A Gender Impact Assessment of Covid-19 Government-backed Loans on MSMEs Liquidity and Earnings

Results from two RCTs

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Financing Women-led SMEs
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Public guarantee programs are frequently used to support financial access during economic downturns

- Market-friendly interventions that delegate loan decisions to contracting parties
- Provide liquidity to otherwise excluded firms
- Majority of supported credit is expected to be repaid; public funds cover only a fraction
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• Examines the effect of government-backed loans during Covid-19 in Chile and Colombia on private credit provision to firms

• Using two RCTs that promote these loans, study contrasts financial access for women and men-led firms, showing
  • Women-led businesses are less likely to take up loans and are offered smaller amounts
  • Male-led firms experience increases in both commercial and total liquidity, while women-led firms only see a rise in commercial liquidity
  • Rise in commercial liquidity is less pronounced for women-led firms
  • Sales increase for women and men-led firms (Chile) with no effects on delinquency rates (Colombia) or deposits (across the full sample)
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• Difference between accepting a loan offer vs. getting the initial offer (in general and across gender)?

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  • Do baseline characteristics (like liquidity, age, size, location, risk score, sales) affect selection differently for women vs. men-led firms?

• Heterogeneity in the treatment effects (CATE)
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Policy implications

• Informs policymakers about importance of government-backed loans and how they affect women vs. men-led businesses

• Women and men-led firms fare quite similarly

• Open questions
  • Are government-guaranteed loans more cost-effective than regular unbacked credit?
  • Do lenders select different clients (when loans are guaranteed) and, if so, along what margins?
  • COVID-19 pandemic resulted in sharpest and most synchronized reduction in global economic activity in history – how do insights translate to other economic crises?