

Research Implemented by IPA
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Microfinance and COVID-19

Researchers

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Abstract

The COVID-19 pandemic threatens lives and livelihoods, and, with that, has created immediate challenges for institutions that serve affected communities. This study focuses on implications for local microfinance institutions in Pakistan, a country with a mature microfinance sector, serving a large number of households. The institutions serve populations poorly-served by traditional commercial banks, helping customers invest in microenterprises, save, and maintain liquidity. Researchers report results from ‘rapid response’ phone surveys of about 1,000 microenterprise owners, a survey of about 200 microfinance loan officers, and interviews with regulators and senior representatives of microfinance institutions. The research team ran these surveys starting about a week after the country went into lockdown to prevent the spread of the novel coronavirus.

Project Outcomes of Interest

Effects on microfinance borrowers, microenterprises, MFIs

Key Findings

- On average, week-on-week sales and household income both fell by about 90%.
- Households’ primary immediate concern in early April became how to secure food. As a result, 70% of the sample of current microfinance borrowers reported that they could not repay their loans; loan officers anticipated a repayment rate of just 34% in April 2020.
- Researchers build from the results to argue that COVID-19 represents a crisis for microfinance in low-income communities. It is also a chance to consider the future of microfinance, and researchers suggest insights for policy reform.

Link to Results

[Paper available here.](#)

Impact Goals

- Build resilience and protect the financial health of families and individuals

Results Status

Results