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## Asset-based microfinance for microenterprises: Evidence from Pakistan\*

Faisal Bari Kashif Malik Muhammad Meki<sup>5</sup> @ Simon Quinn<sup>¶</sup> @ January 2021

#### Abstract

We conduct a field experiment offering graduated microcredit clients the opportunity to finance abusiness asset worth four times their previous borrowing limit. We implement this using a hire-purchase contract; our control group is offered a zero-interest loan. We find large, significant and persistent effects from asset finance contracts: treated microenterprise owners nun larger businesses and enjoy higher profits; consequently, household consumption increases, particularly on food and children's education. A dynamic structural model with non-convex capital adjustment costs real-tionalises our results this highlights the potential for welfare improvements through tionalises our results; this highlights the potential for welfare improvements through large capital injections that are financially sustainable for microfinance institutions.

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Appendix for Online Publication

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# **Asset-based Microfinance for** Microenterprises: Evidence from **Pakistan**

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