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**Impacts Of Covid -19 On Microfinance Sector in Bangladesh : A Case Study on ASA Microfinance Institute**

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## EXECUTIVE SUMMARY

This paper provides us knowledge about current practice, opportunity and challenges in microfinance sector of Bangladesh after the covid -19 and also impact of pandemic in an organization of microfinance which is ASA MFI, their overcome situation will gives us further development opportunity in this microfinance sector in Bangladesh

We started our paper overall overview of microfinance in Bangladesh as well as we discussed about after pandemic opportunity, challenges and current practice in Bangladesh. So we try to focus some of the organization who works with microfinance in Bangladesh such as Grameen bank and ASA MFI. In our methodologies section we try to detailed and systematic explanation how our research carried out which helps us evaluate the results. We took interview to know the impact of covid 19 in microfinance sector in Bangladesh that help us to know current situation and also analysis of data collection. We showed our philosophical standpoint. We focused our literature review after covid situation because we found lot about challenges and opportunity in microfinance sector. Our paper more or less discuss about after covid opportunity and challenges in microfinance and also current practices of the organization. In our theory section we try to use change management theory which describes our analysis of the collected empirical data. We try to asses our theory credibility with the different authors concept . To the discussion of our theory we use some model to validate with our relevant topic. Also framework elaborates our discussion of theory with our data.

Our main objectives of this study are:

- 1.What are the Changes in Current practices, Opportunities and Challenges in the Microfinance sector of Bangladesh after Covid-19?
- 2.What are the impacts of Covid-19 in ASA MFI and ways to overcome?

We found some knowledge gap and our limitation and also, we discussed about how theory can be defined our case and our case study organization should be more focus to make their organization more adaptive with the current situation after covid. In post Covid time the most challenging task for the organization was to control the dropout of our members and overlapping of members with another NGO. We had to focus especially on the local market need to find the reasons behind dropout and overlapping. Also they emphasize adaptation within their organization as well as they motivate their client to adapt this changes what they go through during covid . Management try to analyze and access to financial services for the poor, marginalized and disadvantaged and make some new policies regarding how they can recover their non performing or over due loans, how they can raise their current recovery rate, how they can raise outstanding level etc. From our perspective we thought ASA should also focus on capability development so their staff will be updated with the required situation.

In our last part we conclude where our overall case is discussed and answer the problem formulation about what answer we were looking for and found out for the research question. ASA's biggest problems are a lot of loans that aren't being paid back, more loans that are past due, a lot of users who have

disappeared, and the fact that as technology has improved for digital transactions, loans have become riskier and defaults have become more common. Following the lean transformation framework, we believe that ASA should put more focus on digital innovation, expanding new markets through MSME in a wider way, and being a responsible leader by encouraging ongoing learning and development. They should also help field level managers be self-reliant and self-organized so they can do their best work while staying in touch with their beneficiaries and stakeholders.

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## **Abstract**

Microfinance has improved the financial situation of the underprivileged and given rise to micro-businesses to foster the economic growth of the country. Microfinance has made an important influence on reducing poverty, increasing micro-enterprise productivity, and empowering women in Bangladesh. Due to Covid-19 pandemic the year 2020 saw an increase in extreme poverty worldwide for the first time in more than 20 years. Approximately 36% of people in the planet currently make less than \$1.90 per day. It is anticipated that the COVID-19 pandemic will result in an additional 150 million people being living in extreme poverty. Microfinance Institutions which provide services aimed at reducing poverty, must acknowledge this circumstance and work swiftly to develop solutions. The Microfinance industry has been adversely affected by the COVID-19 pandemic. Globally, the epidemic has significantly impacted the rate of poverty, income inequality, and a wide range of governmental limitations. Due to the limited ability of certain MFIs to take advantage of regulatory measures, loans have grown riskier and defaults more common.

Taking all of the aforementioned into consideration, the industry's next best course of action for adapting to and overcoming the issues it faces today can be giving focus on digital innovation, specialised services, and expanding into new markets. In our research paper we are going to focus on the impact of covid pandemic on the changes of current practices, challenges, and opportunities of the Microfinance sector of Bangladesh. We have chosen a renowned Microfinance Institute of Bangladesh named ASA as our main case study to narrow the focus of our research. Firstly, the paper will provide some overall situation about microfinance also the situation after pandemic and organization structure and policy in this sector. Then our paper will discuss about methodologies , data analysis method and our philosophical thoughts. As we found lot of literature about microfinance opportunity and challenges so that we try to focus on after covid situation in this microfinance sector in Bangladesh. We try to relate this situation in our theory section. Last but not the least we discuss about data analysis and found some findings and conclude this paper.

## **1.1. Introduction**

Microfinance is a term for financial services that are designed to help people and groups with low incomes who can't normally use standard banking services (Team, C., 2023b). 1.7 billion people around the world don't have access to formal credit or savings (data.worldbank.org). Microfinance can be a critical component of helping an entrepreneur build a business because it allows the purchase of equipment or products. (Ragced, 2021). One big reason why poor people in developing countries stay poor is that they can't get loans. (Coleman, 1999; Fletschner, 2009; Karnani, 2007). Microfinance, which involves providing modest loans to impoverished individuals who have historically been excluded from credit opportunities, is widely recognized as a very effective and reliable approach to combating poverty. (Bakhtiari, 2011; Copestake, 2007).

Microfinance programs were used as a main way to fight poverty in some developing countries in Asia, Africa and Latin America (Khandker, 2005; Montgomery & Weiss, 2011; Patten & Johnston, 2001). In the last 20 years, Microfinance service has moved from a promise to reality and there is a plenty of researches like thesis, project work, Phd about how well these programs worked. But after the Covid pandemic we find very scanty of research in this sector that compelled us to carry our project work with the changes in current practices, challenges and opportunities of Microfinance sector in a developing country like Bangladesh.

As we all know Bangladesh is a developing country and 35 million people in Bangladesh live below the poverty line (Mavis, M. 2023, January 22). In that circumstance, microfinance is one of the powerful tools for the poor to fight against poverty in Bangladesh. NGOs and MFIs have given millions of microcredit loans to poor people over the last thirty years, which has made a big difference in lowering Bangladesh's poverty rate. In 2018, there were 140 million active MFI borrowers globally; 80% of these borrowers were women, and 65% of them lived in rural regions (Microfinance Barometer, 2018).

Microfinance Institutions (MFIs) are encouraged by microfinance policy to offer green microfinance in order to support environmentally friendly practices and significant financial development in the SDGs through bringing a positive change in manufacturing, business, production, and additional financial activities in Bangladesh (Uddin,M. et al., 2021). That's why it's very important to know in what type of changes the MFI sector of Bangladesh is undergoing after the covid impact.

## **1.2. Key Research Questions**

- 1.What are the Changes in Current practices, Opportunities and Challenges in the Microfinance sector of Bangladesh after Covid-19?
- 2.What are the impacts of Covid-19 in ASA MFI and ways to overcome?

### **1.3. Aim Of the Study**

According to our project topic, the purpose of the study is to know about current practices, challenges and opportunities of microfinance in Bangladesh after Covid-19 and also demonstrate the impact of Covid-19 in ASA MFI along with the ways of overcoming those.

There have been many studies on microfinance in the past. Although there is a lot of information about their practices, challenges, and opportunities. Articles about what kind of changes have come in their activities after COVID-19 are almost rare. So in our research, we have highlighted the post-Covid new practices they have introduced, the challenges microfinance institutions have faced, and how they can overcome these challenges in the specific microfinance institute ASA, Bangladesh.

### **1.4. Limitation of the Study for this Project**

First of all, As we, all the group members, are from Bangladesh, therefore we have preferred to use online platform for research inspite of being physically involved with the respondents. Secondly, the main data we have collected and produced in this paper are gathered by online WhatsApp interviews where we might have missed some of the eye contacts or other body languages, gesture and posture as the idea of the Interview To The Double (ITTD) is easy to communicate, the reality of the interview is quite different (Nicolini, D., 2009). Thirdly, the microfinance regulations, legislations, and other relevant information vary from country to country. But we mainly focused on the MFI sector of Bangladesh, therefore, we will limit our writings on Microcredit regulations and legislations about microfinance programs in Bangladesh.

### **1.5. Differences Between Microcredit and Microfinance**

Although the terms microcredit and microfinance are frequently used synonymously in the literature, it is important to find out the differences between the two terms.

- Microcredit refers specifically to the practice of providing small loans (often \$100 or less) to individuals or groups who might not have access to traditional banking services, while microfinance includes a larger variety of financial services, including savings and insurance.
- Microfinance can be utilised for both short-term and long-term aims, but microcredit is typically used for short-term objectives like launching a small business.
- While microfinance can be given to both individuals and groups, microcredit is usually given to individuals.
- While microfinance is seen as a tool for poverty alleviation and attempts to give the unbanked population access to banking, microcredit is thought of as a tool for reducing poverty only (Testbook, 2023).



## 1.6. Overview of Microfinance in Bangladesh

The main purpose of writing this chapter is to introduce microfinance as an innovation in Bangladesh, which was entirely the brainchild of professor Muhammad Yunus, the pioneer of contemporary microfinance (Baten, W., 2009). Microfinance is one of the greatest gifts to the world by Bangladesh that started its journey from a village of Chittagong district named Jobra in 1974. The idea that Dr. Muhammad Yunus (the father of microcredit & Nobel laureate) started with lending 27 USD each to a 42 families has now become a millions dollars industry (Wright, G. Et al., 2021). Over the past few decades, Bangladesh's socioeconomic and economic development has advanced remarkably. Additionally, most people agree that microfinance has made a major contribution to this kind of socioeconomic advancement. Currently there are mainly four types of institutions involved in micro-finance activities in Bangladesh. These are 1) Grameen Bank (GB), a member owned specialized institution, 2) around 1500 Non- Governmental Organizations (NGO) like BRAC, Proshika, ASA, BURO-Tangail, BEES, CODEC, SUS, TMSS, Action- Aid etc. 3) Commercial and Specialized banks like Bangladesh Krishi Bank (BKB), Rajshahi Krishi Unnayan Bank (RAKUB) and 4) Government sponsored micro finance projects/ Programs like BRDB, Swanirvar Bangladesh, Ministry of Youth & Sports, Ministry of Women & Children Affairs, Ministry of Social Welfare etc. Every programme is targeted at the rural impoverished who are functionally landless. By establishing village organisations or centres, all MFIs primarily offer small, uncollateralized short-term loans to members of peer groups that are jointly liable. They also employ comparable weekly collecting and on-site loan disbursement procedures (SAARCFINANCE Seminar on Microfinance 21-23 December 2002).

In Bangladesh, microfinance has become one of the main pillars of financial inclusion. While formal banking channels shied away to provide loans to underprivileged groups, microfinance institutions have pounced by serving Bangladesh's rural and unbanked people. Microfinance Institutions (MFIs) have played a major role in Bangladesh's present progress towards financial inclusion. Their creative service delivery and service expansion to Bangladesh's underprivileged population and marginalised communities—particularly those residing in remote, rural areas with limited access to conventional financial services—has contributed to the country's improved socioeconomic standing and reduction of poverty (Rakeen, S., 2023). Microfinance loan disbursements increased from BDT 45,600 crore in FY12 to BDT 191,800 crore in FY22, according to the Microcredit Regulatory Authority. Microfinance institutions showed remarkable achievement in the fiscal year 2021–2022, disbursing a staggering BDT 226,007 crore in loans while receiving BDT 85,036 crore in customer deposits. In order to counteract the negative consequences of COVID-19, government stimulus programmes have been implemented, which has assisted borrowers in keeping their businesses afloat during lean times (mra.gov.bd).

### **1.7. Impact of Micro-finance Services on Borrowers and on the Economy**

The impact of micro-finance at macro level is not still clear (CPD, Task force Report, 2001), even though it has some impact at micro level on the society both in terms of economy and social value. There are a few studies on this impact assessment of micro-finance, findings of those studies are as follows:

1. The dependency of poor people on the moneylender or richer people has been reduced substantially in the society and people are getting access to institutional sources for credit. Even the formal sectors have been keeping confidence on the poor for lending money, which is a qualitative change in the rural society due to micro-finance intervention. (SAARCFINANCE Seminar on Microfinance 21-23 December 2002)
2. Loan features are very crucial characteristics for the borrowers and many surveys proved that clients are very happy with those conditions.”Microfinance borrowers' satisfaction may be increased by offering loans with extended maturities, grace periods, and increasing loan amounts for each loan cycle” (Kanyurhi 2013).
3. Employment and microfinance have always been closely related. Although its emphasis has changed recently, the theory of change that gave rise to the microlending movement proposed that microloans would enable low-income borrowers to become entrepreneurs and generate prospects for self-employment. (Militzer, J. 2023, July 12)
4. Since women are the most disadvantaged group, empowering them via investments in them promotes higher economic growth and development. This is the main goal of microfinance programs. Many literature reveals that a rise in women's resources contributes to the family's well-being. (Kabeer N 1999)
5. People in poverty are susceptible to vulnerability and frequently face many crises. Having access to microfinance helps people to better manage risk and seize opportunities. In order to prevent significant declines in their material well-being during times of crisis, many Pro Mujer clients in Bolivia use loans to safeguard their level of consumption. (DONOR BRIEF No. 13, July 2003)
6. There is a controversy about the impact of micro-finance on poverty alleviation. The poverty rate of the country did not decrease significantly in last few years. It did not increase though. The main focus of micro-finance is to alleviate poverty, but it could not reach the poorest of the poor till now. One of the reasons might be the failure to reach the hard-core poor by these programs. Now MF-NGOs are seriously thinking about this issue and have started some programs to solve this problem. But it is a challenging work to do, because this group of the population first needs money for consumption. Without solving these problems they are not able to invest credit for cash flow, which they need to repay the loan in time. Therefore, it has been seen that there are big successes of micro-finance at micro level that do not show any significant impact at macro level. In the recent literature it is often mentioned as the problem of "Macro-Micro Mis-match" (Sen, 2001).

To know the real extent and to quantify the impacts of micro-finance mentioned above thorough study is needed, which is time consuming and costly. However, government needs to do that to make a correct decision. There is another problem to assess the real net positive impact of micro-finance program, which is again impossible without assessing the real cost involved in operating this financial service. Different MF-NGOs are charging different interest rates but none is based on rational cost involved. A

real positive impact of micro-finance program can be measured if and only if the recipients of this facility pay the full cost of the services they receive.

(SAARCFINANCE Seminar on Microfinance 21-23 December 2002)

## **1.8. Regulatory Bodies of MFI sector in Bangladesh**

The whole microfinance of Bangladesh is regulated and assisted by 3 government institutions named Microcredit Regulatory Authority (MRA), Credit & Development Forum (CDF) and Palli Karma-Sahayak Foundation (PKSF) (Nadim, S., 2016).

### **Microcredit Regulatory Authority (MRA)**

All the micro finance institution in Bangladesh is registered under the MRA Regulatory Act-2006 except Grameen Bank which is conducted by the Grameen Bank Ordinance 1983 (Rahman, F., 2007).

Microfinance in Bangladesh is governed by the Microcredit Regulatory Authority (MRA), which was established under the Microcredit Regulatory Act of 2006.(MRA ,2021). Microfinance comprises more than 750 active MFIs, collectively serving 35.6 million individual borrowers as of fiscal year (FY) 2020. Total microfinance loans outstanding from MFIs was Tk788 billion in FY2019. Grameen Bank, state-owned commercial banks, and specialised programs by the Government of Bangladesh also provide microfinance services.

### **Credit & Development Forum (CDF)**

The Credit and Development Forum (also known as CDF) is the national organisation representing Bangladesh Microfinance, one of the world's biggest and most active industries. Through its relentless pursuit of its multi-dimensional activities aimed at establishing and preserving an environment that supports microfinance in its fight against poverty, this Forum has already established itself as a reputable and valuable network. CDF was established in 1992 with a view to providing 7 core services to the Microfinance Industry of Bangladesh: Building capacity; Lobbying, Networking & Advocating; Undertaking research; Developing and Becoming an information hub; identifying and disseminating the industry best practices; Building resource linkages between the Microfinance Institutions (MFIs) and the banks plus the top lending agency and Facilitating exposure visits for organisations both inside and outside Bangladesh. CDF has close ties with the sector's key stakeholders, regulators, think-tank agencies, apex funding agency, banks, donors & others. As the oldest and the largest network, CDF maintains intimate relationships with other national networks and international networks including Microcredit Summit Campaign, SEEP Network, BWTP, SAMN, INAFI, SPTF and other national networks abroad ([www.cdf.org](http://www.cdf.org)).

### **Palli Karma-Sahayak Foundation (PKSF)**

The Palli Karma-Sahayak Foundation (PKSF) in English, means “Rural Employment Support Foundation” is a national public sector direct access entity that serves as a sustainable platform for

government to nongovernment organisation collaboration based in Bangladesh, With the goal of eradicating poverty in Bangladesh sustainably through providing microcredit to the poor through its Partner Organizations (POs) (Fund, G. C., 2017). The mission of PKSf is to enhance the lives of the landless and assetless, to reduce poverty and improve their standard of living by giving them the tools necessary to create jobs and better their economic circumstances (Nadim, S., 2016).

The major objectives of PKSf are:

- a) To offer a range of financial support and aid to non-governmental, semi-governmental, and government organisations, as well as voluntary agencies and groups, societies, and local government bodies; this will enable them to act as POs and in accordance with the goals and image of the PKSf to carry out initiatives aimed at creating income and job opportunities for the most economically disadvantaged segments of the community (Nadim, S., 2016).
- b) To provide support in strengthening the institutional ability of partner organisations, so that they can manage their program in a sustainable way (Nadim, S., 2016).

## **1.9. Overview of ASA Bangladesh**

The elaboration of ASA is “The Association for Social Advancement”. The primary goal of the ASA is to support the poor in organising and gaining the authority to assert their political and social rights (Ahmed, J. U., & Tinne, W. S. 2017). With exceptional efficiency, the ASA has grown into one of the world's top MFIs . (Rahman et al 2012)

A standardised, low-cost system of credit, savings, and administration is used by the ASA. The primary function is to draw attention to the low value while offering a weekly payback plan that lasts for a whole year. Approximately 15% of urban and 85% of rural regions are covered by programme operations. Additionally, the organisation offers assistance with important health-related problems. In FYI 2015–2016, ASA gave its clients health assistance of 0.456 million USD. (Ahmed, J. U., & Tinne, W. S. 2017). In contrast to other lenders, the ASA prioritises savings for borrowers it views as its most vulnerable consumers by enabling them to withdraw their deposit whenever they choose. These accounts have two types of saving programmes: general saving and long-term saving for five to ten years. The money in these accounts is utilised as a revolving fund for ASA's microfinance initiative. (Ahmed, J. U., & Tinne, W. S. 2017).

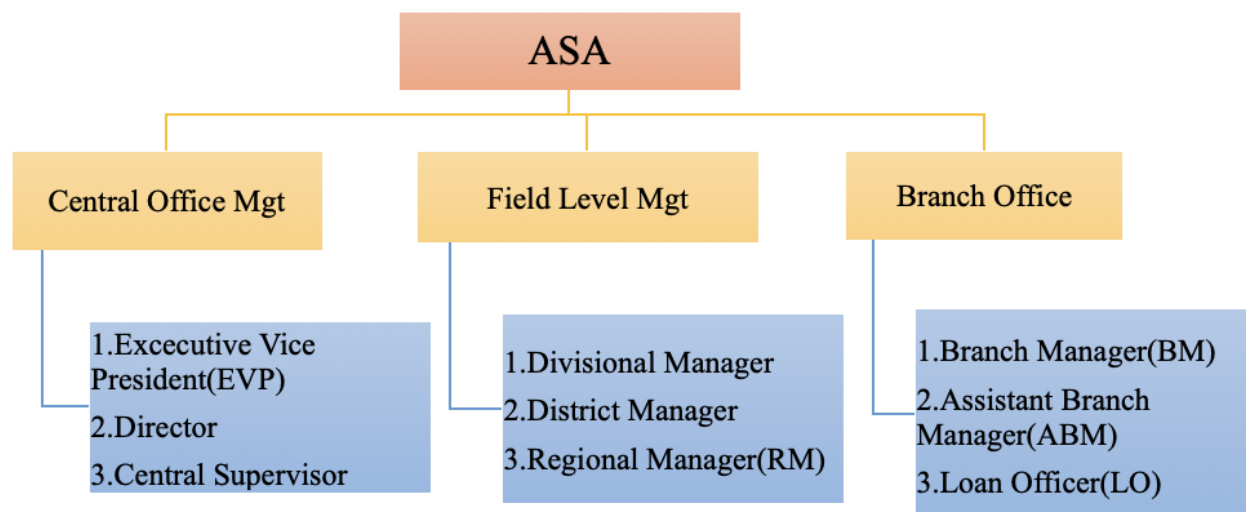
When ASA was started in 1978, its main goals were to raise awareness, help groups grow, and give training to poor people in rural areas. That time was used to build a "Just Society" that made things easier for people who were less fortunate. (ASA - Bangladesh, n.d.) In 1979, ASA was officially registered with the government. ASA stressed the need to build people's organizations, or groups, by getting landless rural poor people to work together. This would help the organization reach its goal of giving poor people more power. (ASA - Bangladesh, n.d.)

ASA members took part in a number of social activities during this time to fight against social injustices and make sure they had fair access to institutional and public resources, fair wages, a voice in the local power structure, and land.” (ASA - Bangladesh, n.d.)

The most important parts of the ASA strategy are: Savings and loans to make money in the most efficient way possible; Capital Buildup Savings Fund (CBS) to protect members from problems they didn't expect. Help the landless rural poor get out of poverty and live a better life by giving them access to proper and affordable financial services; Make it less necessary for poor people to borrow money from neighborhood lenders; Make it easier for women to make extra money at the local level to help their finances; and Give people who don't have land or money more power. (ASA - Bangladesh, n.d.)

### Management Structure of ASA

With its 3073 branch offices, ASA currently operates throughout the entirety of Bangladesh. There are three management tiers in ASA: 1) Central Office Management 2. Management at the Field Level and 3. Management at the Branch Level.



(Source:ASA Manual-2020 16<sup>th</sup> edition)

### Management Style of ASA

ASA MFI follows the Bottom Up Management Policy mostly. A proposal typically originates at the branch or field level. Nonetheless, management does occasionally employ a top-down approach to management. It's also important to make sure that everyone participates in all areas of the company; from EVP to RM, they visit branches regularly and perform the required actions for them (ASA Manual, 2020).

## **Chapter-02**

### **2.0. Methodology**

This part of the paper aims to explain the different methods and approaches used to write the project. The purpose is to provide a detailed and systematic explanation of how the research was carried out so that it is possible to understand and evaluate the results. Moreover, it helps to establish the credibility and reliability of the research. The chapters are separated into sections, each of which explains how to visualize reflections, progress, and operationalize the choices in relation to methodology; hence, the topics are interconnected.

#### **2.1. Research Design**

##### **2.1.1. Approach**

This research employs a qualitative approach to gain an in-depth understanding of Microfinance and its Sustainable practices. Qualitative methods allow for the exploration of complex social phenomena in their natural settings. Qualitative research is a means for exploring and understanding the meaning individuals or groups ascribe to a social or human problem (Creswell, 2009). The qualitative method is different from the quantitative method, as it originates from the scientific tradition of interpretation (ibid). Qualitative method focuses on the context-dependent, where meaning and understanding orientation are important. It is claimed within the qualitative method that no definition can be found without an understanding of the object field (Fuglsang & Olsen, 2009). It is important that the choice of method is consistent with the subject area that we would like to investigate. As we choose to focus on how ASA is facing challenges and can overcome these challenges and can use opportunities, they have in the Bangladeshi market to establish a sustainable microfinance practice, in order to best process and answer the problem formulation, it has been decided to utilize qualitative methods.

##### **2.1.2. Research Type**

This study is exploratory in nature, aiming to uncover nuanced insights into the challenges and opportunities of sustainable microfinance through the perspectives and experiences of participants. The research design will include both primary and secondary research sources of data.

#### **2.2. Participant Selection**

### **2.2.1. Participants**

We have decided to take the opinions of a total eight participants from several renowned microfinance firms such as ASA, Brac, Grameen Bank. Informed consent will be obtained from each participant. We took interviews from the Executive vice president (EVP), Director, Divisional manager, District manager, Regional Manager, Branch Manager, from the firm ASA MFI, Grameen Bank and Brac Bank.

### **2.2.2. Informed Consent**

All participants will be fully informed about the study's purpose, potential risks, and their right to withdraw at any stage. As per Gillham (2000), all interviews were recorded with the consent of the respondents. This allowed the researcher to fully focus on the respondent and their responses, as well as to ask follow-up questions based on the conversation. Additionally, interview recordings allow researchers to use direct quotes and get precise data (Saunders et al., 2009). After the interviews were recorded, they were transcribed.

## **2.3. Data Collection and Analysis**

### **2.3.1. Semi-Structured Interviews**

In-depth, semi-structured interviews will be conducted to gather rich, detailed narratives from participants to elucidate the challenges, opportunities and changes in the current practices in the microfinance industry. This approach was implemented to assure the comprehensive coverage of predetermined questions crucial to the study's objectives (Krishnaswami and Satyaprasad, 2010). Moreover, it provided interviewees with the flexibility to influence the interview's direction, allowing for a richer exploration of perspectives (Saunders et al., 2009; Wilson, 2010). A convenience sampling approach used due to its efficiency in generating sample data within a relatively short time frame (Yin, 2003). While recognizing concerns about potential bias associated with this approach, it is widely employed, particularly in exploratory studies (Saunders et al., 2009). This methodological choice aimed to strike a balance between data richness and practical considerations in the context of the study's objectives. Interviews were audio-recorded with participant consent. A total of eight interviews were conducted. The primary research will consist of interviews of Directors, deputy directors and other policy makers of the company. The interviews will be conducted using a structured questionnaire that will be designed to elicit information on the current microfinance practices, challenges faced in the industry and suggestions for improvement. Interviews will also be conducted with specific industry professionals who are experienced in the area of microfinance. All the interviews were primarily conducted in the native language Bengali and later translated in English by the researchers. In developing the questions, we drew on the previous literature (Ting, 2006). The questions discussed during the interviews centered on some particular aspects which are microfinance, challenges of microfinance, current practices of microfinance, scope of sustainable microfinance, a balance between the global and local needs. We have adopted some

theories to work with. Interview questions were motivated by the theories. By applying that approach, it allows us to study individuals' beliefs, experiences, emotions, and behaviors. It is important, however, to highlight that this type of data has a humanistic approach (Anas & Ishaq, 2022), and thus may leave a lot of room for subjectivity to those interpreting it. The secondary research will include an extensive review of related literature, articles and journals. We also have some research themes with which we have to work and stick with. We have adopted three different themes to work with such as challenges of microfinance, current practices of microfinance and opportunities for microfinance. Most of the questions, we try to sort out how we can answer two of our research questions.

### **2.3.2 Analysis of Data**

Thematic analysis was used to analyze the data we gathered for our project from our respondents. Thematic analysis is a qualitative research method used to identify, analyze, and report patterns or themes within a set of data, typically obtained from interviews, focus groups, surveys, or other textual sources. The goal of thematic analysis is to acquire a deeper understanding of the data and to reveal the underlying implications or patterns that emerge from the participants' perspectives (Wikipedia, 2023). Coding is the primary process for developing themes by identifying elements of analytic interest in the data and tagging these with a coding label.

### **2.4. Philosophical Standpoint**

Exploratory research initiatives frequently involve exploring uncharted territory or taking a fresh look at well-established phenomena. From a philosophical standpoint, this kind of research is seen as an incarnation of the spirit of inquiry that has propelled human development for centuries.

The research project embraced epistemological empiricism as one of its philosophical standpoints. A philosophical position with roots in the empiricist tradition, epistemological empiricism has greatly influenced our understanding of how knowledge is acquired. This study explores the foundational ideas and consequences of epistemological empiricism, by looking at its history, central ideas, and contributions to the discipline of epistemology. Our objective is to gain a deeper understanding of how empirical evidence and sensory experience form the foundation for knowledge acquisition by examining the advantages and disadvantages of this perspective. According to this philosophical perspective, knowledge is gained by firsthand observation and experience rather than by conjecture or abstract thought. This means that, as opposed to beginning with a preconceived theory or hypothesis, an exploratory research effort aims to learn as much as possible about a given issue through data collection and analysis.

Pragmatism is another philosophical stance that is pertinent to our research subject. A philosophical school known as pragmatism prioritizes utility and practicality over abstract theories and dogmatic



convictions. The late 19th-century philosophical movement known as pragmatism had a significant influence on a number of academic fields, including psychology, education, social sciences, and philosophy. This study examines the fundamental ideas and uses of pragmatism, as well as its historical context, central ideas, and contributions to our comprehension of truth, knowledge, and inquiry. This paper attempts to shed light on the pragmatic perspective as a bridge between theory and practice in several domains by analyzing the pragmatic approach to notions like belief, experience, and action. Even while an exploratory research project doesn't always fit cleanly into pre-existing theoretical frameworks, it is however valuable from a pragmatic standpoint if it results in new discoveries or useful applications.

## 2.5. Limitation

This section is dedicated to discussing and recognizing the current study's shortcomings. Understanding a study's limitations is essential to assess if the results can be applied generally and to suggest new lines of inquiry for future research (Wilson & Creswell, 2018). The sensitive nature of the research issue made it challenging to obtain information from organizations. Certain questions that were delicate to the company were politely ignored by managers and staff alike. Another issue with this study was the time constraints, as the duration was insufficient for carrying out the investigation. The interviewees' busy schedules were noticed as another research constraint. Despite our having planned a time for the interviews, the respondents were preoccupied with their day-to-day tasks and provided us very little time. We were almost at the end of our project deadline since they were too late to respond to all of our questions. We were rather stranded at that time as a result.

The potential compromise in the quality of qualitative data could be a possibility that has adversely affected the research paper, posing a validity challenge. There is a risk that the data may not genuinely reflect the phenomena under investigation, raising concerns regarding the accuracy of the conclusions drawn from the data (Patton et al., 1983).

The preconceived idea of the researchers was another drawback. Researchers may unintentionally pose bias by virtue of their personal viewpoints, convictions, or preconceptions. The study design, data collection, analysis, and result interpretation could all be impacted or hampered by this bias.

It's crucial to highlight that these limitations are typical obstacles in projects, yet they can often be resolved and alleviated through proper study design, transparent reporting, and a meticulous acknowledgment of the potential influence of these limitations on the interpretation of the results.

## Chapter-03

### 3.0. Literature Review

Despite the availability of sufficient research studies on micro finance, very scanty research studies have been conducted on the current practices, opportunities and challenges of micro finance institutes of

Bangladesh after the Covid pandemic specially on ASA Microfinance Institution but its contribution to our national economy can hardly be denied. In this context, detailed literature review has been exhibited. Different PhD theses, articles published in different renowned journals, seminar and conference papers, and research reports have been reviewed in this section where we are going to highlight on the numerous findings in order to provide theoretical foundation for the research. A bibliometric analysis has been applied, both of the performance of the publications and a word co-occurrence analysis. The articles indexed in the Web of Science have been considered and systematized. As we did not find enough research on the Microfinance sector after the covid, therefore we will try to portray the scenario from before covid and try to compare the previous scenery with the present (after Covid) one taking help from very few articles we found in the various sources of internet.

### 3.1 Theoretical Review of Microfinance

Microfinance is simply understood to be the financial service provided to the active poor, responding to their demands and needs for these types of services. Microfinance according to Ledgerwood, (1999) is an alternative economic development tool aimed at individuals in the low-income sector, through affordable and flexible financial services with the goal of poverty reduction. It emerged as an efficient mechanism of providing financial services to poor people who usually do not fit in the traditional or standard banking system due to their savings and loan demand was small, and they also lacked loan collateral security (Zeller & Meyer, 2002). Contemporary Microfinance can be defined as : Microfinance is the provision of a broad range of financial services such as deposits, loans, payment services, money transfers, and insurance to poor and low-income households and their micro enterprises (ADB report, June 2000).

### 3.2. Changes in current practices of Microfinance

#### 3.2.1. Technological innovation

In our ever-changing world, everything is adjusting with the changing situation. The microfinance industry also finds itself adjusting to altering dynamics. Microfinance institutions (MFIs) work as the monetary lifeline for low-income people and underprivileged communities, providing them with essential monetary services that are otherwise challenging through traditional banking systems. The industry will keep developing and increasing its impact even further in 2023. Among some of the new current practices, technological innovation shows the major impact in the microfinance industry. Technological advancements have become essential to improving microfinance's effectiveness and accessibility (Finance Derivative, 2023b). The way individuals save, borrow, and make transactions has been completely altered by mobile money systems, which have also significantly decreased transaction costs and increased financial security. Integration of lending software for microfinance has sped up loan processing, making it possible to grant more loans in a shorter amount of time. The microfinance ecosystem can successfully prevent fraud and create trust by ensuring transparent transactions through

the incorporation of blockchain technology. Smart contracts based on blockchain technology have the capacity to optimize loan disbursement, repayment, and tracking procedures, leading to reduced administrative expenses and more transparency (Meki et al, 2020). Through rapid disbursements, the use of digital microfinance holds the promise of solving identified issues regarding loan disbursement. This will therefore result in decreased interest rates and operating costs, attracting more customers. (Rakeen, S., 2023).

### **3.2.2. Service expansion**

Microfinance is focusing more on the underprivileged communities and rural areas where many people need support for small loans. For microfinance institutions, tailoring goods and services to the unique needs of underprivileged populations and rural areas is a critical strategic move. MFIs can invent customized financial products that meet the necessity of these communities by identifying their problems and goals. Microfinance companies are expanding the range of products they offer beyond typical credit to include insurance, savings accounts, and other necessary financial services. This all-inclusive strategy enables people to accumulate wealth, protect themselves from danger, and make future plans (Finance Derivative, 2023b) According to Yunus the move out of poverty requires ‘creating an enabling environment’ where the poor are able to ‘unleash their energy and creativity’ (Yunus and Weber, 2007). Traditional banks and microfinance organizations are working together more and more frequently. These collaborations make it possible for the exchange of expertise, the pooling of resources, and the development of all-encompassing financial solutions that take advantage of the advantages of both industries. This cooperative strategy plays a key role in linking the formal and informal financial systems.

### **3.2.3. Social impact**

To make sure that loans have a beneficial social and environmental impact, microfinance institutions are including ESG criteria into their lending operations. MFIs support poverty reduction and sustainable development by adhering to ethical lending policies (Finance Derivative, 2023b). Yunus believes that “creating an enabling environment” that allows the impoverished to “unleash their energy and creativity” is necessary for them to escape poverty (Yunus and Weber, 2007). Whether they have credit or not, women have a difficult time improving their life. Due to their limited prospects for earning a living or growing one, women are less likely than men to escape poverty (Jiggins, 1989). Traditionally, women have been engaged in unpaid labor. They are mostly the primary housekeepers in the home, and in addition to looking after the children, they are also primarily in charge of other domestic duties like cleaning and cooking (Tinker, 2001). Women's domestic responsibilities stand in the way of their ability to obtain paid jobs. Women also typically receive less appraisal, less formal education and training in the workplace, which automatically lowers their chances of getting a job.

Thus, the majority of women become independent contractors (Berger, 1989). It's possible that credit alone won't have enough power to overturn patriarchal systems and allow women to use credit in the most advantageous ways. According to Mayoux, giving women credit is thought to result in "virtuous spirals" of beneficial effects, where social, legal, and political empowerment, economic development, and well-being reinforce one another (Mayoux, 1999). It is anticipated that the women will be able to effectively use their credit to fund their business endeavors, increasing their income and allowing them to amass assets. Consequently, this is expected to positively impact women's health and quality of life. After Covid-19, NGO's are also focusing more on that underprivileged segment of the society. Thus it's a big aspect of change in society.

### 3.3 Changes in Opportunities of Microfinance

#### **3.3.1. Poverty Reduction:**

Since its inception in the 1970s, microfinance has been primarily examined from the perspective of this approach as a primary tool to support the alleviation of poverty worldwide (Mustafa et al, 2018; Coelho et al, 2022) a concept that began when Dr. Muhammad Yunus, the Nobel Peace Prize winner in 2006, started offering microcredit as an alternative to eradicating poverty in Bangladesh (Yunus, 2006). Microfinance services are designed to reach excluded customers, usually poorer population segments, possibly socially marginalized, or geographically more isolated, and to help them become self-sufficient by reducing poverty (Liberto, D., 2022). A positive impact was observed on the microcredit provided by BRAC to the poor with their raise of income with around 30% over the non-borrowers. Similar positive scenario can be observed on the Microcredit of the partner organizations of PKSf with strong positive impact on the income and other aspects of livelihoods (Hulme, 1996). Micro credit changes the level of income and livelihood of households increasing the labor income statistically and the economic effect was also significant in a number of Latin American Countries (Bebczuk, 2009). Microfinance has been proven as a tool of poverty alleviation through gaining financial sustainability by development agencies, researchers and practitioners. The livelihoods, capitals and strategies of rural households in Bangladesh, explores their perceptions and experiences of microfinance and examines the management of socio-financial trade-offs within MFIs at different hierarchical levels. Microfinance is one of the economic innovation instruments to address poverty (Mustafa et al., 2018) that has boosted household welfare (Klapper et al., 2016). In 2022, Bangladeshi microfinance institutions disbursed approximately BDT 900 crore daily and BDT 2 lakh crore for that year. But enduring issues like economic shocks, high interest rates, and a lack of work prospects in rural areas make it difficult to repay loans. (Rakeen, S., 2023). The impact microfinance has on its clients is limited to the less poor and that microfinance has no, negligible or negative impact on the poorest (Feigenberg et al., 2009, Banerjee et al., 2009, Karlan and Zinman, 2009, Dichter and Harper, 2007). After the Covid working for the poor has been spread as the harsh victim of Covid was the working class poor people. The collaboration between governments and

microfinance institutions paves the improvement of supportive policies, fostering a more conducive environment for sustainable microfinance operations. In post covid period time commercial microfinance should not be targeted to the poorest and that more consideration should be given to client selection and follow-up procedures (Finance Derivative, 2023).

### **3.3.2. Entrepreneurship**

The analysis of entrepreneurial activity has been going on for a long time, but one of the things that keeps coming up is financing access (Agarwal and Pokhriyal 2022). Getting the funding needed to launch and grow a business is one of the biggest challenges, particularly for budding entrepreneurs (Nair and Njolomole 2020). The literature in this area has concentrated on finding and connecting finance options that enable companies to expand and become sustainable (Ranabahu and Tanima 2022). Microfinance is one of the most significant sources of startup capital and also helpful particularly for economically disadvantaged populations in developing the entrepreneurship field in the economy. This sector has become one of the most significant financing alternatives for business start-ups, particularly for vulnerable groups in poor regions. The loans can be provided to those people having unique ideas, so new business will emerge and in that case, the entrepreneurship field will be simultaneously developed. Financial products are more accessible through microfinance to those who have been excluded from the conventional financial system (Titus et al, 2014). Although the mainstream literature on microfinance demonstrates its ability to reduce poverty, it is still insufficiently developed to comprehend its capacity to stimulate the entrepreneurial sector (Katherine et al 2023). After the Covid Microfinance emerged as a tool promoting access to finance for people excluded from traditional financial systems and thus encouraging the development of entrepreneurial activities (Coelho et al, 2022). Entrepreneurship is a key component of reducing poverty, and microfinance fosters this (Santos and Neumeyer 2021). Different sub sectors under this theme like women entrepreneurship, organizational performance, business microcredits, and women micro entrepreneurs have been identified as driving themes to be considered in future analyses.

### **3.3.3. Inauguration of Islamic Microfinance**

The Islamic mood of financing is a good opportunity for this sector. Most of the people in Bangladesh strongly believe in Islam. In that case, providing loans according to Islamic mode of financing will boost this sector and encourage more people towards this sector (Hassan et al, 2016). In the post Covid period the use of microfinance services was a weapon in Bangladesh to fight against poverty and to guarantee women's empowerment. Islam is not against trade or businesses for any community; rather, it is against the exploitation of the community through interest and other illegal means, which are prohibited by

Islamic principles. Adopting interest-free microfinance practices will easily overcome the negative perception against this sector (Ahmed, M. 2008).

#### **3.3.4. Turning small idle money into huge capital**

The easy structure and rules suit the members' financial requirements and abilities and allowed them to use the small financial surplus they had in a productive manner. Microfinance can be a very effective way of turning a tiny amount of idle money into huge capital (Rutherford, 2000). Through this sector the idle money kept at home can be collected through groups and this money can enter into the national investment through loan circulation (Rutherford, 1997).

#### **3.3.5. Economic Development**

Microfinance can play an effective role in the development of the rural area and ultimately the country. Providing loans to the marginal people can boost the economic process of the country, which ultimately will accelerate the economic development of the country (Titus et al, 2014). Microfinance institutions deserve recognition for their significant role in promoting financial inclusion and serving the underprivileged. Their persistent efforts to promote women's empowerment, financial inclusion, literacy, and development initiatives have improved Bangladesh's socioeconomic situation and reduced the percentage of impoverished rural households and disadvantaged communities (Rakeen, S., 2023).

#### **3.3.6: Women empowerment**

Microfinance is being promoted as a key poverty alleviation strategy to enable poor women and men to cope with the adverse economic and social impacts of structural adjustment policies and globalization (Mayoux, 2001). Funding for micro-finance programmes is set to increase further in the years to come, also with the intention to promote gender policies. Considerable advances were made in the 1990s in the design of NGO-managed programmes to increase women's access to small loans and savings facilities.. Funding for microfinance is increasingly dependent on progress towards financial self-sustainability within a given time-frame contributing to women's empowerment (Mayoux 1998, 2000; Rahman 1999). Women empowerment can be achieved through the following three paradigms(Kabeer, N. 1998, Kabeer, N. 1999).

##### **3.3.6.1. Financial self-sustainability paradigm**

This paradigm is currently dominant within most donor agencies and in the models of micro-finance promoted in publications by USAID, World Bank, UNDP, CGAP and the Micro-credit Summit Campaign. Here, providing financially self-sustaining microfinance services to a large number of impoverished people particularly micro and small entrepreneurs is the primary design factor for the programme. This paradigm assumes that expanding women's access to microfinance services will automatically result in their own economic, social, and political empowerment as well as their own well-being (Kabeer, N. 1998, Kabeer, N. 1999).

#### **3.3.6.2. Poverty alleviation paradigm**

The three key factors being considered here are community development, improved well-being, and reducing poverty among the lowest. The emphasis is on micro savings and loan provision for production and consumption, group building, etc. Poverty eradication and women's empowerment are seen as two sides of the same coin increasing women's access to micro-finance that will itself drive women to bring about wider changes in gender inequality (Kabeer, N. 1998, Caber, N. 1999).

#### **3.3.6.3. Feminist empowerment paradigm**

This paradigm underlies the gender policies of various NGOs and the perspectives of some of the consultants and researchers looking at gender impact of microfinance programmes (Johnson, 1997). Here the underlying concerns are gender equality and women's human rights. Micro-finance is promoted as an entry point in the context of a wider strategy for women's economic and socio-political empowerment. The focus here is on gender awareness and feminist organization to challenge and change gender discrimination (Kabeer, N. 1998, Kabeer, N. 1999).

### **3.4. Challenges of Microfinance**

#### **3.4.1. Reality of Poverty Reduction (Turning from Poverty Alleviation to Profit Maximization)**

There are also counterarguments in the literature stating that the decrease of poverty is not always ensured by the microcredit offered by microfinance organizations. There is ongoing discussion about how to create financial services that are suitable for the poorest despite the fact that MFI innovation has increased credit availability for the underprivileged (Morduch, 1998). Analyzing the microcredit clients of Grameen Bank, BRAC and ASA it is observed that the micro-credit program was more successful to reach to the poor, but less successful to reach to the vulnerable poor (Amin, 2003). But in recent years, it's been said that many microfinance institutions (MFIs) have given up on their original social goal to help people get out of poverty and are now more focused on making money or even turning into purely commercial institutions (Hishigsuren, 2007; McIntosh & Wydick, 2005). Microfinance was shifting from

poverty-alleviation to profit maximization due to excessive commercialization (Woller, 2002), which was identified as a mission drift by Yunus (2011). In recent years, a microfinance crisis has gradually emerged in many developing nations as borrowers have come to perceive that MFIs are not lifting people out of poverty but rather are taking advantage of them and frequently making them considerably poorer. Therefore, more and more bankrupted and quasi-bankrupted borrowers stopped making repayments since they did not worry to lose more from their already poorest conditions (Dowla, 2012; Polgreen & Bajaj, 2010; Saxena, 2014). The most recent crisis occurred in the Indian state of Andhra Pradesh in 2010 as a result of MFIs charging exorbitant interest rates of "50% -100%," which led to the poor borrowers becoming heavily indebted and resulting in 30 to 60 suicide cases, or even more. This severely damaged the reputation of the microfinance sector in India and around the world (Ashta, Khan, & Otto, 2015; Haldar & Stiglitz, 2014).

The majority of NGOs have come up with catchy and profitable slogans about ending poverty, but the truth is completely different. All non-governmental organizations share the same catchphrases: alleviate poverty, eradicate illiteracy, improve the socioeconomic standing of those in need, such as widows, divorced women, and separated women. However, there are noticeable differences in the characteristics of the respondents who belong to the target group of NGOs (Ali, 2006). In the post covid time the same scenario can be observed analyzing the current market situation of the MFI sector.

### **3.4.2. Cope up with the technological changes**

There are many challenges to implement this change rapidly throughout the users, which are significant enough that a digital transition by itself cannot be a solution. Many MFI clients, notably the illiterate segment of the society, do not know how to use digital financial services, that poses a significant obstacle (Meki et al, 2020). Even in some cases, Due to poor literacy rates, there is a probability that an SMS regarding a payment delay might be misconstrued as a loan write-off and MFI default, which would have caused rumors to propagate swiftly on social media. Moreover, for providers, digital transformations are costly since they necessitate a large investment in information technology systems as well as ongoing costs for equipment maintenance and cybersecurity.

### **3.4.3. Social challenges and people perceptions towards the sector**

Being an Islamic country where 91.04% are Muslims (wikipedia.org) conducting conventional or traditional NGO based on interest rate (which is prohibited in Islam) has always to encounter with severe challenges (Ahmed, M. ; 2000). 25% of the members of Grameen Bank expressed their willingness to leave Grameen Bank and want to join RDS (an Islamic Microfinance) if opportunities were created and the reasons for such willingness are- a) RDS is Islamic character, it does not deal with interest; b) It gives



more benefits; and c) Grameen Bank very often gives undue pressure on weekly payments when they are in genuine difficulty. The operation of RDS shows that its relative impacts are positive which indicates the superiority of RDS over Grameen Bank (Ahmed, 2008). There is increasing supply-side pressure for loans or financing due to the MRA circular's policy and instructions on green microfinance. However, the people of Bangladesh expect Islamic products and the Sustainable Development Goals (SDGs) to safeguard themselves both in this world and hereafter from natural disaster and hellfire (Alamgir et al., 2018; Rashid et al., 2018; Tunisan, 2015).

#### **3.4.4. Political Instability**

The political instability is also a big problem for the microfinance sector in Bangladesh. The government's focus on this sector is not so satisfactory. The government always tries to influence the sector. The political parties only support short term aids for their political goodwill. (Islam, A., 2023). Upon taking office as prime minister of Bangladesh in 2009, Sheikh Hasina referred to Yunus as a "bloodsucker." As the head of Grameen Bank, she accused him of using force to collect debts from low-income rural women (Islam, A., 2023).

#### **3.4.5. Natural disasters**

Bangladesh is among the countries to be worst-affected by climate change that may cause a large-scale reversal in human development (UN Human Development Report, 2022). Climate change will disproportionately affect the world's poorest nations by disrupting agricultural systems, which would have a major impact on Bangladesh. This would result in widespread malnutrition, a worsening of water scarcity, an increase in the risk of disease, and mass displacement brought on by frequent floods and storms like the destructive Cyclone Sidr. Prior to Cyclone Amphan, the COVID-19 outbreak had already brought Bangladesh to a grinding halt accompanying by the ever devastating flood causes thousands of people losing their livelihoods because of the lockdown measures, for marginalized communities living in disaster-prone areas, the challenges are compounded (UN Women – Headquarters, 2020).

#### **3.4.6. Procedures and documentation**

The lengthy list of documentation requirements and terms and conditions associated with loan borrowing is one of the factors that has slowed down the pace at which loans are advanced from microfinance organizations to borrowers. The lengthier application process and additional steps required to obtain a loan from an institution have caused the loan application process to lag (Rahman, B. T., 2023).

### **3.4.7. Portfolio quality of MFIs**

A survey of January 2006 conducted by the MIX; as the part of a South Asia Microfinance project for the International Year of Microcredit 2005, which suggested improvement of the MFIs portfolio quality as the key area. It pointed out that Bangladeshi MFIs need to develop a more accurate understanding of their credit risk and provision against it accordingly. While doing so may raise costs in the initial year, these costs will eventually level off and knowledge of risk will improve. MFIs also need to clear write-off policies that will lead to clean portfolios over time (Khan, A., & Rahman, A., 2007). The microfinance sector's nonperforming loans (NPL) saw a sharp increase from BDT 4,528 crore in the fiscal year 2020–2021 to BDT 8,370 crore in 2021–2022, an alarming 85% year-over-year increase. This information is based on the Financial Stability Report 2022 released by the Bangladesh Bank. Because rural households are more susceptible to this economic unrest, some precautions must be taken to protect the marginalised population from economic shocks (Rakeen, S., 2023).

### **3.4.8. Lack of MF-CIB(Credit Information Bureau) data platform**

Microfinance industry in Bangladesh is controlled by the Microcredit Regulatory Authority (MRA) that controls the MFI sector under a regulatory framework, the government of Bangladesh enacted "Microcredit Regulatory Authority Act, 2006'" (Act no. 32 of 2006) in July 2006 with effect from August 27, 2006 (Badruddoza S., 2013). Though from the beginning of its journey it's trying to organize the MFI sectors digitally, they are yet to accomplish a database with the client information registered under MRA. Thus overlapping problems within the MFI firms can't be solved (Rahman, T., Khaleque, M. A., & Arifuzzaman, M. 2022).

### **3.4.9. Challenges in other developing countries**

Microfinance industries are facing challenges in not only Ghana but other developing countries too include: the problem of capacity building, lack of adequate infrastructure, poor and inefficient delivery of credit & credit management, and ineffective gathering of information & information dissemination, and poor monitoring, regulating, & supervising (Adj., 2010). Management funds diversion, lack of capital, constant changes of policies by government, high operational & transaction costs, high default rates, lower capacity building, lack of technical skill within the sector are the major challenges to the growth & success of the microfinance sector in Ghana (Andah, 2008).

## Chapter-04

### Theory:

We'll be discussing theories in this section that we think are important to discuss further. Afterward, we shall discuss the theories in light of the analysis of the collected empirical data. In addition, discussions by other authors will be included to assess the suitability of the chosen concepts.

#### 4.1. Change management theory

In this modern era organizations are devoted to flourishing their features by implementing new strategies, knowledge, and approaches to facilitate their value-created customers. However, changing the pattern, internal elements, and level of distribution can make a significant change in the organization that could contribute to overcoming the situation they are facing. To stay in the long run various organizations have moved their focus on the future by proper use of routine practices. Micro-finance institutes are not exceptional however they have diverse characteristics. MFI performance includes both social and financial elements, such as solvency or self-sufficiency (Serrano-Cinca, C., & Nieto, B. G. 2014). Furthermore, to some extent, their activities can relate to sustainability.

Sustainability in business is conducting operations without harming the environment, local community, or society as a whole (*HBS online* (2018, October 10)). Their activities are surrounded by social welfare through ethical practices as well as profitability. Furthermore, The pandemic brought various difficulties along with several opportunities in this sector. In times of crisis, a decline in household income sometimes results in the incapacity to repay loans, hence causing microfinance institutions to become less efficient (Giménez Abad, M<sup>a</sup> Jesús Coronado Vaca, María, 2021). Therefore, the theory will discuss how to overcome those challenges and facilitate opportunities. To look forward to their vision organizations can consider the changes that could be internal, or external in their management system.

*“Change management (CM) is a collective term for all approaches to prepare, support, and help individuals, teams, and organizations in making organizational change. In addition, It covers strategies that restructure or rethink how resources are used, how business operations are carried out, how funds are allocated, and other aspects of running a firm or organization.”* (Wikipedia contributors, 2023, December 3). A few examples of factors that might cause change are the rapid advancement of technology, internal evaluations of procedures, crisis management, shifting consumer demands, intense competition, changes in laws, acquisitions, and mergers, and organizational reorganization (Hucmi, 2018). Our analysis can provide insight by considering the significant change management in the ASA MFI by refining their current practices to overcome the effects of COVID-19.

Since human competencies (knowledge, skill, imagination, etc) are changing therefore to make an appropriate balance every organization should replace something. The change management theory

introduces us to several concepts and strategies that can be applied in our case. This theory is very popular because every organizational manager or top management makes some changes frequently which general people consider change management but eventually, they are using the tools as a practitioner. Because they employ different terminology so practitioners and academics may find it difficult to communicate (Hughes, 2007). On the other hand, scholars employ terminology, models, ideas, concepts, tools, and techniques. “A tool is elaborated as a stand-alone application whereas a technique is an integrated approach” (Dale & McQuater, 1998)

Change management theory focuses on integrity. According to the theory, the change could be applied by individuals as well as teams. However, as the organization is not anything small in size so the team should contribute to adopting exchanges. In this sense, we elaborate that the teams of several people who work have to devote themselves to applying and accepting the substitutes in Asa MFI by using their resources. Steps may be completed at various times by different stakeholders within an organization (Pollack & pollack, 2015)

There are several models of change management, For Instance, Lean change management, Kurt Lewin's 3-Step Change Model, John Kotter's 8-Step Process for Leading Change, Change Management Foundation and Model, The Plan-Do-Check-Act Cycle, and choosing which changes to implement, Balogun and Hope Hailey types of change Wikipedia contributors. (2023, December 3).

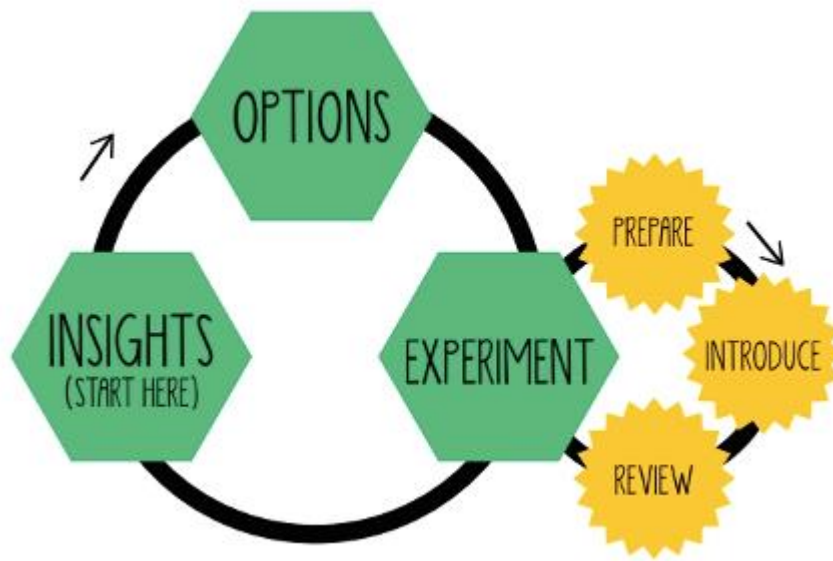
#### **4.1.1. Lean Change Management Model:**

This model was invented by Jason Little in 2009. The Lean Change Management Model is a nonlinear and feedback-driven model for managing change. In this model, Insights is when you observe the situation as it currently is. Then you move to Options, where you evaluate the cost, value, and impact of each possibility. From this, you create a hypothesis to test the expected benefits of that test. Using that hypothesis, you form an Experiment” (Gonçalves, L. 2023, April 18). By using this model our case company’s managers can set the changes by comparing the current practices (cost, value, level of disruption) to make it more reliable and sustainable. The model introduces 5 practices for generating insights and some tools to assess the current and future situations that could create an experiment.

**1. Insight:** The lean change management cycle starts with Insight. Insight refers to acknowledging the current situation by listening the right way. By being inquisitive, posing queries, and supporting those who seek changes, we may get insights (Gonçalves, L. 2023). We can get fresh insights and learn the true nature of the issue by asking questions.

Jason Little proposes 5 practices for generating Insights

- a. **Information radiator:** The phrase "information radiation" refers to the practice of placing any typewritten, illustrated, printed, or electronic displays in a prominent location to facilitate efficient communication between team members and passersby. ProjectPractical. (2023, November 3). Managers or team members can get an idea about what is going on currently albeit at a glance.
- b. **Lean coffee:** it is an informal meeting where people will get together to share their knowledge with a pre-set agenda. It is also a way of brainstorming. Stanke, B. (2023, May 21) illustrates that “Participants present topics and cast votes on them. The subjects that receive the most votes are then discussed for a set amount of time. The group chooses whether to go on to another issue or not after the discussion. The conference was quite fruitful as a result”. This meeting can help to represent the impacts of COVID-19 and the rest of the challenges our research company is facing now.
- c. **culture hacking:** Instead of attempting to tackle more difficult problems, culture hacking focuses on consistent goals that can be accomplished regularly (Team, C. 2023, August 1). This tool helps to recognize what types of changes could bring in regular practices by substituting the old ones.
- d. **Retrospective:** It refers to a meeting when the team discusses what went well, what didn't, and what needs to be improved following each sprint or iteration (Gonçalves, L. 2023). The company could vigorously benefit from finding its current challenges and opportunities through the use of the tool.
- e. **Force field analysis:** A change agent can use the Force Field Analysis tool to map and examine the factors that are driving and limiting a project or endeavor. Lock, D. (2023, September 18). The driving forces could be new technology, pressure from management, new incentives, competition, etc . On the other hand negative forces are an individual's fear, failure, hostility, etc.



Source: adaptmethodology.com

**2. Options:** After generating Insights the stage comes with options. The option should be several, not the specific 2 or 3. Eventually, the options are generated by asking several questions regarding the problems. For example, if we ask the ASA MFI employees what problems they are facing after COVID-19 they know it better. To get more information we have to dig deeper. However, the solution is also here. We might ask what kind of strategies you think might help to resist these problems. Option refers to the root cause of the problem they are dealing with (Gonçalves, L. 2023). To dig deeper agents can use retrospective, lean coffee etc tools. 3 factors can affect options, which are explained below.

**a. cost:** the cost will describe how much work is required to make this option work, how many people will be affected, and whether there are any pricy expenses, for instance, training, purchase of tools, etc. (Oliveira, L. 2021). Depending on these things change management thinks about whether to go forward with this option or not.

**b. value:** Value indicates the benefits of using the option. “To what extent will the option satisfy our vision? If the top level of the organization wants to make any change they have to assess the ratio of benefit. Being less benefited doesn’t mean less effective. “(Oliveira, L. 2021).

**c. level of disruption:** It means how the option could be disrupted in the organization. “Since these possibilities touch several departments and individuals, there's a good chance they won't work out or are at least dangerous; if they are a priority, I suggest breaking them up into numerous smaller tests” (Oliveira, L. 2021).

### **The theory introduces some steps to assess the options:**

1. “Options that seem to be disrupted in the future should be highlighted in red sticker
2. Ask to change agents to provide his/her input
3. Remove those options that feel might not work. This is not the right time to apply that option.  
“(Gonçalves, L. 2023)

**3. Experiment:** After gathering enough information on their challenges and opportunities after the pandemic by assessing the current position now it's time to experiment. It is very important to acknowledge the insight and the options before conducting the experiment. In this process the change agent will invite the team members who are participating in the experiment, they will be introduced to the experiment and then reviewed. It has a sub-cycle consisting of 3 elements.

**a. Preparation:** preparation means all the experiments are still in the planning phase; those have been drawn up but not been implemented yet. According to (Oliveira, L. 2021, December 13)” she considers the experiment ready when, 1. We know how the experiment will be carried out; 2. Its importance and benefit are evident; 3. We are aware of the impact the experiment will have; 4. We know how and for how long we will need to monitor the experiment (qualitatively or quantitatively) to determine whether it is assisting us in making the desired change;”

**b. Introduce:** In this phase the participants will be introduced to the experiments. The participants are those who are affected by the change.

**c. Review:** After successfully implementing the experiment it is time to review it, if it worked or not. If it doesn't work the organization has to move forward to other options. “This stage of the experiment is crucial for gathering insights since it allows us to assess the outcomes, draw conclusions to enhance subsequent plans, and determine whether further trials or alternatives are required.” (Oliveira, L. 2021)

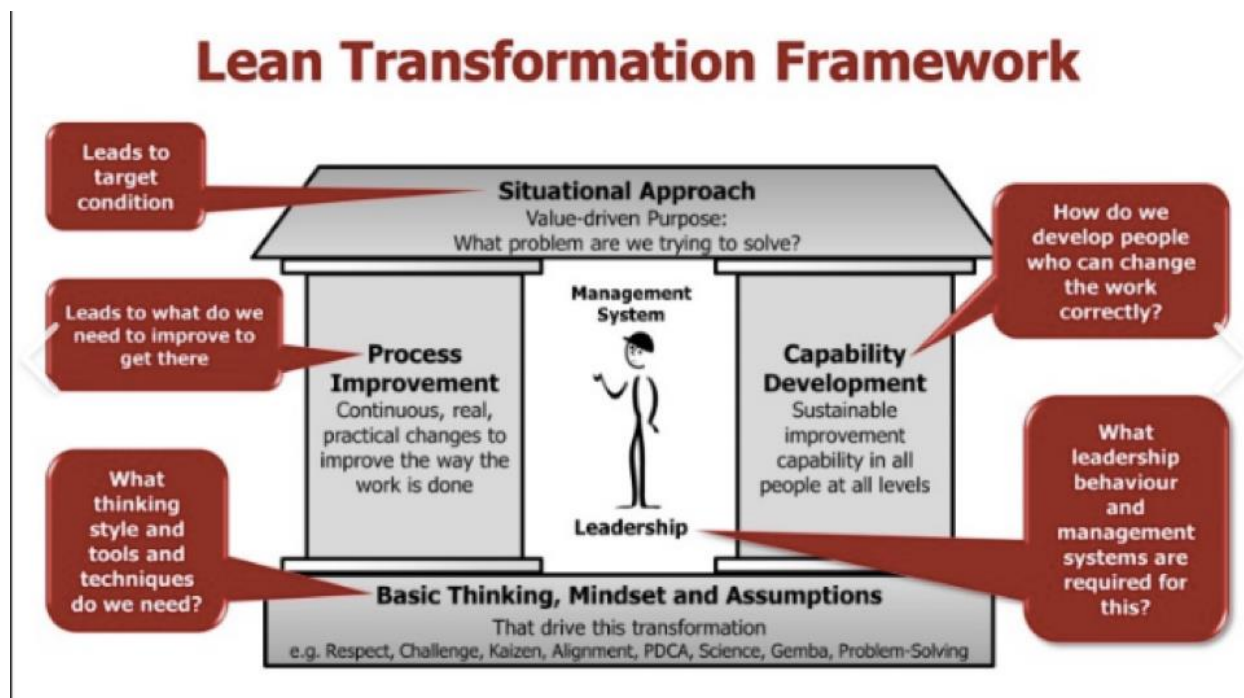
#### **4.1.2. The Lean Transformation Framework**

The Lean Transformation Framework developed by John Shook is a proven, effective and systematic approach to resolving problems at every level of the organization, from executive-level strategy to frontline operations. By responding to its five questions, you can utilize the Framework to solve any problematic issue, regardless of whether you are leading a startup or an established organization. The questions guide you through the core issues of people, process, and purpose; this will enable you to find

solutions that satisfy all three (Lean Enterprise Institute, 2023). The Lean Transformation Framework demonstrates how to develop people and align organizational purposes to increase value for consumers (One, E., 2023). Lean practitioners have learned through decades of real-world experience that enhancing a work process is the best approach to gain insight into lean transformation. It was also found by the lean community that the questions LEI (Lean Enterprise Institute) included in the Lean Transformation Framework are necessary to ask during this improvement process (Lean Enterprise Institute, 2023).

#### 4.1.2.1. Why Lean Transformation Matters?

Lean transformation makes the company capable of adapting to newly emerging trends, staying agile and resilient to changes. It encourages continual improvement thinking and makes it possible to create a long-lasting, customer-focused culture that is value-oriented. Lean transformation's approach helps implement strategic or operational improvements, such addressing issues with team productivity or work procedures. It is a universal approach that can be used repeatedly to address various weak points within a system ([businessmap.io](https://businessmap.io)).



Source: [leanuk.org](https://leanuk.org)

The framework presented above is a series of questions, not answers. Transformational work is "situational," meaning it involves a balanced approach to problem solving, people, process, and purpose rather than prescribing a one-size-fits-all answer. The following high-level questions are addressed by



the transformation framework, which involves transforming five fundamental dimensions (Panchak, P., 2023).

To keep moving forward with bringing about change, it's critical to comprehend how each question and answer in the Framework links to the others.

The five questions of this framework are as follows:

1. What is the value driven purpose? Or what is the problem to solve?
2. What is the work to be done (to solve the problem)?
3. What capabilities are required (to do the work to solve the problem?)
4. What management system 'operating system and leadership behaviors' is required?
5. What basic thinking, including mindsets and assumptions, are required by the organization as a purpose-driven socio-technical system?

These questions are fractal, which means that they are relevant whether one is operating at the level of the individual, supply chain or supply network; entire organization (macro); departmental or functional. Thus, the Framework can be utilized by anyone at any level of the organization, from the executive levels to field level supervisor.

#### **4.1.2.2. What are the 5 focus areas of a Lean Transformation Process?**

Lean transformational Framework comprises five key areas, regardless of whether you want to use lean management concepts inside your team, in a single department, or throughout the entire organization. At each level, you can ask targeted questions to help you navigate the process.

##### **1. Situational Approach:**

The goal from the beginning is to ensure that everyone is aligned around the common goals of the transformation. The questions to ask in this stage include: What is the purpose of the change? What problem are we trying to solve?

This question clarifies whether you've clearly defined your organization's True North or value-driven purpose (Lean Enterprise Institute, 2023). The management and employees must both understand why you are initiating the Lean transformation. As the initiator, you must have strong support from everyone in your organization or you run the risk of going back to the "old ways" very soon. You have to make it transparent what problems you are attempting to resolve with Lean and let the C suite know the pain to ensure they've got your back (businessmap.io).

##### **2. Process Improvement:**

Drawing from a quarter-century of real-world experience, LEI thinks that in order to address business issues and ultimately fulfill their mission, organizations need to concentrate on enhancing frontline work. Thus, the Framework requires a thorough analysis, description, and breakdown of the work process in order to identify areas for improvement to address the business problem that is made clear in Question 1 (Lean Enterprise Institute, 2023). Process Improvement determines which methods require optimization and makes a list of suggested changes. It is important to convey clearly what is expected to happen during and after the Lean transformation in order to prevent mass resistance (businessmap.io). One way to do this is by responding to the question, What is the work to be done (to solve the problem)? Or What is the work, and how do we improve it? (businessmap.io). Lean practices and tools proven to help answer these questions, such as value-stream mapping, standardized work, A3 problem-solving, and these will lead you to go to Gemba (where value creating work actually happens) (Lean Enterprise Institute, 2023).

### **3. Capability Development:**

Making skill development is a strategic goal and gaining insight into team's strengths and shortcomings can be achieved by providing an answer to the question, "What capabilities are required (to do the work to solve the problem?)" (Lean Enterprise Institute, 2023). It is imperative that the organization give equal focus to training managers and regular team members in Lean techniques. Nothing will change unless the employees of the organization change their mindset and the way they function (businessmap.io).

### **4. Responsible Leadership:**

Adopting a shared leadership culture enables team members to realize their own leadership potential, and guaranteeing the effectiveness of the change requires allowing them some degree of autonomy to make decisions without expressly looking for permission from a supervisor (businessmap.io). The question to be asked in this stage is, "What management system 'operating system and leadership behaviors' (management techniques & leadership) is required?" (Lean Enterprise Institute, 2023). While encouraging ongoing learning and development, responsible lean leaders assist team members in becoming more self-reliant and self-organized (businessmap.io).

### **5. Basic Thinking, Mindset, Assumptions:**

The final Framework question to ask in this stage is "What basic thinking, including mindsets and assumptions, are required by the organization as a purpose-driven socio-technical system?" that helps identify the fundamental thinking or mindset behind the lean transformation. Following the logic generated through the set of questions, you'll see that you will focus on increasing the value-added work that will show respect for the people doing the work by ensuring that every step of their work process adds value for the customer (Lean Enterprise Institute, 2023). So, evaluating the current organizational culture and thinking is crucial to understanding what mindset is needed to successfully integrate Lean

into your firm. This will assist you locate the values that are missing and the changes that need to be made. To apply a Lean transformation, your organization's culture must alter to reflect the principles of Lean (businessmap.io).

Through this Lean Transformation Framework we can analyze our selected company's (ASA MFI) challenges and the ways to overcome them.

## **Chapter-05**

### **5.0. Data Analysis**

Our analytical strategy was to commence with an overview of what emergent ideas and themes (Lofland, 2006) we were aiming to report on the basis of listening to the audio recordings of interviews of some of the staffs of ASA MFI and 1 BM (Branch Manager) of Brac NGO and Zonal Manager of Grameen Bank each. After conducting the interviews, we then translated the audio recordings of interviews in accordance with thematic content analysis outlined by Weber (1985). The validity and reliability procedures involved searching for the convergence of various sources of information to form themes from the research data and within research materials (Creswell and Miller, 2000). The researchers generated a priori coding framework established on the three major themes of the project with themes added accompanying as the analysis progressed. Besides, each of the transcripts was coded independently by two coders to assure highest quality and until the point of saturation. In some cases where the coders could not agree, a third rater finalized the coding.

#### **5.1. Findings:**

The major findings have been presented in three major themes like changes in current practices, challenges and opportunities. Various sub-themes emerged from the recursive abstraction of the empirical data are also going to be discussed in the below-

##### **5.1.1. Changes in current practise**

Having a theoretical framework can be helpful because it can help to analyse different approaches and make decisions. One such theory is Change Management theory, which focuses on the approaches to prepare, support, and help individuals, teams, and organizations in making organizational change (Hicks, K., 2022). Since human competencies like knowledge, skill, imagination, etc are changing therefore to make an appropriate balance every organization should replace something. Among all the models of change management we, the researchers, have decided to go with the Lean Change Management model that is a nonlinear and feedback-driven model for managing change. The lean change management cycle starts with insight which refers to acknowledging the current situation by listening the right way

(Gonçalves, L. 2023). As after the Covid most of the MFIs of Bangladesh were undergoing changes, we have had a lot of insights of changes through our interviews.

While answering the question about how the specific needs of target customers are determined, the Director of ASA Mr. Abdul Motalib said, “For addressing the specific needs of our target customers we acknowledged the current situation by listening to our clients over phone, by engaging the field level of ASA with our beneficiaries and sometimes observing our competitors”. In reply to another answer about way of ensuring customers’ needs through engagement with the communities the EVP of ASA Mr. Fazlul Hoque said, “After the Covid ensuring local community development was at our main focus. To satisfy our customers with their expected service from us we organized regular online meetings with our field level employees to identify what are the results of already taken action, its drawbacks and what needs to be done from us to overcome those drawbacks”. The answer from the EVP thoroughly matches with one of the 5 practices named retrospective for generating Insights by Jason Little (Gonçalves, L. 2023). These are the clear evidence of Insights for change within the Lean Change Management Model as Insight refers to acknowledging the current situation by listening the right way.

Option that comes after generating Insights should be several, not the specific 2 or 3. Option refers to the root cause of the problem they are dealing with (Gonçalves, L., 2023). When we asked about how the initiatives were taken to overcome the impact of Covid, one of our respondent Directors of ASA said, “To overcome the impact of Covid first of all we had to find all the probable actions that we could take. After that we had to undergo further analysis to know the cost factors of implementing those, especially if there is any training or instrument purchase cost. Thinking upon those we decided with which alternative we should go forward”. Our another respondent Mr. Arif Talukder, Branch Manager of Brac said, “When our top level management wants to make any change or inaugurate something new we give especial focus on the demand of field level and always try to assess the approximate ratio of positive result considering our main vision of the organization.” From these answers we get a preview of Options that help management to lead towards Experiment for change.

From our collected data through interviews we find a lot of related examples of Experiments for change which is the most important part of the Lean Change Management Model. The insight and the options should be thoroughly evaluated before conducting the experiment. AKM Tareq, Divisional Manager of ASA said, “COVID has a vigorous impact on our programs. During COVID physical interaction was prohibited so we introduced some new terms in our services. For example, we launched digital solutions where we offer flexible repayment, easy application for loans, digital transactions, and so on. We also provided a virtual workshop for our clients so that they can be accustomed to these changes.” From this statement we see the Introduction of Experiment which is a sub-sector of Experiment of change. One of our respondents Mr. Roqibul Islam, ZM of Grameen Bank replied, “We have already made so many changes in our ongoing programs for our clients. If you ask specifically, after covid-19 we launched a product named “AGAMI” in which our customers can ask for a loan virtually in their smartphone.” We also notice a remarkable change in the policy of MRA. In this regard EVP of ASA said, “After the Covid MRA took several initiatives to render support to customers like easing the saving withdrawal facility,

providing covering the covid recovery loan. MRA also took initiatives to stand beside the MFI firms by providing the 0% interest loan though it didn't help much to the big NGO like ASA". Director of ASA said, "After the Covid MRA took a timeworthy decision to bring some necessary changes through its time to time circular. Saving withdrawal policy, getting new loans by paying all the overdue at a time, mandatory expenditure in Covid reliefs (food assistant), pushing the registered MFIs to digital transactions etc were taken by MRA. Although all the changes in their policies were not 100% effective, those were not useless also." Evaluating this statement we observe the presence of another sub-sector of Experiment named Review that allows us to assess the outcomes, draw conclusions to enhance subsequent plans, and determine whether further trials or alternatives are required." (Oliveira, L. 2021). A question answered by the EVP of ASA Mr. Fazlul Hoque regarding changes in ASA MFI after Covid pandemic where he explained that they had to make several changes in their financial programs like loan products, savings products, loan security & risk fund, foreign remittance programs on the basis of the demand of their target customers. Regarding the changes in policies in the covid period, the Director of ASA said "We inaugurated a new loan called Covid recovery loan where we gave the opportunity to clients to recover their loan by just adjusting their previous one. We always try to adapt with the changing demand of our financial program. As an example, the inauguration of our MSME branch is due to the demand of lending more money to the micro entrepreneur." In response to a question regarding the change in technology during the covid time EVP of ASA said, "We conduct our Microfinance activities through this AMMS App. And all of our staff are IT literate though it's quite challenging to make them updated all the time regarding the changes in IT. Earlier we used to use our AMMS app in the official desktop and tab only but after the covid we allowed our staff to use it through their personal mobile phone. We have given emphasis on remote transaction using the IT platform." Regarding the changes in the current monitoring and supervision policy during the post covid period Director ASA said, "After the covid we had to revise our monitoring and supervision style. During the post covid time we focused highly on the off site monitoring and giving feedback on that followed by proper follow up. Moreover our top management also brought changes in ensuring quality assessment of loans and the credit rating system. Changing in the monitoring & supervision policies had also some negative impact (but the success rate was higher) as during the Covid time we could not provide any practical training to our employees." From analysing all the answers through the interview we find the presence of the process of the change agent facilitating the experiment. We find the preparation, introduction of change and finally the review where the impact of making change was reflected.

### **5.1.2. Changes in Challenges**

From the collected data through interviews it's quite clear that after the Covid the MFI sector of Bangladesh is undergoing severe challenges. To analyze those challenges a specific framework could be very helpful as it would work as a benchmark. We decided to use the Lean Transformation Framework as it is a proven, effective and systematic approach to resolving problems at every level of the organization, from executive-level strategy to frontline operations. Regarding the changes in client

management after covid, Director ASA replied, “In post Covid time the most challenging task for us was to control the dropout of our members and overlapping of members with another NGO. As the problematic issues were clear to us, we had to focus especially on the local market need to find the reasons behind dropout and overlapping. To overcome those challenges we had to enhance our loan ceiling, reduce loan approval time and also reduce some paperworks of loan.” While asking the question about what changes were there in technology and innovation in the post Covid period, the EVP of ASA said, “After the Covid it’s quite challenging to make our staff updated all the time regarding the changes in IT. Earlier we used to use our AMMS app in the official desktop and tab only but after the covid we updated our App and allowed our staff to use it through their personal mobile phone so that they can continue working from home. We have given emphasis on remote transactions using the IT platform”. Analyzing these replies we can say that after the Covid ASA MFI had to undergo a situational approach where the management knew what was the purpose of the change or what problem they were trying to solve.

After the covid pandemic we observe the presence of Process Improvement that determines which methods require optimization and also provide a list of suggested changes. During post covid time women empowerment had gone through a severe change in MFI sector as they were the most vulnerable at that time. Regarding the changes in policies after Covid for women empowerment, Director ASA said, “Covid taught us a lot of practicality. As 86% of our clients are women, we had to think big about what new initiatives can be done to support women entrepreneurs. Then we introduced a new Women MSME branch which was established only to help the women entrepreneurs. In the future we have plans to set up 10 women MSME branches in the next 2 years.” Our another respondent AKM Tareq, Divisional manager of ASA also acknowledged that they had gone through a changing process while working with the deprived section of people of the society. To make their client use the newly launched several technology-based services was a difficult task for them but they succeeded to overcome the challenges through a set of suggested changes in their policy. So, from analyzing the responses of the interviewees we see that there was a Process Improvement the management found out what initiatives they should take to solve the problem.

Capability Development is a must for the organization as nothing will change unless the employees of the organization change their mindset and the way they function (businessmap.io). As after the Covid whole MFI sector had to experience huge changes and new challenges. While we asked the question ‘What changes are there in potential challenges and risks associated with social aspects of microfinance in the post Covid period, and what mitigation strategies are in place?’ District Manager of ASA, Mr. MJ Raihan said, “Due to covid the nature of our clients has been changed. Customers seek more opportunities, best quality service. On the other hand, change in technology or digitalization of service has also had a great impact. To handle these challenges efficiently, our management put the best emphasis on providing training for our staff and customers. We provide necessary training to our members with the workshop named ‘Netri Prosikkhon’ (leadership development) where we each teach one approach”. While asking the same question Director ASA said, “After the pandemic, for mitigating risks associated

with the social aspects several strategies are taken in place such as including community involvement, social impact evaluation and commitment to the ethical financing standards'. From the response of the Director and DM of ASA we see their initiatives for capability development to overcome the challenges and the same evidence is available in case of other NGO like Grameen Bank and Brac. We asked the ZM of Graeme Bank, 'What changes are there in capital formation and investment after Covid impact?' And he replied, "As we faced a huge impact during and after COVID-19, we collected donations from WHO, UNICEF, UNDP to help those suffering people. About 48% of our clients completely failed to cope up with the surge of COVID-19. After the covid we have our increased loan volume in almost all our branches so that our client can recover their capital shortage. We also provided special training to our field level to make them capable to make our clients able to make the best use of the loan by investing in a proper way." His answer also aligns that they did their best for the capability development of their employees and stakeholders also.

Through our analysis we observe a shared leadership culture which is a vital factor in Lean Transformation Framework. While answering the question regarding challenges of working with the deprived section of the society in post covid time, the EVP of ASA said, "As we mostly work with the deprived section of the society who were the most vulnerable to covid, our entire work became challenging. As government assistance had yet to reach many remote areas of the country, and scarcity of food became an issue of concern, we rendered our CSR activities with the government and other civil society organizations at the grassroots level to tackle Covid-19 impacts. We were able to conduct those CSR activities successfully as we practice a feedback based shared leadership policy where we focus on the decentralization of power. Our field level staffs like BM, RM, DM, DivM proactively and efficiently performed their respective task during the covid period to run our program successfully". Here we see the practice of responsible leadership where the management encouraged ongoing learning and development, and helped the field level managers to be self-reliant and self-organized to give their best. This fact becomes more clear from the response of the Director, ASA. While we asked him about the changes in their capital formation and investment in post Covid time, he said, "After the pandemic, ensuring the fund flow was quite challenging. There was huge demand for loans in the market because a lot of MFI faced severe scarcity of capital due to the prohibition in installment collection during the covid time. Loan disbursement was also very risky as there was no appropriate benchmark to evaluate a customer at that time (most of the good members became overdue members). As ASA always maintains a strong connection with its field level and any central decision is taken after sharing with the field level management. As the field level management informed us of every pros and cons of the field we were able to take the right decision by continuing our loan disbursement". His confession about engaging field level management in the decision making process is obviously the practice of shared leadership or responsible leadership.

With the help of the last and final focus area of the Lean Transformation Framework we tried to see if our selected company's altered or not to reflect the principles of Lean. There we noticed a change in the mindset of management that added positive value to the organization. For proper fund management the organization evaluated the current situation through knowing the mindset of the local management (from

the answer of Director, ASA). On the basis of assumption they have brought changes in their upcoming policies also. Director, ASA said, “We are focusing towards sustainable operation. Peoples’ demand for money is increasing geometrically. Between the year 2001 and 2010 we used to offer credit like 1000 bdt to 10000 bdt as a starting loan. But now due to higher inflation rate, people can’t do anything with 10000 bdt. That’s why we are now offering 30000 bdt as the initial loan and from the 2nd time we are giving a higher jumping amount. I can assure you that in the future peoples’ need towards microcredit will totally disappear. That’s why we are focusing on our MSME branches which we consider the future changing model of microfinance. We have another strategic decision to involve more and more women towards entrepreneurship that will help both the organization and country to survive financially in the long run.” Focusing on the MSME on the assumption of sustainability means that they are evaluating the current organizational culture and thinking to understand what mindset is needed or what initiatives are to be taken to overcome that challenge being purpose driven.

### **5.1.3. Changes in Opportunities:**

Through the Lean Change Management we can also analyze the opportunities that covid brought in the MFI sector. Throughout our interviews we find a lot of insights in our selected company leading to several options to choose evaluating cost, value and impact of possibility. While the management experimented options creating a hypothesis. EVP, ASA said, “We always try to adapt with the changing demand of our financial program. As an example the inauguration of our MSME branch is due to the demand of lending more money to the micro entrepreneurs”. Inauguration of the MSME branch is a huge opportunity to enhance investment. Director of ASA said, “The inauguration of our MSME branch is due to the demand of lending more money to micro entrepreneurs. We introduced a new Women MSME branch in Dhaka which was established only to help the women entrepreneurs. In the future we plan to set up 10 women MSME branches in the next 2 years.”. From the official website of ASA we find the importance of MSME branch, *“MSME Program of ASA offers loans and consultations services to the traders, businessmen and entrepreneurs of small and medium scale with a target of flourishing a robust SME sector to usher in rapid economic development. As our country is heading towards a middle-income nation soon, it is high time for us to take apt measures for a thriving SME sector to create more jobs and increase domestic products. ASA has established 71 MSME branches in growth centers around the country so that potential traders, businessmen could avail the service easily”*(asa.org.bd). Even the director of ASA confidently said, “I can assure you that in future peoples’ need towards microcredit will totally disappear. That’s why we are focusing on our MSME branches which we consider the future changing model of microfinance. We have another strategic decision to involve more and more women towards entrepreneurship that will help both the organization and country to survive financially in the long run.” From analyzing these statements we can say that from the experiment through insights ASA’s inauguration of MSME branch is a long lasting solution considering the future prospects.



Another opportunity that covid has unleashed is starting the Islamic Microfinance. Though this insight has not been experimented in ASA and none of our interviewees were interested to say anything open (as it's a sensitive issue and goes against the current policy of the organization). But in conditions of anonymity they strongly said, "Islamic micro financing has a long lasting prospect. After the covid people have focused more on the religious aspect. Now people prefer Islamic financing, that's why all the commercial banks are bound to start Islamic branches along with their general branches". As the covid pandemic caused deaths and disrupted billions of lives globally, people might turn to religious groups, family, friends, co-workers or other social networks for support (Mitchell, T, 2021). A Pew Research Center survey conducted in the summer of 2020 also revealed that more Americans than people in other economically developed countries said that the outbreak has bolstered their religious faith and the faith of their compatriots.

Opportunity generated through experiment in the IT sector has also a bright prospect in case of cost minimisation and ensuring effective management. Mr. AKM Tareq, Divisional Manager, ASA Said, "Microfinance institutions have been investigating financial technology and digital solutions in the post-COVID era to improve efficiency and sustainability. After the covid we started the use of digital payment methods, online bank apps, and mobile banking. In addition to reaching distant clients and lowering expenses, technology also allows us to analyze risk through the application of artificial intelligence". RM Dipak Chandra said, "Technology and innovation have played a crucial role in enhancing the sustainability and efficiency of our microfinance operations in the post-COVID period. Mobile wallets and digital payment solutions to streamline transactions, making it easier for clients to receive and repay loans, as well as access other financial services, are among the notable changes. Biometric authentication is used to verify identities, improve transaction security, and reduce the risk of identity fraud. Furthermore, CRM systems have been implemented to better manage client relationships". By evaluating their statement we see how technology helped them reduce cost and ensure effective management but the journey at the beginning was not so easy. Providing training for IT skill development in the midst of Covid was a great challenge. EVP ASA said, "We conduct our Microfinance activities through AMMS app and now all of our staff are IT literate though it was quite challenging to provide training and make them updated all the time regarding the changes in IT". The statement of EVP indicates that although it was quite challenging at the beginning, now they are getting the advantage of the IT sector.

ASA has created a positive image in the market by taking some courageous decisions that render a huge opportunity for them to lead the market. In post covid time through helping the borrowers with proper consultancy ASA has developed a positive image among its clients and stakeholders. EVP ASA said, "We assisted our clients with necessary financial help, informing them about current market situation and probable risk. We also encouraged them to do proper SWAT analysis in post covid time to conduct their business' '. After the pandemic most of the MFI of Bangladesh didn't provide required capital for loan outstanding as it was so risky. ASA took that risk by providing the required loan like as usual that gave competitive advantage in the market. Director ASA said, "Ensuring the fund flow in post covid

period was quite challenging. There was huge demand for loans in the market because a lot of MFI faced severe scarcity of capital due to the prohibition in installment collection during the covid time. Loan disbursement was also very risky as there was no appropriate benchmark to evaluate a customer at that time (most of the good members became overdue members). As ASA always maintains a strong connection with its field level and any central decision is taken after sharing with the field level management. As the field level management informed us of every pros and cons of the field, we were able to take the right decision by continuing our loan disbursement”. Analyzing the responses, we see a correlation of the Lean Change Management where the insights were experimented that unleashed some new opportunities for ASA.

## **6. Discussion**

This project focuses on what are the changes in Current practice, opportunities and Challenges in Microfinance sector of Bangladesh after Covid-19 and aims at answering what are the impacts of Covid-19 in ASA MFI and ways to overcome them. To answer these questions, we had to dig deep and go through so many things. We used a theory to identify what types of changes took place and the impact of those changes and the ways to overcome those challenges. The theory we use is change management theory.

In Change Management theory, there are some elements which make this theory effective. Each has its own importance to achieve the overall management goal. From those elements, we go with the Lean change management model to analyze our project. The Lean change management model invented by Jason Little is a nonlinear and feedback-driven model for managing change. In this model, Insights is when you observe the situation as it currently is. Then you move to Options, where you evaluate the cost, value, and impact of each possibility. From this, you create a hypothesis to test the expected benefits of that test. Using that hypothesis, you form an Experiment” (Gonçalves, L. 2023). By using this model in our case company managers can set the changes by comparing the current practices (cost, value, level of disruption) to make it more reliable and sustainable. The Lean change Management model has three interrelated components such as Insight, option and experiment. The lean change management cycle starts with Insight. Insight refers to acknowledging the current situation by listening the right way. By being inquisitive, posing queries, and supporting those who seek changes, we may get insights (Gonçalves, L. 2023, April 18). Therefore, Jason Little proposes 5 practices for generating Insights which are Information Radiator, Lean Coffee, Culture Hacking, Retrospective and force field analysis. By using the Insight approach, managers should be able to navigate the real needs of their client based on the circumstances. When we tried to investigate our targeted firm ASA about how they are managing their firm, we get to know from one of our respondents who is the director of ASA that they are also applying the recommendation which we found from the lean change management model given by Jason Little. Before Covid it was normal. They were maintaining their task as planned. After Covid when society and

markets were shaken and reshaped, change was inevitable. To address the needs of their clients, they call them over the phone, they are trying to get the actual information from the field through their employees who work on the field level. They are also trying to get information from their competitors. From their approach, it can be said that they are following the recommendation given by Jason Little because they are trying to generate insights by acknowledging the current situation by listening to their client's needs in the right way.

From the generated Insights, we get some options in hand about what we should do next with those insights. Option is the second component of the Lean Change Management model. Option that comes after generating Insights should be several, not the specific 2 or 3. Option refers to the root cause of the problem they are dealing with (Gonçalves, L., 2023). There are also three elements that can affect Option which are Cost of the change, value that indicate the benefit of the change and level of disruption in the organization for the option. By using the Option approach, managers should identify the root cause of the problem and what might be the possible solutions to those problems. Moreover, managers also keep in mind the impact of adopting the option. When we tried to investigate our targeted firm ASA about how the initiatives were taken to adapt with the impact of Covid, we get to know from one of our respondent Directors of ASA that they are evaluating the after covid situation and trying to figure out all the probable action they could take. After figuring out the probable actions, they want to go for further analysis about how much the cost factors will be and if there are any training or instrument purchasing costs associated with adopting the option. Finally, they want to take any suitable option from the alternative which can also be considered as an opportunity. After knowing the statement of the Director of ASA, we can connect his statement according to our theory provided by Jasson little. From the approach of the Director of ASA MFI, it can be assumed that management is considering options and possible impact of options that help management to lead towards Experiment for change before adopting any.

The third and final component of the Lean Change Management model is Experiment. After gathering enough information on their current changes in practices and opportunities after the pandemic by assessing the current position using Insights and Options now it's time to experiment. It is very important to acknowledge the insight and the options before running the experiment. In this process the change agent will invite the team members who are participating in the experiment, they will be introduced to the experiment and then reviewed. It has three different elements which are Preparation, Introduction and Review. In the preparation phase, all the experiments are still in the planning phase; those have been drawn up but have not been implemented yet. The next phase is Introduce in which the participants will be introduced to the experiments. The participants are those who are affected by the change. The third and the last phase in Review. After successfully implementing the experiment, it is time to review it, if it worked or not. If it doesn't work the organization has to move forward to other options. When were investigating if there is any experiments in our target firm we get to know from the Divisional Manager of ASA MFI that after COVID when physical interaction were prohibited, they have introduced a new

digital IT platform where they offer flexible repayment, easy application for loans, digital transaction and many more things for their clients. They also provided a virtual workshop for their clients so that they can be accustomed to these changes. From this statement, we can clearly identify that there is clear evidence of taking Preparation for the new concept to be implemented and using Introduction of Experiment from the Lean change management model. We found another statement from the Director of ASA MFI regarding the changes in the current monitoring and supervision policy during the post covid period. Director of ASA indicates that after the covid they had to revise their monitoring and supervision style. During the post covid time they focused highly on the off-site monitoring and giving feedback on that followed by proper follow up. Moreover, their top management also brought changes in ensuring quality assessment of loans and the credit rating system. Changing the monitoring & supervision policies had also some negative impact (but the success rate was higher) as during the Covid time they could not provide any practical training to their employees. From those indications of Director and Executive vice president of ASA MFI, we get to know that the whole organization has already gone through a massive change in their thinking and working style compared to before and after covid. During COVID they feel that they need to change their working style and after COVID they implemented exactly the same thing towards their client. After that they also changed their monitoring and feedback style into their management system. They have gone through the three phases of Experiment in their process of changing the working style.

Through lean transformation framework, the organization becomes flexible and adaptable to change, enabling it to respond to newly emerging trends and making it feasible to establish a long-lasting, value-oriented culture promoting the idea of continuous improvement ([businessmap.io](https://businessmap.io)). For the situational approach of the lean transformation framework, we know the initiator must have strong support from everyone in the organization or there prevails the risk of going back to the "old ways" very soon. From our selected company's case we find that ASA is facing a tremendous challenge due to technological change. The director of ASA confessed that they had to undergo severe challenges due to technological changes in post covid time. That's why they had to provide training to their staffs. But our observation is it's quite tough to train people within a very short period of time and make them competent to face a new circumstance. As the situational approach of the lean transformational framework refers to the fact that the subordinates should know what problem they are trying to solve, we find a gap with this approach in ASA regarding technological change. Technological change is an ongoing process, so the organisation should be pre-prepared to provide IT skill development training to its staff all year round not prior to any particular circumstances. In terms of technological change ASA could not maintain parallel with the situational approach as here the organization did not get the best output from its all levels of staffs specially from lower and mid-level.

Process Improvement of lean transformation framework determines which methods require optimization and makes a list of suggested changes. In the case of our selected company ASA, we observe a deviation with process improvement in case of poverty reduction. The EVP of ASA said that ASA is approaching

with the mission to support and strengthen the economy at the bottom of the socio-economic pyramid by facilitating access to financial services for the poor, marginalized and disadvantaged while the vision of the organisation organization is to establish a poverty free society. But analysing all of our respondents answers we find that after the covid ASA has developed some policies regarding how they can recover their nonperforming or overdue loans, how they can raise their current recovery rate, how they can raise outstanding level etc where we didn't find any specific plan that could assist to eradicate poverty. Microfinance is shifting from poverty-alleviation to profit maximization due to excessive commercialization (Woller, 2002), which was identified as a mission drift by Yunus (2011). If we go through the Process Improvement, we find that it is important to convey clearly what is expected to happen and the way to do this is by responding to the question about what the work is, and how we are going to improve it (Panchak, P., 2023). So, following the Process Improvement of lean transformation framework we think ASA should focus more to create new entrepreneurs, train to develop the quality of their current entrepreneurs, provide insurance if the project is damaged (now insurance is available if only the borrower or his grantor is dead). Thus, they can enhance quality loan outstanding along with the real eradication of poverty.

Capability development is another important part of Lean Transformation Framework that can be achieved by providing an answer of what capabilities we need to do the work or to solve the problem (Lean Enterprise Institute, 2023). District Manager of ASA, Mr. MJ Raihan said that covid has changed the nature of their clients. Customers were seeking more opportunities, best quality service. It indicates that they had some lack in providing service to their customers and here comes the issue of capability development. On the basis of the framework of Lean Transformation we see that nothing will change unless the employees of the organization change their mindset and the way they function. So on the basis of capability development ASA has to give more focus to providing managers with updated training from where the staff can have the proper ideas to solve the problem. Though ASA provides training to its staff, that is not on a regular basis. Keeping it in mind what the theory says and the speech of the authorities of ASA MFI, we can say in alliance with the theory that training should be given all year round with all types of modern amenities. Capability development is also required to reduce the current huge number of non-performing loans. The microfinance sector's non-performing loans (NPL) saw a sharp increase from BDT 4,528 crore in the fiscal year 2020–2021 to BDT 8,370 crore in 2021–2022, an alarming 85% year-over-year increase (Rakeen, S., 2023). Moreover, in the case of developing the quality of loan portfolio there is also a huge scope where ASA can focus on developing the capability of its staff. The future of microfinance depends on a great deal of face-to-face connection and group processes in tiny communities, engaging them to productive work.

Adopting a shared leadership culture of the lean transformation framework enables team members to realize their own leadership potential (Lean Enterprise Institute, 2023). We find the presence of shared leadership culture or responsible leadership practices in ASA in some cases has helped the management to overcome the challenges of working with the deprived section of society. While answering the question regarding how they faced the challenges of working with the deprived section of the society in

post covid time, the EVP of ASA said that due to the successful implementation of a feedback based shared leadership policy where they focused on the decentralization of power and their field level staffs like BM, RM, DM, DivM proactively and efficiently performed their respective task during the covid period to run our program successfully. Moreover, we find a gap of practicing shared leadership in case of other challenges like absconded members, controlling PAR (portfolio at risk), enhancing recovery rate. As ASA is undergoing huge challenges that originated from the pandemic, they should focus more to overcome other challenges like reducing the number of absconded members, controlling PAR, enhancing recovery rate through decentralizing the power and motivating the staff towards achieving a common goal.

Evaluating the current organizational culture and thinking is crucial to understanding what mindset is needed to successfully integrate Lean change and we found a change in the mindset of management of ASA that added positive value to the organization. From the response of the Director, we came to know that on the basis of assumption they have brought changes in their loan disbursement. Due to the successful implementation of this approach management has the challenge of fund management in post covid time. In this competitive business world sometimes, the organization should be the First Mover to accelerate positive change by bringing a new product in the market (Tarver, E., 2020). Likewise ASA should also focus on taking full advantage of First Mover by thoroughly evaluating its current market fixing a proper mindset.

## **7. Conclusion and Recommendations**

Microfinance has shown to be an effective instrument in underprivileged areas for empowering people and advancing financial inclusion. These businesses have overcome previously unheard-of obstacles and adjusted to the new normal. Although some have experienced setbacks, others have shown resilience by putting creative solutions and digital strategies into practice. The microfinance industry has experienced significant practice changes during COVID-19, which have brought about both opportunities and challenges. Considering the COVID situation, the changing practices of microfinance include changing the interaction process with customers by launching a digital solution that offers flexible repayments, easy application for a loan, digital transactions, and so on. Moreover, microfinance introduced a new app called AMMS to maintain microfinance activities via the smartphone which used to happen on desktops in the beginning, so it was a bit challenging after COVID-19 to update every time regarding the IT changes. On the other hand, loan disbursement was another challenge because after COVID-19 it is very difficult to evaluate a customer. After covid, the inflation rate becomes higher, so it is another challenge. Since the whole system became technology-based so skill development of the employees is very difficult without training and also time-consuming. ASA MFI tackle this situation with their visionary thinking which we found similar according to our theory such as using Insights, Options and Experiments.

There are noticeably some places we have seen where ASA should focus on to adapt with the post covid situation. The major challenges that ASA is encountered with are large numbers of non-performing loans, increasing number of overdue outstanding, huge number of absconded members, technological up-gradation for digital transaction loans have grown riskier and defaults more common. In accordance with the lean transformation framework we think ASA should give more emphasis on digital innovation, expanding new market through MSME in a wider way, practicing responsible leadership through encouraging ongoing learning and development, helping the field level managers to be self-reliant and self-organized to give their best by remaining in touch with their beneficiaries and stakeholders.

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## Appendix

### Questionnaire for Project C

#### **Changes in Current practice, Opportunity and Challenges in the Microfinance sector of Bangladesh after Covid-19.**

##### Interview Questionnaire

1. Can you provide an overview of your current microfinance initiatives and what are the primary objectives and goals of your microfinance program?
2. Who are the primary beneficiaries of your microfinance services and how do you determine the eligibility criteria for individuals or businesses seeking microfinance support?
3. What types of changes are there in your financial products and services in the post Covid period and how do these offerings address the specific needs of your target customers?
4. In the covid period how do we engage with the communities we serve to ensure their needs are understood and met?

5. In the post Covid period what steps are being taken to ensure that your microfinance programs empower women and other marginalized groups, contributing to gender equality and social inclusion?
6. What changes are there in technology and innovation to enhance the sustainability and efficiency of your microfinance operations in the post Covid period?
7. What changes are in place for monitoring and evaluating the performance of your microfinance program in the covid period and how do you ensure smooth access to credit for all?
8. What changes are there in potential challenges and risks associated with social aspects of microfinance in the post Covid period, and what mitigation strategies are in place?
9. Microfinance deals with the deprived or illiterate section of the society. In post Covid time to what extent do you face working with the deprived section of the society?
10. What changes are there in client handling after Covid ?
11. How much impact did the Covid-19 play in the overall performance of your institution and how did you overcome those obstacles?
12. What changes are there in capital formation and investment after Covid impact?
13. What are the changes in assessing and managing risks associated with microfinance lending after Covid and how you are trying to mitigate credit and operational risks?
14. What are the changes in policies of the regulatory authority after Covid and how do you ensure ongoing efforts to stay abreast with these changes?
15. What are the upcoming innovations or changes in strategy considering future plans and goals for microfinance program?

**Coding colors: Practice- blue, opportunity- green, challenge-yellow**

## **Interview-01**

Participant: Mr. Fazlul Hoque

Designation: Executive Vice President (EVP)

Organization: ASA

**01. Can you provide an overview of your current microfinance initiatives and what are the primary objectives and goals of your microfinance program?**

**Ans:** ASA MFI is a ray of hope to millions of deprived people of Bangladesh. We are approaching with the mission to support and strengthen the economy at the bottom of the socio-economic pyramid by facilitating access to financial services for the poor, marginalized and disadvantaged while the vision of our organization is to establish a poverty free society. Beside the Microfinance program, ASA renders CSR program throughout the year like education program, health program, physiotherapy program, health assistance, sanitation program and agricultural program. From our Education Program (Primary



Education Strengthening Program) a number of 2,03,416 students are deriving benefits out of this Education program. You will notice same scenario in all of our CSR fields.

**02. Who are the primary beneficiaries of your microfinance services and how do you determine the eligibility criteria for individuals or businesses seeking microfinance support?**

**Ans:** Our prime beneficiaries are the deprived women who don't have any banking access. But we have Microfinance as well as MSME (Micro Small & Medium Entrepreneur) activities to give financial support to businesses or any other type of legal enterprise. Our Microfinance activities are based on mutual trust and understanding from where anyone can be beneficiary regardless of their social status, gender, religion or financial status.

**03. What types of changes are there in your financial products and services in the post Covid period and how do these offerings address the specific needs of your target customers?**

**Ans:** We have a lots of financial programs like loan products, savings products, loan security & risk fund, foreign remittance programs. After the Covid we had to determine our financial program on the basis of the demand of our target customers. That's why we had to make some changes in our loan and saving products. We inaugurated a new loan called Covid recovery loan where we gave the opportunity to clients to recover their loan by just adjusting their previous one. We always try to adapt with the changing demand of our financial program. As an example, the inauguration of our MSME branch is due to the demand of lending more money to micro entrepreneurs.

**04. In the covid period how do we engage with the communities we serve to ensure their needs are understood and met?**

**Ans:** After the Covid ensuring local community development was at our main focus. To satisfy our customers with their expected service from us we organized regular online meeting with our field level employees to identify what result of already taken action, its drawbacks and what needs to be done from us to overcome those drawbacks.

05. In the post Covid period what steps are being taken to ensure that your microfinance programs empower women and other marginalized groups, contributing to gender equality and social inclusion?

**05. In post Covid period what steps are being taken to ensure that your microfinance programs empower women and other marginalized groups, contributing to gender equality and social inclusion?**

**Ans:** ASA mainly focuses on the empowerment of women as you can't imagine to make the sustainable development of the country keeping half of its population idle at home. Therefore has taken a number of schemes for empowerment of women in male dominated society. Every year we conduct a special skill development training opportunity for probable women entrepreneur. We are also creating awareness among the people to educate all girl children in the country.

**06. What changes are there in technology and innovation to enhance the sustainability and efficiency of your microfinance operations in the post Covid period?**

**Ans:** We conduct our Microfinance activities through this AMMS app and now all of our staffs are IT literate though it was quite challenging to provide training and make them updated all the time regarding the changes in IT. Earlier we used to use our AMMS app in the official desktop and tab only but after the covid we updated our App and allowed our staff to use it through their personal mobile phone so that they can continue working from home. We have given emphasis on remote transaction using the IT platform.

**07. What changes are in place for monitoring and evaluating the performance of your microfinance program in the covid period and how do you ensure smooth access to credit for all?**

**Ans:** Effective monitoring is the precondition of a successful Microfinance operation. For the proper monitoring activities we have divided our 3073 branch offices under 16 divisions. Under each division we have 4 to 8 districts (altogether we have 105 districts). A division is operated by the Divisional Manager and supervised by a central office boss. Thus we ensure proper monitoring at the branch level. For the performance evaluation of our staff we use the recommendation of maintaining hierarchy of management (from down to top) and we also monitor the individual performance with our Apps AMMS and APMIS (ASA Personal Management Information System).

**08. What changes are there in potential challenges and risks associated with social aspects of microfinance in the post Covid period, and what mitigation strategies are in place?**

**Ans:** The economic and social disruption caused by the Covid pandemic is devastating. Millions of people became the victims of extreme poverty, loss of employment and health hazards. The whole social structure had been destroyed. That's why we had to focus on the reestablishment of social structure abide by the rules and regulations of MRA.

**09. Microfinance deals with the deprived or illiterate section of the society. In post Covid time to what extent do you face working with the deprived section of the society?**

**Ans:** As we mostly work with the deprived section of the society who were the most vulnerable to covid, our entire work became challenging. As government assistance had yet to reach many remote areas of

the country, and scarcity of food became an issue of concern, we rendered our CSR activities with the government and other civil society organizations in the grassroots level to tackle Covid-19 impacts. We were able to conduct those CSR activities successfully as we practice a feedback based shared leadership policy where we focus on the decentralization of power. Our field level staffs like BM, RM, DM, DivM proactively and efficiently performed their respective task during the covid period to run our program successfully.

#### **10. What changes are there in client handling after Covid ?**

**Ans:** In post covid period we had our strong presence at the grassroots level and always worked hand in hand with the government for stronger coordination and greater reach. Instead of giving priority to instalment collection, we gave emphasise on encouraging our 7 million clients to fight back the situation. We assisted our clients with necessary financial help, informing about current market situation and probable risk. We also encouraged them to do proper SWAT analysis in post covid time to conduct their business.

#### **11. How much impacts did the Covid-19 play in the overall performance of your institution and how did you overcome those obstacles?**

**Ans:** The recent outbreak of COVID-19 took the highest test of the Microfinance sector of Bangladesh. During the Covid our government imposed lockdown for several times and gave us different instruction what to do and how to convince mass people regarding covid. It was quite difficult to convince the people, particularly the poor, to follow the rules of the lockdown and to maintain social distance. To overcome this situation we decided to stand by the government and affected people with our highest capability. Throughout the country (every Upazilla) we provided foods and medical assistant, distributed mask to our 7 millions clients, PPE (Personal Protection Equipment) for the healthcare personnel and other people in the frontline, Ventilation for the hospital, cash disbursement to our client in tackling the crisis caused by the outbreak of coronavirus. Thus we created a positive impact in the market and overcome the situation.

#### **12. What changes are there in capital formation and investment during after Covid impact?**

**Ans:** You will be pleased that ASA is the only MFI institute in Bangladesh that works without any donors' fund or any loan from PKSf(fund provider to NGO in Bangladesh) or Bangladesh bank. We have 38% savings of our clients and the rest is our own capital. That's why after the Covid when all the NGOs were trying to reduce their loan portfolio, we were able to continue our loan volume as before. Continuing our loan like as before gave us a strong position in the market.

**13. What are the changes in assessing and managing risks associated with microfinance lending after Covid and how are you trying to mitigate credit and operational risks?**

**Ans:** After the Covid loan disbursement became the most important one because you can't access the risk associated with loan on the basis of clients' previous record. After the Covid in one point our overdue member percentage rose up to 85%. As we always work with incorporating risk, we evaluated the loanee's current situation (not the previous record) and his upcoming plan and prospects of his business to evaluate the risk.

**14. What are the changes in the policies of the regulatory authority after Covid and how do you ensure ongoing efforts to stay abreast with these changes?**

**Ans:** Every MFI firm in Bangladesh is registered under Microcredit Regulatory Authority in Bangladesh act (MRA Act -2006). MRA ensures consumer right protection through regulating licensed MFIs and after the Covid MRA took several initiatives to render support to customers like easing the saving withdrawal facility, providing covering the covid recovery loan. MRA also took initiatives to stand beside the MFI firms by providing the 0% interest loan though it didn't help much to the big NGO like ASA.

**15. What are the upcoming innovations or changes in strategy considering future plans and goals for microfinance program?**

**Ans:** Microfinance sector is always challenging. You can't survive without innovation and and time worthy changing in your current strategies. During the covid it was quite tough to get in touch with our clients. After the covid it was more challenging for us to conduct our normal operation. We had to revise our strategy. Without focusing on current recovery we tried offer our existed customers financial support through Covid recovery loan. It was really a challenging decision as most of the NGO tried to increase their current recovery. Even we reduced our savings by 12% within the 3 months of post covid period. We allowed our clients to withdraw all their savings if needed by keeping just 10 BDT.

## **Interview-02**

Participant: Mr. Abdul Motalib

Designation: Director

Organization: ASA

- 1. Can you provide an overview of your current microfinance initiatives and what are the primary objectives and goals of your microfinance program?**

**Ans:** ASA MFI is the best managed MFI of the world. We work with the vision of establishing a poverty free society through engaging the rural women in the productive sector.

**2. Who are the primary beneficiaries of your microfinance services and how do you determine the eligibility criteria for individuals or businesses seeking microfinance support?**

**Ans:** Rural women are our primary beneficiaries. 88% of our clients are women. We provide loan on easy terms so anybody can be our beneficiary if he or she has the spirit of work.

**3. What types of changes are there in your financial products and services in post Covid period and how do these offerings address the specific needs of your target customer?**

**Ans:** We inaugurated a new loan called Covid recovery loan where we gave the opportunity to clients to recover their loan by just adjusting their previous one. We always try to adapt with the changing demand of our financial program. As for an example the inauguration of our MSME branch is due to the demand of lending more money to the micro entrepreneur. For addressing the specific needs of our target customers we acknowledged the current situation by listening to our clients over phone, by engaging the field level of ASA with our beneficiaries and sometimes observing our competitors.

**4. In post covid period how do we engage with the communities we serve to ensure their needs are understood and met?**

**Ans:** Local community development gets the top most priority from us. We always focus on the improvement of our 7.2 millions clients, stakeholder and society as well. Due to the view of community serving we have established our Microfinance branch in the most remote part of the country where there is no government bank, school or other institution like Kolagaon, Takerghat (communication backward area in the Haor of Sunamganj district of Bangladesh). You will find thousands of success story where our beneficiaries have been able to eradicate their poverty situation.

**5. In post Covid period what steps are being taken to ensure that your microfinance programs empower women and other marginalized groups, contributing to gender equality and social inclusion?**

**Ans:** Covid taught us a lot of practicality. As our 86% clients are women, we had to think big what new initiatives can be done to support women entrepreneurs. Then we introduced a new

Women MSME branch in Dhaka which was established only to help the women entrepreneurs. In future we have plan to set 10 women MSME branches in the next 2 years.

**6. What changes are there in technology and innovation to enhance the sustainability and efficiency of your microfinance operations in the post Covid period?**

**Ans:** Our core value is innovative and non-conventional management for achieving cost effectiveness and sustainability where technology holds a very vital place. We always try to incorporate with the new technology. We have introduced the App named AMMS (ASA Microfinance Management System).

**7. What changes are in place for monitoring and evaluating the performance of your microfinance program in post covid period and how do you ensure smooth access to credit for all?**

**Ans:** In the covid period there are different changes in place in monitoring and evaluating the performance of microfinance, besides keeping up portfolio quality there are also effective loan approval procedures to make sure of smooth access to all.

**8. What changes are there in potential challenges and risks associated with social aspects of microfinance in post Covid period, and what mitigation strategies are in place?**

**Ans:** After the pandemic, for mitigating risks associated with the social aspects several strategies are taken in place such as including community involvement, social impact evaluation and commitment to the ethical financing standards.

**9. Microfinance deals with the deprived or illiterate section of the society. In post Covid time to what extent challenge do you face working with the deprived section of the society?**

**Ans:** During last few decades Microfinance sector in Bangladesh have travelled a long way: reaching the remote areas, mobilizing the poor into groups for making them aware about health, education, running schools, providing loans to start their small businesses. In the post covid time working with this section is more risky as due to the several lockdown during covid most of them lost their capital.

**10. What changes are there in client handling after Covid ?**

**Ans:** In post Covid time the most challenging task for us was to control the dropout of our members and overlapping of members with another NGO. As the problematic issues were clear to us, we had to focus specially on the local market need to find the reasons behind dropout and

overlapping. To overcome those challenges we had to enhance our loan ceiling, reduce loan approval time and also reduce some paperworks of loan.

**11. How much impacts did the Covid-19 play in the overall performance of your institution and how did you overcome those obstacles?**

**Ans:** Covid imposed an untold suffering to our clients. We had to struggle with our entire programs. Frequent lockdown due to Covid hampered our normal activities and sometimes the local authority imposed restrictions upon NGOs installation collection without government approval and thus created a massacre situation for us. To overcome the impact of Covid first of all we had to find all the probable actions that we could take. After that we had to undergo further analysis of the cost factors of implementing those, especially if there is any training or instrument purchase cost. Thinking upon those we decided with which alternative we should go forward.

**12. What changes are there in capital formation and investment after Covid impact?**

**Ans:** After the pandemic, ensuring the fund flow was quite challenging. There was huge demand for loans in the market because a lot of MFI faced severe scarcity of capital due to the prohibition in installment collection during the covid time. Loan disbursement was also very risky as there was no appropriate benchmark to evaluate a customer at that time (most of the good members became overdue members). As ASA always maintains a strong connection with its field level and any central decision is taken after sharing with the field level management. As the field level management informed us of every pros and cons of the field we were able to take the right decision by continuing our loan disbursement.

**13. What are the changes in assessing and managing risks associated with microfinance lending after Covid and how are you trying to mitigate credit and operational risks?**

**Ans:** As I mentioned earlier, after the covid there was no appropriate benchmark to evaluate a customer, we were bound to be the 'First Mover' to set a benchmark to measure the risk associated with lending. And to mitigate credit and operational risks we ensured proper evaluation of the project focusing on the future prospects. We also ensured a proper after loan follow up from both field level and central level.

**14. What are the changes in policies of the regulatory authority after Covid and how do you ensure ongoing efforts to stay abreast with these changes?**

**Ans:** After the Covid MRA took a timeworthy decision to bring some necessary changes through its time to time circular. Saving withdrawal policy, getting new loan by paying all the overdue at a time, mandatory expenditure in Covid reliefs (food assistant), pushing the registered MFIs to digital transaction etc were taken by MRA. As the changes in policies brought by MRA are



helpful for our entire smooth and sustainable operation, we tried our level best to abide by those. Although all the changes in their policies were not 100% effective, those were not useless also.

**15. What are the upcoming innovations or changes in strategy considering future plans and goals for microfinance programs?**

**Ans:** We are focusing towards sustainable operation. Peoples' demand of money is increasing geometrically. Between the year 2001 and 2010 we used to offer credit like 1000 bdt to 10000 bdt as a starting loan. But now due to higher inflation rate, people can't do anything with 10000 bdt. That's why we are now offering 30000 bdt as the initial loan and from the 2nd time we are giving a higher jumping amount. I can assure you that in future peoples' need towards microcredit will totally disappear. That's why we are focusing on our MSME branches which we consider the future changing model of microfinance. We have another strategic decision to involve more and more women towards entrepreneurship that will help both the organization and country to survive financially in the long run.

**Interview Questionnaire-3**

Participant: Roqibul Islam

Designation: Zonal Manager (ZM)

Organization: Grameen Bank

**1. Can you provide an overview of your current microfinance initiatives and what are the primary objectives and goals of your microfinance program?**

**Ans:** Thank you for your questions. The primary goals and objectives of microfinance basically revolve around addressing financial inclusion, poverty alleviation, and promoting sustainable development. Microfinance aims to provide financial services to individuals and groups who have very little or no access to traditional banking systems. This includes offering microloans, savings accounts, and other financial products or support. Therefore, we always have some objectives and goals in mind before starting any project. Our main goal is to alleviate poverty from society through small loans to the underprivileged people who do not have access to the normal banking system in Bangladesh. Afterwards, we have some primary objectives to complete our goals such as creating entrepreneurs, women empowerment, social development through education, healthcare, rural development etc.

**2. Who are the primary beneficiaries of your microfinance services and how do you determine the eligibility criteria for individuals or businesses seeking microfinance support?**



**Ans:** Primarily our main target client is the low-income individual in the rural areas. Apart from that we also support small businesses who have potential but do not have the amount of money to run the business. Therefore, we consider any underprivileged women regardless of their social status to be our client. Besides, the primary focus is on reaching the most economically disadvantaged segments of the population.

**3. What types of changes are there in your financial products and services in post Covid and how do these offerings address the specific needs of your target customers?**

**Ans:** We have already made so many changes in our ongoing programs for our clients. If you ask specifically, after covid-19 we launched a product named “AGAMI” in which our customers can ask for a loan virtually in their smartphone.

**4. In the covid period how do we engage with the communities we serve to ensure their needs are understood and met?**

**Ans:** As we work and prioritize more to the people of rural areas, it was not so hard for us to reach them after covid-19. The representatives we have working in those rural areas are also living in that area. That means the people we hire for our work are also living in the same areas. Using the local people in the villages has many advantages. One of these is we know the exact scenario of our client, what is their need, what is going on in society.

**5. In the post Covid period what steps are being taken to ensure that your microfinance programs empower women and other marginalized groups, contributing to gender equality and social inclusion?**

**Ans:** We can proudly say that our firm Grameen Bank was founded by Dr Muhammad Yunus who won the Nobel Peace Prize for the Grameen bank idea. One of our main policies is that we especially focus on women empowerment and regardless of any situation, we consider all underprivileged women to be eligible as our clients. Our founder Dr Muhammad Yunus believes that if we can give privilege to women then they also can contribute toward something good. As women are the most underprivileged population in Bangladesh, they are a big opportunity at the same time.

**6. What changes are there in technology and innovation to enhance the sustainability and efficiency of your microfinance operations in the post Covid period?**

**Ans:** Well in that case, I mentioned to you earlier that we developed an application named agami in which our client can request for a loan online. Also, they can give back the loan by this application. We can also track our client’s activity in our application. This application opens an opportunity for both of the parties. But there are challenges at the same time because most of the time underprivileged people

do not know how to access all the features of this application. We are thinking about how we can improve this situation.

**7. What changes are in place for monitoring and evaluating the performance of your microfinance program in the covid period and how do you ensure smooth access to credit for all?**

**Ans:** There is a noticeable change after COVID-19. Before COVID we didn't think about digitalization so much will be needed at some point. COVID-19 forces us to think about innovation in our day-to-day activity. During and after COVID we were thinking how we can minimize the use of paper and human contact. In recent days we provide digital devices such as tablets to almost all of our employees. Now they can collect data, signatures etc on those tablets from our clients. As they take data in our digital devices, it is easily stored in the system. From there we can easily evaluate the performance of microfinance programs. Moreover, we can see that how many people from a specific area are already our clients and how many more people need to be served from our system.

**8. What changes are there in potential challenges and risks associated with social aspects of microfinance in the post Covid period, and what mitigation strategies are in place?**

**Ans:** From my point of view I think the microfinance industry has faced a huge impact after COVID-19. Mostly we work with the poor segment of society. After COVID-19 this particular segment of society lost all their capital and funds by which they were about to start something because the whole world was locked down. So many people failed to give back the money and we couldn't do something except give them new loans. That's why we have to again invest so much money as a form of loan.

**9. Microfinance deals with the deprived or illiterate section of the society. In post Covid time to what extent do you face working with the deprived section of the society?**

**Ans:** I think in COVID-19, underprivileged people are the worst sufferers of this virus as we are leaving a developing country like Bangladesh. As everything was locked down, people cannot go out to work. As a result they couldn't earn money to support their daily expenses. As a result, there are so many people who need our support. Our resources are limited. so, we are trying to help as many people as possible. Moreover, we launched a health education program in the rural areas where people are needed to be aware of the health education of Covid.

**10. What changes are there in client handling after Covid?**

**Ans:** There are some changes after COVID-19 in terms of client handling. First, we tried to reduce human contact as much as possible. After that we started to use masks to both our employees and our clients even though it was challenging sometimes for the indifference of our clients. We have launched an application by which we can handle our clients to some extent.

**11. How much impact did the Covid-19 play in the overall performance of your institution and how did you overcome those obstacles?**

**Ans:** As we work with the underprivileged segment of society, we felt a huge impact of the virus. There are so many people who failed to give back installments. In fact we have to give food, medicine, PPE( personal protective equipment) and relief. After COVID we again have to invest and give them so much money so that they can use that money to establish themselves again financially.

**12. What changes are there in capital formation and investment after Covid impact?**

**Ans:** As we faced a huge impact during and after COVID-19, we collected donations from WHO, UNICEF, UNDP to help those suffering people. About 48% of our clients completely failed to cope up with the surge of COVID-19. After the covid we have increased our loan volume in almost all our branches so that our client can recover their capital shortage. We also provided special training to our field level to make them capable to make our clients able to make the best use of the loan by investing in a proper way.

**13. What are the changes in assessing and managing risks associated with microfinance lending after Covid and how are you trying to mitigate credit and operational risks?**

**Ans:** In this matter COVID-19 teaches us a lot. We adopt some different approaches than in the past. Now we assess risk not by the past incident but by the present market opportunities of his ideas or the potential ability of the client to return the loan.

**14. What are the changes in policies you face from the regulatory authority and how do you ensure ongoing efforts to stay abreast with these changes?**

**Ans:** Grameen Bank is operated under the Grameen Bank Ordinance 1983. Due to the covid the governing body brought some effective changes like providing interest free loans (special cases), rescheduling of the loan, easy withdrawal of savings, easy access to loan to covid victims etc that helped us to get a competitive advantage in the market.

**15. What are the upcoming innovations or changes in strategy considering future plans and goals for microfinance programs?**

**Ans:** After COVID, for the time being we already brought a change in our system by bringing the application “AGAMI”. We are also planning some changes for the future such as we want to reduce our interest rate for our clients so that they can recover their loss due to Covid. As we are also in the recovery period we will try to increase our savings and allow our clients to withdraw their savings only keeping a very minimum amount like 10 cent in their account.

## **Interview-04**

Participant: AKM Tareq

Designation: Divisional Manager

Organization: ASA

### **1. Can you provide an overview of your current microfinance initiatives and what are the primary objectives and goals of your microfinance program?**

**Ans:** our microfinance initiatives include providing financial services to individuals as well as groups who are underprivileged to foster their economic condition. Typically, the goals of these programs are to encourage local businesses through small loans, savings plans, and financial education. By using inclusive and responsible financial methods, the programs eventually want to improve people's quality of life and break the cycle of poverty.

### **2. Who are the primary beneficiaries of your microfinance services and how do you determine the eligibility criteria for individuals or businesses seeking microfinance support?**

**Ans:** As I said earlier the primary beneficiaries of our services are individuals and entrepreneurs with low income who do not get bank loan services easily. These might consist of small business owners, artisans, women entrepreneurs, farmers, etc.

To determine the eligibility we assess several factors like an applicant's level of income, previous loan repayment history, business-related activities, and applicant motive (why the person needs the loan). Apart from that applicant's character, commitment, and potential impact on society. The main thing we examine is who can benefit the most from the loan and who can ensure the proper use of resources.

### **3. What types of changes are there in your financial products and services in post Covid and how do these offerings address the specific needs of your target customers?**

**Ans:** COVID has a vigorous impact on our programs. During COVID physical interaction was prohibited so we introduced some new terms in our services. For example we launched digital solutions where we offer flexible repayment, easy application for loans, digital transactions, and so on. We also provided a virtual workshop for our clients so that they can be accustomed to these changes.

These changes reduce the distance between the customer and the institute. These changes respond to the particular requirements of the target audience by making the content more easily accessible, encouraging financial stability, and customizing the services to meet the particular difficulties that businesses and individuals deal with in the current climate.

**4. In the COVID period how do you engage with the communities you serve to ensure their needs are understood and met?**

**Ans:** it was pretty difficult at the beginning of the Covid. Afterward, we met through the virtual platform with limited people. Because everyone is not familiar with the technology in Bangladesh. We encouraged everyone to attend the meeting even if anyone didn't have a smartphone they joined in a group. We applied some strategies like virtual meetings and surveys. In the Virtual meeting, we get informed about the challenges and their needs. We used to get feedback from the client and also provide updates on services during COVID-19, their reviews allow us to adapt our microfinance offering accordingly.

**5. In post-Covid period what steps are being taken to ensure that your microfinance programs empower women and other marginalized groups, contributing to gender equality and social inclusion?**

**Ans:** ASA MFI focuses on inclusive programs after COVID. We applied for targeted outreach programs. In addition, we offer targeted financial education for women's empowerment as well as marginalized groups. Though the interest rate is similar for everyone and after COVID-19 it reduced. We have one special branch for women called Khilgaon MSME branch where we only offer loans and other services for women.

**6. What changes are there in technology and innovation to enhance the sustainability and efficiency of your microfinance operations in the post-Covid period?**

**Ans:** Microfinance institutions have been investigating financial technology and digital solutions in the post-COVID era to improve efficiency and sustainability. After the covid we started the use of digital payment methods, online bank apps, and mobile banking. In addition to reaching distant clients and lowering expenses, technology also allows us to analyze risk through the application of artificial intelligence.

**7. What changes are in place for monitoring and evaluating the performance of your microfinance program in the post-COVID period and how do you ensure smooth access to credit for all?**

**Ans:** After COVID-19 to make the system more easily accessible we applied an advanced monitoring and evaluating system. For example, we can assess performance by data analysis through the use of technology. We use real-time tracking of loan distribution, communication, and repayments. After COVID we emphasize regular feedback and client surveys to identify barriers they are facing and work on them.

**8. What changes are there in potential challenges and risks associated with the social aspects of microfinance in the post-COVID period, and what mitigation strategies are in place?**

**Ans:** Potential challenges we face after COVID-19 is severe economic shock and disruptions. Many people lost their jobs, and continuous loss in business was increasing. Then we applied some strategies to mitigate these problems. We engage with the community to understand their needs and apply solutions accordingly. regular risk analysis tools, adapting social risk analysis tools is helpful to mitigate these challenges.

**9. Microfinance deals with the deprived or illiterate section of the society. In post-Covid time to what extent challenges do you face working with the deprived section of society?**

**Ans:** As most of our customers are illiterate and deprived. We launched several technology-based services. So it was difficult for them to learn as well and it was also challenging for us to provide it to them. But as the social condition was vulnerable, due to their own need they walked forward to learn about new services. It was a bit difficult in the beginning but with their cooperation, we succeeded in providing micro-credit to them.

**10. What changes are there in client handling after COVID-19?**

**Ans:** After Covid clients become increased In ASA. During COVID, we moved to technology-based applications, transfers, repayment, and so on there for direct communication decreased day by day. We reduced the interest rate so that clients can easily access loans. Instead of focusing on profit, we emphasize more on social well-being.

**11. How much impact did COVID-19 play on the overall performance of your institution and how did you overcome those obstacles?**

**Ans:** Covid brought a very difficult time for the microfinance institutions. As the government imposed lockdown along with maintaining physical distance, every rule was new for the clients and the employers. So because of the sudden imposed of these rules, we had to change a lot of things in our services. We took a new performance assessment tool. We noticed a lot of people illegally migrating to India after COVID-19. We had a great loss because of this. Everything was very messy at the beginning because several people needed micro loans but they did not have any ability to pay a small amount of interest so we considered everything and also provided loans without interest though it was a very limited case. Afterward, people had an interest in learning about new systems which helped to overcome the struggles.

**12. What changes are there in capital formation and investment after Covid impact?**

**Ans:** For capital formation, we applied the method (diversification of funding sources). We diversify our sources of capital. We involve new partners, and access to the capital market, including impact investors who work for CSR.

**13. What are the changes in assessing and managing risks associated with microfinance lending after COVID-19 and how are you trying to mitigate credit and operational risks?**

**Ans:** When evaluating and controlling risks in microfinance lending, there are several factors to consider after COVID-19. Typical expenses include probable fraud risks, security risks related to working remotely, and rising credit risks brought on by unpredictable economic situations. Common examples of mitigating strategies include enhanced digital processes for remote work, more robust fraud detection systems, and better credit analysis. Moreover, risks can be minimized by regularly monitoring economic data and altering lending policies as needed as the post-pandemic climate changes.

**14. What are the changes in policies in regulatory authority after covid and how do you ensure ongoing efforts to stay abreast with these changes?**

**Ans:** Because of Covid Microcredit regulatory Authority brought a lot of changes in their policies. Savings withdrawal opportunity without keeping any balance (previous 10%), receiving loan by paying all the due on the same date (previously had to wait 7 days), mandatory participation in relief distribution etc were examples of the changes in policies of MRA.

**15. What are the upcoming innovations or changes in strategy considering future plans and goals for the microfinance program?**

**Ans:** The upcoming changes in our program are digitalization such as mobile banking, and online platforms. We focus on promoting new financial products and services that meet the specific needs of customers scale insurance, savings products, and other specialized offerings above typical microcredit.

## **Interview -05**

Participant: MJ Raihan

Designation: District Manager

Organization: ASA

1.Can you provide an overview of your current microfinance initiatives and what are the primary objectives and goals of your microfinance program?



**Ans:** We provide financial services to deprived people focusing on poverty alleviation by giving them access to financial products like savings, insurance, small loans . The main goals of our program are to promote economic stability, improve livelihoods while promoting entrepreneurship in local communities as well as we often focus on women empowerment.

2. Who are the primary beneficiaries of your microfinance services and how do you determine the eligibility criteria for individuals or businesses seeking microfinance support?

**Ans:** Most of the beneficiaries are entrepreneurs, especially women, also people of low income and small business get benefit from microfinance. To determine eligible criteria depends on different business plans, income level of people as well as local community involvement.

3. What types of changes are there in your financial products and services in post Covid and how do these offerings address the specific needs of your target customers?

**Ans:** After Covid there are several changes in products and services including loans, insurance, savings account and sometimes financial education . Our financial offerings change according to the needs of our clients, for instance previously we provided a loan for 5000 bdt, now we provide it for 20000 bdt.

4. In post covid period how do you engage with the communities you serve to ensure their needs are understood and met?

**Ans:** Frequently listen to success stories of our beneficiaries, local communities development indicate the impact of the program. Active participation in the feedback session of our local communities help us to address their needs as well as serving them according to the demands.

5. In the post Covid period what steps are being taken to ensure that your microfinance programs empower women and other marginalized groups, contributing to gender equality and social inclusion?

**Ans:** There are some steps like financial literacy initiatives, specialized programs are arranged for women empowerment and other marginalized groups for contributing equality and social inclusion. For example, ASA appointed an educated mentor, most of the women from the local communities, for the underprivileged students to give them tuitions.

6. What changes are there in technology and innovation to enhance the sustainability and efficiency of your microfinance operations in the post Covid period?

**Ans:** After covid, for facilitating technology and innovation we allow our remote communities easy access to our financial services, also mobile banking, digital payments are available to enhance the sustainability of microfinance.

7. What changes are in place for monitoring and evaluating the performance of your microfinance program in the covid period and how do you ensure smooth access to credit for all?



**Ans:** After the covid we had to revise our monitoring and supervision style. During the post covid time we focused highly on the off site monitoring and giving feedback on that followed by proper follow up. Moreover our top management also brought changes in ensuring quality assessment of loans and the credit rating system. Changing in the monitoring & supervision policies had also some negative impact (but the success rate was higher) as during the Covid time we could not provide any practical training to our employees.

8. What changes are there in potential challenges and risks associated with the social aspects of microfinance in the post-Covid period, and what mitigation strategies are in place?

**Ans:** Due to covid the nature of our clients has been changed. Customers seek more opportunities, best quality service. On the other hand, change in technology or digitalization of service has also had a great impact. To handle these challenges efficiently, our management put the best emphasis on providing training for our staff and customers. We provide necessary training to our members to the workshop named 'Netri Prosikkhon' (leadership development) where we each teach one approach.

9. Microfinance deals with the deprived or illiterate section of the society. In post Covid time to what extent do you face working with the deprived section of the society?

**Ans:** As I mentioned before, we work with landless women, underprivileged people and they are unskilled, lack social behaviors and so on we face difficulties to work with them. Low financial literacy needs training initiatives and personal assistance to ensure learning and compliance.

10. What changes are there in client handling after Covid ?

**Ans:** After covid we have engaged our remote clients in our financial operations like we gather feedback from them also we operate remote loan disbursement methods. To ensure a more community-centric approach we provide information on agricultural methods to support our clients in diversifying income sources, for example we give small loans for fishing, vegetables cultivation to our pandemic affected clients.

11. How much impact did the Covid-19 play in the overall performance of your institution and how did you overcome those obstacles?

**Ans:** The pandemic played a huge role in the overall performance of our institution, for instance involvement of the remote clients, quick digitalization as well as adaptable repayment choices, those are the initiatives for our pandemic affected clients were taken after covid.

12. What changes are there in capital formation and investment after Covid impact?

After covid we faced difficulties in capital formation and investment. We have implemented some strategies to mitigate economic risks like, diversification of portfolio also improved risk management procedures, emergency loan to assure our investor.

13. What are the changes in assessing and managing risks associated with microfinance lending after Covid and how are you trying to mitigate credit and operational risks?

**Ans:** There are several changes in assessing and managing risk associated with microfinance like having greater emphasis on digitalization for instance, we evaluate borrower risk electronically by smartphones, data analytics. Also we have adopted some techniques to mitigate those risks like risk assessment techniques, diversification of portfolios, as well as effective recovery methods.

14. What are the changes in policies in regulatory authority after Covid and how do you ensure ongoing efforts to stay abreast with these changes?

**Ans:** Offering loan with loan adjustment like, after Covid people can take loan by adjusting their previous one without giving us any money. Another change in our policies is withdrawal of the full savings amount. For instance, according to our previous policy, people could withdraw savings after keeping 10 % of their savings amount but after Covid they can withdraw their whole amount.

15. What are the upcoming innovations or changes in strategy considering future plans and goals for microfinance programs?

**Ans:** Along with financial conditions, evolving customer needs plans may involve greater digital integration and cooperation to reach more clients.

## **Interview-06**

Participant: Dipak Chandra

Designation: Regional Manager

Organization: ASA

1. Can you provide an overview of your current microfinance initiatives and what are the primary objectives and goals of your microfinance program?

**Ans:** Our goal is to provide financial service to the rural farmers, who have low income and do not have access to financial resources. Besides, we aim to educate them, and provide training for best farming techniques. Moreover, we also focus on helping women, empowering them economically and making them independent.

2. Who are the primary beneficiaries of your microfinance services and how do you determine the eligibility criteria for individuals or businesses seeking microfinance support?

Ans: Small businesses, ranging from agricultural ventures to local shops, women entrepreneurs, in particular, are frequently targeted as our beneficiaries. And we determine the eligibility criteria for microfinance support by factors like income, credit history, business plan, and financial stability.

3. What types of changes are there in your financial products and services in post Covid and how do these offerings address the specific needs of your target customers?

Ans: We incorporated certain typical improvements in post covid, such as flexible repayment terms, which relieve financial burden on clients, client education, and financial literacy initiatives to empower clients. More crucially, in order to strengthen our support systems, we increased partnerships with other financial institutions, non-governmental organizations, and government agencies, resulting in a more robust financial ecosystem.

4. In the post covid period how do we engage with the communities we serve to ensure their needs are understood and met?

Ans: We can conduct surveys and organize feedback sessions to directly gather insights from our community members, also can host workshops or community events to foster face-to-face interactions.

5. In the post Covid period what steps are being taken to ensure that your microfinance programs empower women and other marginalized groups, contributing to gender equality and social inclusion?

Ans: We considered the following steps to ensure that our microfinance programs contribute to gender equality and social inclusion in the post-COVID period, with a focus on empowering women and marginalized groups: Women-Centric Training Programs, Women's Leadership Development, Gender Sensitive Product Design, Financial Education and Literacy, Network Building, Monitoring and Evaluation with a Gender Lens. By taking these steps, we hoped to ensure that the benefits of financial inclusion reached everyone.

6. What changes are there in technology and innovation to enhance the sustainability and efficiency of your microfinance operations in the post Covid period?

Ans: Technology and innovation have played a crucial role in enhancing the sustainability and efficiency of our microfinance operations in the post-COVID period. Mobile wallets and digital payment solutions to streamline transactions, making it easier for clients to receive and repay loans, as well as access other financial services, are among the notable changes. Biometric authentication is used to verify identities, improve transaction security, and reduce the risk of identity fraud. Furthermore, CRM systems have been implemented to better manage client relationships.

7. What changes are in place for monitoring and evaluating the performance of your microfinance program in the covid period and how do you ensure smooth access to credit for all?

Ans : Monitoring and evaluating the success of our microfinance programs has changed in the post-COVID period to adapt to new challenges and provide easy access to credit for everybody such as digital

monitoring systems, customer feedback mechanisms, flexible repayment structure and financial inclusion. And these encourage a more inclusive and responsive approach to ensuring smooth access to credit for all.

8. What changes are there in potential challenges and risks associated with the social aspects of microfinance in the post Covid period, and what mitigation strategies are in place?

Ans: Difficulty repaying loans and increased borrower vulnerability as a consequence of financial crises, particularly higher health risk affecting borrower livelihoods are potential challenges after covid. There are mitigation strategies in place like digitalization for distance transactions as well as adaptable repayment plans.

9. Microfinance deals with the deprived or illiterate section of the society. In post Covid time to what extent do you face working with the deprived section of the society?

Ans: Working with the deprived sections of society in the post-COVID era comes with several challenges, which includes not only immediate economic needs but also broader social, health, and educational challenges. For example, less income to repay loans, limited access to healthcare services. Moreover, the pandemic has resulted in major psychosocial difficulties, such as loss of livelihoods, social isolation, and increased stress. That's why we considered holistic approaches that address both financial and psychosocial needs. And implementing flexible repayment schemes that take clients' psychosocial issues into account might reduce the stress associated with meeting strict repayment deadlines during challenging periods.

10. What changes are there in client handling after Covid ?

Ans: After pandemic, we enable remote loan disbursement and repayment operations. This aids in the maintenance of financial transactions while reducing the need for clients to visit physical branches. Our field staff visits villages and rural areas to provide information, support, and gather feedback, ensuring a more personalized and community-centric approach. We provide information on best farming practices, access to agricultural inputs, and support for diversifying income sources.

11. How much impact did the Covid-19 play in the overall performance of your institution and how did you overcome those obstacles?

Ans: The covid pandemic increased non-performing loans. Lockdowns and restrictions have caused disruptions in our normal operations, affecting loan disbursement, repayment collections, and overall customer engagement. We provided more flexible repayment conditions, such as grace periods, moratoriums, and the ability to change installment schedules. This helped to reduce the financial load on clients who were experiencing financial difficulties. We collaborated closely with community leaders, local organizations, and clients to tailor interventions and support systems effectively. We started social support activities such as health awareness campaigns, providing hygiene kits. Significantly, we operated

regular check-ins, surveys, and feedback mechanisms to stay informed about clients' evolving needs, and also ensured compliance with health protocols during in-person interactions.

12. What changes are there in capital formation and investment after Covid impact?

Ans: To reassure investors, we have implemented extra risk-mitigation procedures. Improved risk management procedures, diversified portfolios, and steps to handle possible economic risks could all be part of this. Additionally, to diversify funding sources and attract diverse types of finance, we have explored innovative financing approaches such as partnerships with fintech businesses and collaborations with impact-focused investors.

13. What are the changes in assessing and managing risks associated with microfinance lending after Covid and how are you trying to mitigate credit and operational risks?

Ans: We provide insurance solutions to clients in order to reduce the risks associated with unforeseen catastrophes such as health crises, natural disasters, or other calamities. We diversify loan products to serve various economic sectors, hence lowering concentration risk. Besides, we improved our usage of data analytics and other data sources to provide more precise credit risk assessments, allowing us to better understand our clients' financial health and estimate repayment capacities.

14. What are the changes in policies of the regulatory authority and how do you ensure ongoing efforts to stay abreast with these changes?

In the post Covid situation we have received a circular regarding customer protection from MRA (microfinance regulatory authority). For following changes in regulations we frequently establish dedicated teams or departments as well as update operations whenever required. They maintain knowledge about and align with new regulatory frameworks by active acts as well as regular training.

15. What are the upcoming innovations or changes in strategy considering future plans and goals for microfinance programs?

Ans: There are several general trends and prospective developments that microfinance institutions should examine in their future strategy such as using modern digital technologies such as mobile banking, digital wallets, and internet platforms, discovering blockchain technology to improve transparency, security, and traceability in financial transactions, hence lowering the risk of fraud, creating new financial products and services that address clients' individual needs, such as microinsurance, savings products, and other specialized services beyond typical microcredit, and using green finance concepts to assist ecologically sustainable enterprises and activities, as well as linking microfinance efforts with sustainable development aims.

## Interview-07

Participant: Arif Talukder

Designation: Branch Manager

Organization: Brac

1. Can you provide an overview of your current microfinance initiatives and what are the primary objectives and goals of your microfinance program?

Answer : Brac is the largest NGO of the world. We conduct a lot of development activities throughout the year along with microfinance. As we know at the heart of microfinance is a way for very poor women to borrow money in groups. We use group lending to help people get loans. First, we put people together in groups, usually based on their neighbourhood, and then we give money to people based on their membership in the group. Members are generally responsible for paying back their own loans.

2. Who are the primary beneficiaries of your microfinance services and how do you determine the eligibility criteria for individuals or businesses seeking microfinance support?

Answer : our primary beneficiaries are unemployed or low income individuals because they are most trapped in poverty and also who have limited access to financial resources. Also that they have no qualification for getting an official loan from the financial institution.

3. What types of changes are there in your financial products and services in post Covid and how do these offerings address the specific needs of your target customers?

Answer : Answer : we launched a one stop service with our digital mobile banking where our customers can easily find our services and can easily ask questions about their queries. When our top level management wants to make any change or inaugurate something new we give especial focus on the demand of field level and always try to assess the approximate ratio of positive result considering our main vision of the organization.

4. In the covid period how do we engage with the communities we serve to ensure their needs are understood and met?

Answer : After this pandemic situation we try to arrange seminars and training programs for our customers for their involvement with our digital product and also brief them on our digital product benefits. Not only that, we carefully listen to their pandemic situation. And how they survive in that situation.

5. In the post Covid period what steps are being taken to ensure that your microfinance programs empower women and other marginalized groups, contributing to gender equality and social inclusion?

Answer: To solve this problem, we need some very good alternative social networks, social collaterals, and credit scores to reach out to the poorest women. In addition, women who live in cultures that are more rigid are more likely to be victims of domestic abuse. This is because economic empowerment fights patriarchy and speeds up changes in rigidly defined gender roles. Also we give preferences and motivate rural women to empower them and also make them realize their importance of women value to our typical society.

6. What changes are there in technology and innovation to enhance the sustainability and efficiency of your microfinance operations in the post Covid period?

Answer : In this post covid era we realize that it is important to involve our service in digital platforms as well as give proper training to our beneficiaries so that they can easily access all our services with digital platforms.

7. What changes are in place for monitoring and evaluating the performance of your microfinance program in the covid period and how do you ensure smooth access to credit for all?

Answer : Evaluating the performance of our microfinance program in post covid period has become more challenging than before because over half of the staff working from home and also our staff working hours are reduced during covid time.

8. What changes are there in potential challenges and risks associated with the social aspects of microfinance in the post Covid period, and what mitigation strategies are in place?

Answer: we see that many solutions were made possible by digital innovation and solutions, but not all borrowers were able to use them. The pandemic made it clear to us that new policies, technology tools, and resources are needed.

9. Microfinance deals with the deprived or illiterate section of the society. In post Covid time to what extent do you face working with the deprived section of the society?

Answer : As our main beneficiaries are deprived and illiterate people of the society and they are the most sufferers in this covid situation. So we took initiatives to provide food and safety kit with other government organizations so we can reach all the deprived people who suffered a lot in covid.

10. What changes are there in client handling after Covid ?

Answer : We try to analyze which business is prosperous after this covid situation and which product possibly profitable after this covid outbreak. After analyzing this market after covid we try to share our knowledge with our existing client so that they can make minimum profit to overcome this pandemic post crisis situation.



11. How much impact did the Covid-19 play in the overall performance of your institution and how did you overcome those obstacles?

Answer : We believe that in this covid situation digital tools help us to reach our existing client as well as we can get to know their condition in this situation. But also we needed some time to introduce digital tools with our client as they were not used to this digital tool that was challenging for us.

12. What changes are there in capital formation and investment after Covid impact?

Answer : We were pleased that we can offer the same amount of loan to our client as before covid because we had savings from our client as well as our own capital which put us on top of this microfinance market after covid.

13. What are the changes in assessing and managing risks associated with microfinance lending after Covid and how are you trying to mitigate credit and operational risks?

Answer : After this covid we only assess our client current condition and their upcoming plan for their business. Also we suggest some business ideas which can be profitable for them so it will help them to repay their loan in time.

14. What are the upcoming innovations or changes in strategy considering future plans and goals for microfinance programs?

Answer: Our upcoming plan is to educate our client with digital innovation as well as train them with our digital tool. Not only that, we will motivate them to invest in digital products where we will provide them with one individual guide who will guide them on what is best for them to invest in this digital product.

Interview-08

Respondent- Mr Reasel Ahmed

Designation- Branch Manager

Organization-ASA

1. Can you provide an overview of your current microfinance initiatives and what are the primary objectives and goals of your microfinance program?



Ans : We give loans to landless individuals or groups and our main priority is women. Our primary goals and objectives are to improve livelihood, education, and poverty alleviation by supporting poor people financially.

2. Who are the primary beneficiaries of your microfinance services and how do you determine the eligibility criteria for individuals or businesses seeking microfinance support?

Ans: Underprivileged people, entrepreneurs are primary beneficiaries of our program.

3. What types of changes are there in your financial products and services in the post Covid period and how do these offerings address the specific needs of your target customers?

Ans: Actually, we have changed it in different ways. For example, we have introduced general support packages to restart or reprofile business after covid 19 crisis, started targeted support incentives, offered conditional full or partial loan forgiveness, so that they think that we are with them.

4. In the covid period how do we engage with the communities we serve to ensure their needs are understood and met?

Ans: Our main objective is attracting, maintaining, and enhancing more strong relationships with the communities. To do this, we have arranged different types of information passing programs like campaigns and feedback sessions. Through this program, we convey the message of a more flexible skim that we have introduced after covid 19 and hear their problem related to the income and give them a more reliable solution.

5. In the post Covid period what steps are being taken to ensure that your microfinance programs empower women and other marginalized groups, contributing to gender equality and social inclusion?

Ans: To achieve gender equality and social inclusion, we have separate strategy and policy. This policy includes offering financial services to women and all marginal groups, and developing convenient channels to give services. We also undertake financial initiatives for women, children, third-gender individuals to make them literate.

6. What changes are there in technology and innovation to enhance the sustainability and efficiency of your microfinance operations in the post Covid period?

Ans : Mobile financial services and online payments are examples of the digitalization we have adopted to improve the efficiency and sustainability of our program.

7. What changes are in place for monitoring and evaluating the performance of your microfinance program in the covid period and how do you ensure smooth access to credit for all?

Ans: In the post Covid situation, for monitoring and evaluating the performance of our program we promote digital technology, before Covid most of our work was dependent on paper work. By including our local community in our financial programs, we enable them to access our resources..

8. What changes are there in potential challenges and risks associated with social aspects of microfinance in the post Covid period, and what mitigation strategies are in place?

Ans: The potential challenges and risks associated with social aspects in post Covid situations are societal instability, increasing debt, technological gap. To lower such risks, we put in place broad access to technology, financial education, and specialized support systems.

9. Microfinance deals with the deprived or illiterate section of the society. In post Covid time to what extent do you face working with the deprived section of the society?

Ans: As we give priority to women empowerment, we noticed that they are lacking in any skill then we have promoted different programs for them.

10. What changes are there in client handling after Covid ?

Ans: After COVID-19, we focus on our impacted clients, including those who are remote. We have seen that they are inexperienced and unskilled. As a result, we support additional client education programs and collaborations with other organizations. In the wake of the Covid epidemic, digitization also helped with client service..

11. How much impact did the Covid-19 play in the overall performance of your institution and how did you overcome those obstacles?

Ans: Covid has a large impact on the overall performance of our institute. To overcome the situation we did more teamwork focusing on pandemic affected people as well as modern technology helped us a lot.

12. What changes are there in capital formation and investment after Covid impact?

**Ans:** As we focused on crisis management and the financially harmed creditors, there were changes in capital formation and investment in the post-COVID scenario. We use technology, including risk assessment techniques, to communicate with our remote customers.

13. What are the changes in assessing and managing risks associated with microfinance lending after Covid and how are you trying to mitigate credit and operational risks?

**Ans:** Through our programme, we engage rural customers and provide them several financing options, such as small loans for fishing and agriculture. We offered our impacted clients multiple repayment choices and used a digital platform for our transaction in order to reduce risk.

14. What are the changes in policies of the regulatory authority after Covid and how do you ensure ongoing efforts to stay abreast with these changes?

There are several changes in policies of the regulatory authority in post covid like special emergency rules for our affected clients. Our staff are always concerned about the rules made by our authority.

15. What are the upcoming innovations or changes in strategy considering future plans and goals for microfinance programs?

**Ans:** We deal with rural landless people, and since the majority of them lack education, we believe that education will help them better their standard of living. To assist our impacted clients, we advocate for additional technical and educational programs. Furthermore, in order to keep up with the times, we integrate new technologies.

## Acronyms and Abbreviations

ADB Asian Development Bank  
ASA Association for Social Advancement  
BBS Bangladesh Bureau of Statistics  
BM Branch Manager  
CDF Credit & Development Forum  
CGAP Consultative Group to Assist the Poorest  
CIDA Canadian International Development Agency  
CPI Consumer Price Index  
DM District Manager  
DivM Divisional Manager  
EIU Economist Intelligent Unit  
EVP Executive Vice President  
FAO Food and Agriculture Organization  
GB Grameen Bank  
GDP Gross Domestic Product  
GDS Gross Domestic Savings  
GNP Gross National Products  
GNS Gross National Savings  
GS Gross Savings  
IRDP Integrated Rural Development program  
ITTD Interview To The Double  
LEI Lean Enterprise Institute  
MDGs Millennium Development Goals  
MF Microfinance  
MFIs Microfinance Institutions  
MIX Microfinance Information Exchange  
MRA Microcredit Regulatory Authority  
MSME Micro Small & Medium Entrepreneurs  
NGOs Non Governmental Organizations  
NPL Non Performing Loan  
PAR Portfolio At Risk  
PKSF Palli Karma Sahayyak Foundation  
RD-12 Rural Development project-12

RM Regional Manager  
SAARC South Asian Association for Regional Cooperation  
UNDP United Nations Development Projects  
UNO United Nations Organizations  
US United States  
WDI World Development Indicators  
ZM Zonal Manager