

FinDev Webinar | Microfinance and COVID-19 in Pakistan: What Happens After Lockdown?

08 July 2020

Additional Questions and Answers

175 people from 37 different countries participated in this webinar and there was an engaging Q&A session at the end. Due to time constraints, the speakers could not respond to every question, so we asked them to respond to these questions after the webinar. Further information can be found in their paper: [COVID-19 and the Future of Microfinance: Evidence and Insights from Pakistan](#).

1. Very interesting talk! Any evidence on the use of borrowing or the borrowers' main source of income? Given that some businesses are open, one could predict how long the pandemic would affect these borrowers and the restructuring required by the institutions?

Thank you! Our borrowers were all microenterprise owners, and the data suggests that this was the primary source of income for their households (and households were often relying on one individual for this income, leaving them especially vulnerable). We collected data on how long individuals thought the lockdown would persist at the time of the survey but did not explicitly ask how many months they could survive under lockdown with this income shock (our sense was that it was not very many months, given the high proportion of clients asking for support with food). Kashf Foundation also administered a survey where they asked about this explicitly.

2. Would the impacts on the MFI sector persist after COVID? What are the mechanics that make this impact persist in time?

This depends on what you would classify as post-COVID - will the effects last long after lockdowns are lifted? This seems highly likely given the depth of the shock for the economy on the whole and for the sector specifically. We may see changes in the way the sector is regulated, the role of digital financial services, and overall change in how microfinance sectors are funded, with down-stream affects for the borrowers. We discuss a number of these potential impacts in [our paper](#).

3. The reluctance of around 50% of interlocutors to 'go digital' really surprised me, as I had thought of it a kind of unstoppable and inevitable trend. Do we have any more detail on why this reluctance exists, what lies behind it?

Yes, indeed, this is a surprisingly high number, and I am not sure if there was a further question that asked for the reasons for this. I expect that this finding will be reported in the PMN report whenever that becomes available.

4. Please let us know three policy measures as way forward based on COVID experiences.

In [our paper](#), we discuss a number of measures recommended based on interviews with CEOs and regulators in Pakistan. Of course, these are context specific, but a number of them would be useful to consider in other countries as well.

5. Given MFI heterogeneity, do we have any indication regarding recent behavior across this spectrum?

We agree that it would be interesting to see how this heterogeneity plays out in for example take-up of the principal deferral; we are not aware of any source for this data, but it may become available in the near future on the SBP's COVID page <http://www.sbp.org.pk/corona.asp>

6. Is there any data on how the pandemic has impacted repayment capacity of MF clients in urban areas compared to clients in rural areas of Pakistan?

Our analysis did not explore this dimension of heterogeneity, but we agree that it would be interesting, and it may be available in the aforementioned report by the PMN. In general, PMN has produced some excellent regular reports on the progress of microfinance in Pakistan, with the analysis divided along interesting dimensions such as rural / urban. We anticipate that their regular reports should incorporate this data in the near future.

7. How will this shock impact MFIs funding strategy? How can multilateral agencies help the sector in Pakistan?

There are a few great articles on this, for example see this post by the Financial Access Initiative (FAI): <https://www.financialaccess.org/blog/2020/6/4/microfinance-investors-are-boxed-in-and-dfis-need-to-step-up>

8. Could you speak to lending towards households engaged in agriculture input purchase or food market activities - what did you observe?

Our sample was microenterprises and so we can't really say anything about agricultural businesses.

9. Can we have the link to the Pakistan Microfinance Network (PMN) report you are referring to?

The numbers we reported were from a recent PMN webinar. We have spoken to PMN and they said that they hope to finish writing up the report / results soon.

10. Are MFB eligible to this facility? Where can we find more information on it please?

For details of all the measures taken by the State Bank of Pakistan, please see: <http://www.sbp.org.pk/corona.asp>

In the detailed policy documents, you can see which policies apply to MFBs.