Differentiate by Gender the Impact of COVID-19 on Microfinance Clients to Guarantee Equity and Access

By Barbara Magnoni y Mariana Martinez

Andares, Mujeres para las Microfinanzas
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Barbara is an international development advisor with more than 23 years of experience in international finance and development, with a focus on financial services. She founded two private companies and currently leads EA Consultants after working on Wall Street as an emerging markets strategist. As a consultant, she has advised financial institutions, insurers, and international donors to improve access to inclusive financial services and health financing in the Americas and around the world. With a focus on putting clients at the center of the experience, she has collaborated with banks and insurance companies to design and tailor customer-oriented insurance products for the bottom of the pyramid. He has also done extensive work providing financial service providers with business and strategic information. Ms. Magnoni oversees the methodology, analysis and results of EA’s consultancies and manages the strategic direction of the company.

Mariana is an economist, with more than 15 years of experience in financial inclusion, microfinance, and economic development. Before joining the Portal in 2013, she was an independent consultant specialized in microfinance and worked with international organizations, NGOs, microfinance institutions, and governments in LAC, among other clients. She was also an economic columnist for the London BBC from 2002-2007, a financial writer for the Spanish-language network Univision, and regularly contributed to other major media outlets in the region.

Andares, Mujeres para las Microfinanzas network believes that it is essential to take into account the impact that the pandemic is having on women clients of MFIs in Latin America and the Caribbean (LAC) -the region with the highest number of confirmed cases of COVID-19- for three main reasons, both inherent to the microfinance sector.
The first is that women tend to have lower incomes than men and, therefore, the economic impact of COVID-19 on their homes could be more severe. According to ILO data, women in LAC receive 17% less income than men in similar conditions (age, number of children, education, etc.) and the gap widens in the poorest strata. This is particularly true for women microentrepreneurs in the region, who have smaller businesses and less access to credit. An example that illustrates this point is Fundación Espoir in Ecuador, where 76% of women have loans below US $ 2,000, compared to 56% of men.

The second reason, and closely related to the first, is that women are increasingly becoming the main breadwinner in low-income households in the region. Although in the past and anecdotally it was tended to assume that the income generated by women’s businesses complemented the income of the family nucleus, today there is evidence that shows that the weight that this economic contribution has on the family is greater than ever. According to a recent UN study, in the region, women represent 59 percent of the informal sector. Fundación Espoir, for example, recently conducted a survey and found that 57% of women said that their business is their main source of income. In the same sense, in Peru - a country that due to its social structures and level of informality is being strongly affected by COVID-19 - those who are being most economically affected by the pandemic are poor and very poor women. This is due to the fact that about 40% of them are heads of the family (ENAHO Survey 2018) and, therefore, the main providers of the economic support of the family nucleus.

The third reason is that gender differences imply different strategies and opportunities for female clients than for men. Without generalizing, we believe that by understanding the lives, businesses and needs of women, solutions can be developed that serve all clients with greater impact. While we can’t generalize from our data, it suggests that women are beginning to face the consequences of this health crisis from a point of
greater vulnerability than their male counterparts, and that the pandemic may be
having a proportionally greater impact on the female clients and their families.
We know we need to collect more data and study the evolution of these clients in order
to reach a stronger conclusion. But our early data collection hints at a greater impact
on women. It is thus vitally important to incorporate a gender perspective early on as
we consider support and recovery plans for the sector.

Impact of COVID-19 on Women’s Loan Repayment

Two factors lead us to assume that women are struggling harder to pay off their loans
due to the pandemic are: (1) their businesses, which are smaller, and (2) greater
challenges managing and keeping their businesses afloat, while domestic household
responsibilities have increased.

During crises, the strategies available to women to cope with risks may be partially
limited by traditional gender roles, leaving women with a greater burden of domestic
work and restricted mobility (Cannon 2002; Sabarwal, Sinha and Buvinić, 2010; Drolet
et al., 2015). COVID-19 has exacerbated these problems by affecting two areas that
have traditionally been left to women at home: education and health. Since the
beginning of this crisis, women have reported that, with schools closed or online, they
are responsible for managing children's schooling, as well as ensuring that the home is
clean and protected from disease. In addition, they are generally responsible for caring
for the older adults in the family. These responsibilities may be affecting the ability of
some women to run their businesses during the crisis. For example, a survey among de
ADRA Peru clients revealed that 15% of women vs. 6% of men, they or a family member
have contracted COVID-19. This suggests that women are in contact with a larger family
group than men (due to the aforementioned family responsibility) and, therefore, they
know more people with this disease.
Traditionally, women are also in charge of providing food in households, and less access to them can create stress and strain already tight budgets. And we are already seeing significant effects of the pandemic on the food security of the homes of microfinance clients. Fundación Espoir, which serves a client portfolio composed of 75% women, for example, surveyed 3,342 of its clients (and 74% of them women). The survey found that 39% had reduced the number of meals at home as a result of the pandemic and that 54% had reduced their protein intake at home. 16% said they had been hungry and 12% of the women in the survey said they considered themselves in a critical state of food insecurity.

All the barriers mentioned above limit women’s resilience. While we have not yet found large differences in the impact of COVID-19 on the repayment of men’s and women’s loans, there are some suggestions that this may exist in the near future.

At Fundación Espoir, in Ecuador, according to the survey, only 28% clients report that they have stopped paying loans due to the pandemic, while 34% used their savings to meet their financial obligations. But it is important to consider that not defaulting on loans is a great challenge. When asked what they have done to cover expenses as a result of COVID, the responses are worrisome and highlight the fewer options available to women (see Table 3). They are using their savings more and their business income less to meet these financial obligations. We may expect that, over time, this begins to affect women’s loan payments more significantly if their economic activities do not recover.

Table 3: ¿What have you done to cover expenses during COVID?

<table>
<thead>
<tr>
<th>Answers:</th>
<th>W</th>
<th>M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use my savings</td>
<td>58%</td>
<td>50%</td>
</tr>
<tr>
<td>Continue with my economic activity</td>
<td>27%</td>
<td>34%</td>
</tr>
<tr>
<td>Not pay my loans</td>
<td>10%</td>
<td>9%</td>
</tr>
<tr>
<td>Ask for a loan from friends and family</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>Find a new job</td>
<td>1%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Does not include “other”  
Source: Fundación Espoir
In the Cooperativa Aspire in the Dominican Republic, for example, delinquency data has been higher for men, both pre and post COVID. However, the increase in women’s delinquency as a result of the pandemic is greater. Women’s default rate (PAR1) increased by 85% compared to 44% for men. This especially effect reflects the response of women working in the informal sectors of commerce and services, which were most affected in the pandemic. In the services sector, the change in arrears is marked in women (it rises by 121%, compared to 40% for men). This suggests that in difficult conditions, women have had fewer response tools. In contrast, salaried women have increased their arrears less than salaried men, perhaps because they have seen fewer reductions in their jobs.

Table 4. Cooperativa ASPIRE, Dominican Republic PAR1 pre and post-COVID

<table>
<thead>
<tr>
<th>Responses:</th>
<th>Women</th>
<th>Men</th>
<th>Women- Men</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Par 1 (% change Pre vs Post COVID)</td>
<td>Par 1 (% change Pre vs Post COVID)</td>
<td>Impact Pre vs Post Covid PAR1</td>
</tr>
<tr>
<td>Salaried</td>
<td>56%</td>
<td>109%</td>
<td>-52%</td>
</tr>
<tr>
<td>Commerce</td>
<td>96%</td>
<td>40%</td>
<td>56%</td>
</tr>
<tr>
<td>Services</td>
<td>121%</td>
<td>44%</td>
<td>77%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>85%</td>
<td>44%</td>
<td>40%</td>
</tr>
</tbody>
</table>

Does not include “other”  
Source: Cooperativa Aspire

Another trend we have seen in the market is that informal loans have increased. This offers clients more payment flexibility but also can lead to further vulnerability through higher interest rates and abusive practices.

Impact of COVID-19 on women clients’ business

Is women’s repayment stress a result of worse business performance for women than for men? We do not see evidence of this yet. After collecting data from partner MFIs in our network, we have not found significant evidence to affirm that COVID-19 has impacted microenterprises led by men or women to a greater or lesser extent. The data from Fundación Espoir’s survey show a similar impact on microenterprises led by men and women (see Table 1).
Table 1: Fundación Espoir Survey (n=3,342)

<table>
<thead>
<tr>
<th>Answers:</th>
<th>W</th>
<th>M</th>
</tr>
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<tbody>
<tr>
<td>Is having lesser income than the month prior to the lockout</td>
<td>95%</td>
<td>95%</td>
</tr>
<tr>
<td>Has suspended their business</td>
<td>80%</td>
<td>76%</td>
</tr>
<tr>
<td>A family member has lost their job</td>
<td>30%</td>
<td>30%</td>
</tr>
</tbody>
</table>

*Source: Fundación Espoir*

Another example is that of MeXCo Soluciones, promotes financial inclusion by offering a high-touch and transparent education and sales as well as the promotion of usage of fintech products in Mexico. MeXCo conducted surveys of 225 small grocers since the beginning of the pandemic in Mexico, and discovered that there was no significant difference in sales between men’s and women’s businesses (see Table 2).

Table 2: How have your sales been since the start of the pandemic? April-May 2020 (n=225)

<table>
<thead>
<tr>
<th>Answers:</th>
<th>W</th>
<th>M</th>
</tr>
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<tbody>
<tr>
<td>As usual</td>
<td>28%</td>
<td>30%</td>
</tr>
<tr>
<td>Better than usual</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>Worst than usual</td>
<td>68%</td>
<td>66%</td>
</tr>
</tbody>
</table>

*Source: MeXCo Soluciones*

However, the numbers worry us because, at least anecdotally, our Network perceives that women’s businesses historically have been more resilient but that today, the multiple pressures of the pandemic could reduce this capacity. According to Belinda Gómez, Microfinance Manager at Adra Peru, "women have always been resilient, but with the pandemic, their family responsibilities have increased, and their savings are being spent, this creates a situation of high stress for them." While there is no evidence yet of an impact on women’s businesses relative to men’s, we postulate that we will begin to see the true impact as more data becomes available on loan repayment and the pressure from COVID-19 has exerted on women.
Emotional Toll on Women of the Pandemic

The emotional well-being of women has an important influence on how their businesses and loans behave in this crisis. Being poorer, they already had a disadvantage compared to men. However, the multiple family responsibilities that their traditional roles entail add an unprecedented level of stress to their lives. Caring for the elderly and other vulnerable family members, supervising children’s education and ensuring food security require a significant level of effort in addition to regular responsibilities. The fear of contagion is also palpable. At ADRA Peru, Belinda Gómez, Microfinance Manager comments that women are taking out small loans only to keep their life insurance policies. And incidences of domestic violence are tragically a part of the emotional landscape for many women.

There is initial evidence that low-income women are suffering the greatest emotional consequence of the pandemic. A recent survey in Ecuador of 1,705 microenterprises illustrates that almost 76% in the low-income group (less than $ 800 per month) show signs of depression, compared to around 70% in the upper-middle income groups. This emotional crisis has affected women the most. The incidence of depression is 84% in women compared to 68% in men. Likewise, 37.8% of men and more than 50% of women suffer from high depression. Related to emotional stress is domestic violence. UN Women reports that telephone lines for reporting public domestic violence in Peru received an increase of 43.2% during the quarantine, while in Mexico they increased by 60% (to a private NGO) and in Argentina they increased by 39% (to a line public). In Chile
and Colombia, these figures are even higher with an increase of 70% and 130% respectively.

As institutions that target low and middle-income women, MFIs need to adapt their products and services to women's needs now more than ever. This includes continuing to lend to female clients that can navigate the pandemic, but also may involve tweaking loan policies and procedures and offering greater flexibility as well as emotional support. ADRA Peru implemented the "Words that Hug (Palabras que Abrazan)" program, a telephone counseling program to help clients deal with stress and frequently asked questions related to COVID-19. ADRA has found that some women are afraid to leave home, for fear of transmitting the disease to family in the households and this can lead to loan-related problems such as missing the opportunity to submit important documents to the MFI. To date, ADRA has received 1,667 calls, with a slightly higher preference for women to use the service. The ADRA field team found that men, especially in southern areas (Sierra), tend not to express their emotional difficulties fluently.

**There are still many questions to answer ...**

This pandemic reminds us that it is essential to address issues of gender inequality, since these can increase in times of crisis. Our goal should be to include women in pandemic response and as such, products and services should be designed with an understanding of women’s needs. Our preliminary analysis suggests that women clients may be more affected by the COVID pandemic as they have lower incomes and are more responsible in both time and money for the urgent health and education needs in their homes. While we do not yet have clear evidence of the impact of these differences on the business, we are seeing potential strains on your current and future ability to pay when your limited savings run out. To be effective, support offered to women during the pandemic must be differentiated both in terms of its structure as well as its delivery.

It will also be key to understand the factors behind the resilience of micro-businesses. This resilience has been the survival tool in the multiple crises in the region during the last decades. Here governments have not offered sufficient clarity on the length and scope of this pandemic. MFIs must offer clients clear information and explain that this crisis is not a passing crisis, and that it will have serious economic and social consequences that will be felt for a long time. For example, at Fundación Espoir, 96% of clients think that the economy will pick up in 6 months or more, while at Aspire, 57% say that their main strategy is to wait for the economy to improve. If we are not honest with clients, we are not helping them plan for the worst.

The information available so far is still limited and has not been collected specifically by gender, which makes analysis even more difficult. This constrains the implementation of effective measures to help women cope with this crisis. While the data presented above provides us with some evidence of how COVID-19 is affecting female microfinance clients in LAC, there are still many unanswered questions, for which we will need to collect more data and more rigorously. The Andares network is collecting more information from its associates and allied entities for this purpose.