing clients' welfare or long-term growth prospects.

# Findings: addressing the impact of COVID-19 on financial readiness (2/2)



## Findings



### VI. Capital adequacy

- Institutions may face capital adequacy issues due to deteriorated operations, including declining revenue and stagnant costs, which may push institutions closer to various regulatory requirements on capital sufficiency.
- Equity and debt fundraising activities may face severe delay due to restricted people movements, which may leave institutions with funding gaps and/or meeting regulatorily required capital adequacy.



### VII. Liquidity management

- Institutions may face cash-in-hand issues to deal with reduced revenues, stagnant costs, and delayed funding.
- Institutions may also need to set aside liquidity to handle pandemic-related additional expenses (e.g. prevention and medical expenses).

# Contents

01

Executive  
summary

02

Macroeconomic  
and regulatory  
environment

03

Findings  
from  
partners








04

**Crisis  
response  
plans for  
partners**





# Summary of recommendations to providers

Areas of impact	Dimension	Recommendation
<b>ALL</b>	 <b>I. Stand up your team</b>	Appoint a senior, fully dedicated and cross-departmental COVID-19 response team to be focused on this topic every day. Where possible, loop in a board committee for governance, visibility and quick approvals.
<b>CLIENTS</b>	 <b>I. Ability to repay</b>  <b>II. Digital acceptance</b>  <b>III. Safety and security</b>	<p>Develop segment specific response plan, take a customer-centric approach to repayment that focuses on re-establishing trust.</p> <p>Educate customers about alternate digital channels to reduce dependence on cash. Any in-person collections should follow strict social distancing guidelines.</p> <p>Prioritize any in-branch assistance for elderly or at-risk clients to ensure that they feel safe and their needs are met. Set aside hours and/or certain office space for the reception of such clients.</p>
<b>STAFF</b>	 <b>I. Job security &amp; morale</b>  <b>II. Remote work challenges</b>  <b>III. Safety &amp; security</b>	<p>Ensure salaries can be paid and revisit performance targets in light of limitations. Ensure staff are aware of the business continuity plan.</p> <p>Where possible, enable staff to work remotely. Identify critical staff and distribute across different locations. Enable successful remote work by offering the ability to connect remotely and secure access through tools like VPN.</p> <p>Proactively create specific operational guidelines and procedures for employees.</p>

# Summary of recommendations to providers

Areas of impact	Dimension	Recommendation
<b>BUSINESS CONTINUITY</b>	 <b>I. Disaster preparedness</b>	<p>Companies should identify possible worst-case situations and determine key if/when trigger-point scenarios and corresponding Actions. A ‘wait and see’ what happens will result in the lack of preparedness and impact the business adversely.</p>
	 <b>II. Regulatory compliance and challenges</b>	<p>The instructions of concerned government administration departments should be adhered to strictly especially in locked-down districts or areas of operations.</p>
	 <b>III. Digital readiness</b>	<p>Ensure digital channels are strong/robust. Test to ensure the channels are working according to expectations and can handle additional volume of transactions.</p>
<b>FINANCIAL READINESS</b>	 <b>I. Loan portfolio recalibration &amp; stabilization</b>	<p>Recalibrate risk limits to focus on loan disbursement to known geographies and client segments. Manage business risk by delaying geographic and new product rollouts, where possible.</p>
	 <b>II. Loan portfolio quality management &amp; recovery</b>	<p>Focus on monitoring existing loan portfolio evolution with special attention to PAR, by segment, and operation geography.</p>
	 <b>III. Revenue stream recalibration &amp; stabilization</b>	<p>Optimize revenue streams by directing capital and human resources to high unit economic products (e.g. high unit return).</p>
	 <b>IV. Funding cost re-negotiation</b>	<p>Re-negotiate existing (and pipeline) debt funding sources for better rates.</p>
	 <b>V. Operating cost (Opex) and capital expenditure (Capex) recalibration</b>	<p>Re-evaluate and prioritize Opex and Capex and put non-essential spending on hold.</p>
	 <b>VI. Capital adequacy monitoring &amp; stabilization</b>	<p>Monitor capital adequacy levels, re-evaluate equity and debt funding raising plan, build in a capital and cash buffer.</p>
	 <b>VII. Liquidity management</b>	<p>Establish new minimum liquidity thresholds and develop a regularly updated rolling cash flow projection.</p>

# Action plan: addressing the impact of COVID-19 on clients



## Recommendations to providers



### I. Ability to Repay

- Segment customer base to determine the levels of vulnerability of business – pain points and fears. Develop segment-based response plan, including deferred repayments, insurance partnerships, access to government assistance programs.**
- Prepare communications plan to re-assure customers on product and operational safety concerns – provide information on list of open branches, services available, potential disruptions in service, safety precautions put in place, etc. (can do via outbound call center; SMS/USSD messaging).
- Demonstrate concern by reaching out to customers to understand impact of COVID-19 on their operations, cash flow, staff, and family.
- Group lending FSPs should ask group leaders to facilitate their groups' repayments or use digital channels to minimize the need for large meetings for collections.
- Take a customer-centric view to repayment and think through how you will build trust, loyalty and market share through and beyond this crisis.
- Explore options to partner with insurance providers to offer income protection insurance (beyond credit line insurance).



### II. Digital Acceptance

- Discourage dependence on cash, based on segment. Create targeted messaging about using alternate channels, other than branch networks and face-to-face service. Stop group center meetings, where possible, but after educating clients and staff about alternate channels.**
- If possible, work with digital payment providers in country to broaden the reach of digital channels.
- Add incentives to encourage clients to use digital payments.
- Any necessary in person collections and disbursements should follow strict social distancing guidelines i.e., very small groups, safe distance. Encourage customers to make repayments by visiting branch, agent, or make a digital payment.



### III. Safety

- Prioritize in-branch assistance for elderly or at-risk clients to ensure that they feel safe and their needs are met. Set aside hours and/or certain office space for the reception of such clients.**
- Develop educational videos about COVID-19 to be disseminated through digital channels, as well as shared on staff devices. Develop posters/flyers to be carried by all staff in those locations where the government is not offering education about potential for impact.
- Provide education to prevent clients from falling into traps of fraud or scams. Remind clients to only believe information from trusted sources, such as financial institution's webpages, as well as government webpages.
- Ensure adequate security is provided by a local security company or the police outside the branch for safety of staff and cash in bank.
- Consider sanitizing all physical cash and ATMs before (and after) it is handled or used by clients – UV sanitizing machines may work.
- Social distancing should be maintained in bank branches.

# Action plan: addressing the impact of COVID-19 on staff



## Recommendations to providers



### I. Job security & morale

- Ensure salaries can be paid and offer salaries in advance where possible, to enable staff to buy essential items in case of lock-down. Revise KPIs for 3-6 months based on customer segments served, expected PAR, and reduced ability to travel to client locations.**
- Talk to all staff about the business continuity plan and offer transparency.
- Remain optimistic and positive in all staff communications. Look for opportunity amid adversity in order to lift spirits of employees.
- To boost morale, encourage staff to take on initiatives to help customers address challenges. Share examples internally of support the institution has provided for clients, especially initiatives that have helped clients address low sales or resume operations.



### II. Remote work challenges

- Set up staff with work-from-home facilities if possible. Check in through conferencing systems, social/informal communication channels, such as whatsapp, to keep staff engaged. Provide training on how to be most effective, remotely. Require only critical staff to come into the office, if necessary. Offer data plans to staff who need it.**
- Identify “critical” staff and move them to different locations to mitigate against branch closures. Set staff up with remote access tools such as VPN connections into the HQ systems.
- Ensure that staff working in the field can return to their families where possible and enable them to work from home.
- Ensure daily check in between supervisor and team members.



### III. Safety & security

- Proactively create specific operational guidelines and procedures for employees, including details as outlined below:**
- Reiterate the importance of staying home if you are feeling ill. Ensure the presence of staff in FSP's premises or in the field does not contribute to the spread of COVID-19. Minimize time spent in branches/offices, follow WHO guidance to make sure that your workspace is ready for COVID 19. Policies around sick and personal time may need to be relaxed during this time in order to ensure employee and client safety.
- For institutions with branches across different regions, companies should design different contingency plans based on virus transmission and local capacity settings in different regions--high, medium, and low risk.
- Follow the most conservative advice on deep cleaning and sanitation of areas/ facilities in offices and branches. That guidance from the WHO currently includes, distributing sanitizers where available, encouraging frequent hand washing, social distancing, avoiding touching face, and staying informed. Establish policy and procedures for granting access to offices and branches. Use communication aids in the workplace to keep staff educated.
- Equip employees with any needed sanitary or personal protection equipment (disinfecting wipes, masks, gloves, etc.). E-commerce sites like Aliexpress.com are good places to shop for these products.
- Ensure staff who absolutely must go to marketplaces, which can be hot-zones for infectious diseases, are given appropriate personal protection equipment, where possible.
- If applicable, ensure staff/employee insurance is robust enough to offer medical testing and income protection for those who are diagnosed with COVID-19.
- Suspend all in person meetings if possible and regulate visits from third parties to offices. Use phones and digital channels to conduct meetings where possible. Educate staff about digital channel options so that they can, in turn, inform clients. If face to face meetings are unavoidable, train staff to keep a safe distance.
- Help employees distinguish facts from rumors and arm them with timely information by sharing trusted sources of news.

# Action plan: addressing the impact of COVID-19 on business operations



## Recommendations to providers



### I. Disaster preparedness

- General scenario planning is too uncertain, companies should identify possible situations (e.g. major cost-cutting, layoffs, etc.) and determine key if/when trigger-point scenarios and corresponding actions. Prepare for the worst; a ‘wait and see’ approach is not a viable option.**
- Revise/upgrade business continuity plan (BCP) to define critical roles, people and systems. Revise/update disaster recovery (DR) plan. Test BCP and DR in a matter of days, as lock-down is imminent in most countries, if not already in place.
- Develop a risk framework for assessing different phases of the pandemic and a plan on how to respond to each phase and its potential timeline.
- Consider setting up “mirror” HQ offices in 2 branch or other locations. Move critical staff to those locations.
- Validate with current insurance company its strategy and capacity to meet obligations.
- Check in with key suppliers (i.e., cash transport, agents, lawyers, software suppliers) to gauge impact to their operations and prepare contingencies if needed.
- Prepare communications for shareholders, lenders, industry associations, and regulators about response plans.
- Board committees focused on disaster management should be set up and receive regular updates and meet in case of crisis.



### II. Regulatory compliance and challenges

- The instruction of the relevant government administration department should be adhered to strictly especially in lock-down districts or areas of operations.**
- Reach out to local banking and MFI associations to gather information and prepare for collective action if needed.
- Stay close to regulator and central bank guidance on new measures. Advocate for government/ regulator to be prepared to act in case of serious crisis.
- Understand loan restructuring and bad debt provision options from regulators.



### III. Digital channels

- Where possible, ensure existing digital channels are strong/robust. Test to ensure the channels are working according to expectations and can handle additional volume of transactions. Develop marketing and education plan for staff and clients. Invest in technology infrastructure and tools if necessary.**
- Develop back-up plans for channel failures (i.e., 2-3 staff members could work remotely to form a virtual call center).
- Customers will change behaviors, accelerating trends toward digital. Bold actions now can set up more digitized FSPs for success through the downturn and beyond.
- Partner with digital channel providers to enable remote digital payments as a means of collection and disbursement.
- Be on the lookout for opportunities—fintech partnerships may be easier to come by, push for digitization may be enhanced.
- If undeveloped, FSP can explore utilizing digital channels of commercial bank for some client segments.

# Action plan: addressing the impact of COVID-19 on financial readiness (1/3)



## Recommendations to providers



### I. Loan portfolio recalibration & stabilization

- ❑ Recalibrate risk limits to lower risk appetite for specific client segments, geographies and products.
- ❑ Focus on loan disbursement to known geographies and client segments in the short term.
- ❑ Delay new product rollouts unless they help address challenges created by this crisis.
- ❑ Focus on renewals to existing clients rather than taking on new clients; review loan renewals to businesses that could be severely affected by the crisis (e.g. non-essential retail, hospitality, travel, beauty salons, restaurants, schools, export/import businesses) where supplies of inputs may be unavailable or key markets may be closed.
- ❑ Recalibrate the staff incentive scheme to focus on renewals and loan quality rather than new business.
- ❑ Take into account anticipated lower demand and higher PAR in setting staff and business KPIs.
- ❑ Develop plans for restructuring loans for clients who may be unable to pay, advocate for less in-person collections, and create communications and testing mechanisms for digital disbursements and collections.

#### ***KPIs to monitor and re-forecast:***

- Weekly/monthly loan disbursement
- Weekly/monthly new client number
- Weekly/monthly loan office case load
- Weekly/monthly number of loans with tenor and/or repayment restructured



### II. Loan portfolio quality management & recovery

- ❑ Monitor existing loan portfolio quality evolution with special attention to PAR by segment and operation geography.
- ❑ Explore restructuring of loans offered to clients.
- ❑ Use customer segment analysis to model various scenarios of impact on PAR and liquidity requirements. Where possible, find local alternatives for clients who rely on imported supplies as a relationship management (and good business practice) gesture. Understand loan restructuring and bad debt provision options from regulators.
- ❑ Revisit provisioning policy and discuss with regulators to reevaluate provisioning requirements.

#### ***KPIs to monitor and re-forecast:***

- PAR by normal/restructured loans
- PAR by customer segments
- PAR by operation geography
- Default at individual level in a group lending situation
- Weekly/monthly provisioning expense
- Provisioning policy changes

# Action plan: addressing the impact of COVID-19 on financial readiness (2/3)



## Recommendations to providers



### III. Revenue stream recalibration & stabilization

- ❑ **Optimize revenue streams by directing capital and human resources to high unit economic (return) products** and revisiting product pricing (e.g. benchmarking product yields and fees to market levels, if regulations and competition allow).
- ❑ Project a revenue stabilization plan that reflects operation stabilization effort in a worst-case scenario of a long-lasting pandemic (e.g. failed disease containment and resulting economic deterioration beyond 2020).
- ❑ Explore new products that utilize digital channels for remote on-boarding and servicing to help generate new revenue streams where possible.

#### **KPIs to monitor and re-forecast:**

- Weekly/monthly Interest income from loans
- Weekly/monthly ancillary fees, including interest/investment income from non-portfolio income sources



### IV. Funding cost re-negotiation

- ❑ **Reevaluate and re-negotiate existing debt funding sources and funding in pipeline**, including amortization schedule, interest payment schedule, and interest rate relief (e.g. adjusting base rate to currently lowered LIBOR).
- ❑ Access grant funds, if available, from government and international bodies.
- ❑ Reevaluate current deposit rate offering, including deposit rate adjustment to reflect lower base funding rate, and deposit mobilization effort (e.g. reducing deposit mobilization effort in areas severely impacted by the pandemic).

#### **KPIs to monitor and re-forecast:**

- All-in interest rate of existing debt
- Interest rate of deposits
- Blended cost of funds ratio



### V. Operating cost (Opex) and capital expenditure (Capex) recalibration

- ❑ **Reevaluate Opex items and focus on trimming non-essential spending.**
- ❑ Put non-essential new hires on hold.
- ❑ Prioritize Capex items and focus on trimming items with near-term impact of items on areas other than disaster preparedness or institutional stability; put non-essential projects and other expenditures on hold.
- ❑ Prepare a confidential operation plan that identifies potentially low-impact and low-performing operations, geographies, and staff in a worst-case scenario of a long-lasting pandemic (e.g. failed disease containment and resulting economic deterioration beyond 2020).

#### **KPIs to monitor and re-forecast:**

- Monthly Opex/loan portfolio ratio
- Monthly SG&A/loan portfolio ratio
- Monthly additional emergency expenses
- Monthly Capex

# Action plan: addressing the impact of COVID-19 on financial readiness (3/3)



## Recommendations to providers



### VI. Capital adequacy monitoring & stabilization

- ❑ **Monitor capital adequacy levels** in anticipation of revenue deterioration, increased provisions, stagnant financing cost and Opex, and new debt and deposit funding decline.
- ❑ **Reevaluate equity and debt funding raising plan** for next 12 to 18 months and discuss feasibility and estimated timeline with each prospect funder.
- ❑ **Build in a capital and cash buffer** given that timelines may be delayed due to closure of offices, closure of legal offices, regulatory approvals, etc.
- ❑ Prepare a worst-case scenario capital structure plan to reflect a significant drop in retained earnings with current debt funding obligations and Opex level in order to identify potential debt and equity capital gap.

#### KPIs to monitor and re-forecast:

- Monthly debt/equity ratio
- Monthly debt/total assets ratio
- Monthly deposit/loan portfolio ratio
- Other capital adequacy/prudence ratios compared to those required by regulators
- Monthly new debt funding need
- Monthly equity funding need and timing



### VII. Liquidity management

- ❑ **Establish new minimum liquidity thresholds** taking into account expected demand, reduced revenues, increased PAR.
- ❑ **Develop and update on a regular basis 12-month rolling cash flow projections;** stress test minimum cash need in the worst-case scenario assuming significant drop in revenue, stagnant funding and Opex, and unchanged debt service schedule for the next 12 to 18 months
- ❑ Ensure access to additional liquidity even if it comes at a price; seek to negotiate pre-payment clauses that will allow for repayment if required.

#### KPIs to monitor and re-forecast:

- Monthly minimum cash (next 12 to 18 months)
- Monthly net cash position



# Accion remains committed to supporting financial service providers and the financial inclusion industry during this time of crisis

If your company is experiencing challenges related to the COVID-19 global pandemic and could use personalized support from our team of experienced advisors and investors, please contact us to determine how we can support your COVID-19 response efforts.

## Accion Global Advisory Solutions

✉ [GLASSupport@accion.org](mailto:GLASSupport@accion.org)

## Accion Global Investments

✉ [accionglobalinvestments@accion.org](mailto:accionglobalinvestments@accion.org)

# Appendix



# Public resources

	TYPE OF RESOURCE		TOPIC		
	DATABASE	REPORT	POLICY / REGULATORY	BUSINESS CONTINUITY	GENERAL RESOURCE
<a href="#">Yale SOM Financial Intervention tracker</a>	✓		✓		
<a href="#">IIF Global Policy Response Summary</a>	✓		✓		
<a href="#">IIF: Managing through the COVID-19 Pandemic: How Financial Firms are Responding</a>		✓	✓	✓	
<a href="#">Mckinsey COVID-19 Briefing</a>		✓		✓	✓
<a href="#">Bain COVID-19 Fact Base</a>		✓		✓	✓