



**Ms. Elizabeth Karinga, Finance Manager, BIMAS.**

## **BIMAS KENYA: EMBRACING DISRUPTIONS**

**Despite the onset of the Covid-19 pandemic, microfinance institution with a strong rural presence remains a voice of hope**

**B**IMAS Kenya Limited is a credit only microfinance institution that is headquartered in Embu County. It serves over forty thousand clients, sixty eight percent being women. With a huge presence in rural Kenya, the lender has thirty nine offices that are located within nineteen counties. BIMAS serves economically active low income earners. Its overall goal is to realize sustained economic growth and employment in the rural sector resulting in enhanced social welfare and increased income of the rural population. "We offer credit services that are coupled with financial management skills (through financial literacy programmes) to our clients to enable them employ resources efficiently for optimal results," says Ms. Elizabeth Karinga, finance manager, BIMAS. "Most of our clients are farmers in the rural

areas and small scale traders who will require an average loan size of Kshs. 35,000 to boost their businesses from time to time," she adds.

According to Ms. Karinga, the lender was optimistic of a resounding performance in 2020. "Coming from a year that had its fair share of challenges, as an organization, we were yearning for positive changes that would alter the trajectory 2019 had laid down," she says. By some coincidence, BIMAS' 2020 annual plan theme was embracing disruptions. The Central Bank of Kenya (CBK) had lifted interest rate cap for commercial banks, the weather patterns in the past few years had been completely uncertain and technology adoptions in the financial sector had grown tremendously. Moreover, the cost of living in 2019 had sharply grown to the detriment of the

lender's niche market. "Our focus in 2020 was therefore to accelerate our growth by embracing such disruptions, serving our customers while remaining true to our rallying call ; a caring financial partner," Ms. Karinga says.

### **Disruption**

In March 2020, when the country announced its first case of Covid-19, BIMAS, just like the other players in the microfinance sector faced a huge disruption and threat. The pandemic had hit other countries before Kenya and the effects had been devastating. Nevertheless, this reality dawned on Kenyans properly when the first case was announced. "By the close of month in March, two weeks after the virus hit Kenya, the repayment rate of our loans dropped by over ten percent," Ms. Karinga laments. BIMAS relies heavily on the group lending methodology where members co guarantee each other to get loans - a very effective model in the rural areas. With the government ban on social gatherings as one of the ways to curb the spread of coronavirus, the lender faced a major challenge. The groups would not be able to hold physical meetings hence slowing down the business. In addition, the priorities of the customers started shifting from saving and borrowing to purchasing food and other basic needs.

The other challenges faced by customers were: closure of some businesses while others were forced to work for limited hours as well as cessation of movement in and out of Nairobi metropolis. "This was a major test of our resilience," Ms. Karinga quips.

### **How the business was affected**

To start with, there was a liquidity crisis that was caused by a spike in the non-performing loans which drastically reduced the cash inflow in the first and second months of the pandemic. Credit only microfinance institutions rely largely on loan repayments for cash inflows with occasional funding being sought as the business demands. "There were funders whose payments were falling due and contractual obligations to be met, yet the inflow was very low and reserves were dwindling due to the pandemic," laments Ms. Karinga.

Secondly, the credit risk level went up since most of the customers could not meet their obligations as earlier scheduled. The month to month recovery rate also declined and many customers who were servicing loans went into arrears. With the income stream becoming low, the key focus was how the business would remain sustainable amidst the harsh operating environment.



**BIMAS headquarters in Embu.**

The staff members also had to embrace new protocols and guidelines at the workplace as well as the field in compliance with the World Health Organization (WHO) and the Ministry of Health stipulations. The field officers in particular were also expected to reassure their customers that all was well, though they were also operating in unfamiliar territory.

According to Ms. Karinga, BIMAS was faced with a big dilemma of whether to disburse loans due to the growth in the non performing loans and disruption of the group lending methodology. Indeed, this was a delicate balancing act, since microfinance institutions' mission is to support households in improving their livelihoods by offering them innovative and flexible financial solutions.

**Embracing change**

To ensure the health safety of its customers and staff members, BIMAS adopted the Ministry of Health guidelines in checking the spread of Covid-19. "We equipped all our branches with hand washing kits and sanitizers and all our staff members and visitors were required to put on face masks," says Ms. Karinga. "We also started communicating with our customers and staff members through emails and short message service, reminding them on the need to observe these guidelines and protocols," she adds.

BIMAS also reviewed some parts of its credit policy in order to accommodate needy cases especially in the agricultural sector. "We defined new risk tolerance levels,

while developing a new appraisal process in order to ensure business continuity," she further says.

The lender also re-evaluated its business model in the wake of the novel pandemic. Fortunately, it had put in place a mobile banking platform in 2019 and most of its business was therefore pushed there. The platform enables the loan officers to access customers' information from a mobile tablet. "We have now moved to setting up support teams with systems that allow them to work from home and already we have undertaken pilots to that end," says Ms. Karinga.

The crisis has also called for complete analysis of the liquidity position, stress testing and considering worst case scenarios in order to enhance liquidity management. From such reports, the management has been able to make critical proposals to the board of directors. So far, this has seen BIMAS being able to meet all its contractual obligations and at the same time retain its staff. This is an ongoing process and it is part of the lender's new normal.

Most importantly, since BIMAS deals with vulnerable members of our society, it was clear to them from the onset that some of their customers could not access meals due to the biting pandemic. "We identified such families and supported a few of them with food," says Ms. Karinga. "We are glad that most of our partners have supported us in this initiative and to that end, we have provided most of our customers with washable masks," she adds.

**Lessons**

To start with, the lender has affirmed the need for enhanced customer relationship. "When the customer is faced with so many obligations, yet the resources to meet them are limited, the basis of allocation is on priority and relationship," says Ms. Karinga. According to her, when the relationship between the financier and the customer is close, the latter will prioritize to make even the slightest of payments, in order to keep his or her account active.

The other key lesson is the need to have accurate and relevant data in its systems. The pandemic has called for constant decision making that is data based. When groups could no longer meet, then telephone calls were the way to reach out to the members. In addition, from such data, BIMAS as an organization is able to assess the impact of the pandemic on different sectors and geographical areas, thus offering the most appropriate support based on this review.

BIMAS has also learnt the importance of digitization. "The mobile banking platform earlier rolled out really came in handy in terms of business continuity," says Ms. Karinga. "The fact that our customers could repay their loans directly using the platform helped us a great deal in managing our cash flow," she adds. The constant communication with the customers through push messages supported by the platform also helped the lender to main a cordial relationship with them.

Finally, the lender learnt the importance of being flexible while doing business. "When some customers requested to pay what they could afford, that was a perfect gift to the organization and we really appreciated it," she says. "When others requested us to suspend payments or have their loans restructured, quick decisions and feedback had to be given," she adds.

Indeed, though the Covid-19 pandemic has posed a major health and economic crisis, organizations (such as BIMAS) have gained a lot from this experience. The lender's organizational resilience and business models have been tested by this crisis. For instance, it is pondering on whether there are some processes that it held so dearly before the onset of the pandemic but which have now become redundant.

Despite these challenges, Ms. Karinga affirms that microfinance business still remains the calling of BIMAS. Indeed, the call to serve the economically active residents of rural areas has never been stronger!