T. C.

Social Sciences University of Ankara

Institute of Islamic Studies

COVID-19 AND MICROFINNACE INSTITUTIONS IN SOMALIA CHALLENGES AND PRACTICAL SOLUTIONS

Master Thesis

Safiyo Abdifitah Shire

Islamic Economics and Finance

June 2022

T. C.

Social Sciences University of Ankara

Institute of Islamic Studies

COVID-19 AND MICROFINNACE INSTITUTIONS IN SOMALIA CHALLENGES AND PRACTICAL SOLUTIONS

Master Thesis

Safiyo Abdifitah Shire

195312019

Islamic Economics and Finance

Supervisor: Assist. Prof. Dr. Tawfik Azrak

June 2022

ACCEPTANCE AND APPROVAL

ACKNOWLEDGEMENT

First, I am grateful to Allah, the most gracious and merciful who helped me to finish this thesis.

I am highly grateful to my honorable supervisor, Assist. Prof.Dr. Tawfik Azrak, for his support, guidance, effort, and encouragement that helped me to write this dissertation. I would like to express my gratitude and thanks to all my lecturers; Prof. Dr. Mabid Ali Al-Jarhi, Assoc. Prof. Dr. Zeynep Burcu Uğur, Assoc. Prof. Dr. Abdurrahman Yazıcı, Assist. Prof. Dr. Adnan Abdalla Oweida, Assist. Prof. Dr. Ahmed Hersh, and Assist. Prof. Dr. Tarik Akin for their suggestions, and assistance during my academic journey. In addition, I would like to thank the staff in the Institute of Islamic Studies, Ankara Social Sciences University for their assistance in completing my master's program in the department of Islamic Economics and Finance.

Lastly, I would like to vent my sincere gratitude to my family, especially my dear uncles Suheyb Abdulkadir Abdi, Guled Yusuf Gure, and my dear brother Mohmed Abdifitah for their advice, encouragement, and support during my academic journey. Also, I would like to thank my dear sister Sucaad Abdifitah for collecting the data from Somalia. I am grateful to all my friends especially Adna Ibrahim and İnan Gidiş for their assistant during my research.

ABSTRACT

Microfinance refers to a small loan, insurance and savings which is mainly granted to people with a low income in extreme poverty in order improve their lives and alleviate poverty in the community. The purpose of this thesis is to investigate how Covid-19 has impacted the microfinance institutions in Somalia and what was the major challenges they had faced since the onset of Covid-19 pandemic. Both qualitative and quantitative methodology has been used through conducting a case study in Mogadishu and Hargeisa. The data was collected through a questionnaire distributed to the Somalian microfinance institutions in 2022. The results showed that Covid-19 has had a moderate impact on MFIs. It had also found that most MFIs witnessed high credit risk and an increase in savings withdrawals. In addition, MFIs had faced many financial and operational challenges including difficulties in meeting clients in the offices, disbursing loans, default of loans, increase in non-performing assets, declining profits, financial crisis, and many other challenges. To overcome these challenges, the thesis found that MFIs have to diversify their financial portfolios, improve the digital innovation, reschedule loans, seek government assistance, and increase investments in different sectors in order to mitigate the impacts of the Covid-19 crisis.

Key terms of the research: Covid-19, Microfinance Institutions, Somalia, Challenges, Solutions.

ÖZET

Mikrofinans, aşırı yoksulluk içinde yaşayan insanların hayatlarını iyileştirmek ve toplumdaki yoksulluğu azaltmak için sigorta, tasarruf ve kredi sağlayan bir programı ifade eder. Bu çalışma, Kovid-19 pandemisinin Somali'deki mikrofinans kuruluşlarını nasıl etkilediğini ve salgının başlangıcından bu yana karşılaştıkları temel zorlukları incelemeyi amaçlamaktadır. Araştırmada hem nicel ve hem de nitel metodoloji kullanılmıştır. Veriler, 2022'de Somali'deki Mogadişu ve Hargeisa şehirlerinde mikrofinans kuruluşlarına yöneltilen bir anket aracılığıyla toplanmıştır. Sonuçlar, salgının bu kuruluşlar üzerinde orta derecede bir etkiye sahip olduğunu ama bu kuruşların çoğunun yüksek kredi riskiyle karşı karşıya olduğunu ve mevcut müşterilerinin kuruluşardaki tasarruflarını kullanmalarında artış olduğunu göstermiştir. Ayrıca bu kuruluşların karşılaştığı problemlere örnek olarak sahada ve ofis ortamında müşterilerle buluşmada yaşadıkları zorluklar, kredilerin geri ödenenemesi problemi, artan aktif olmayan varlıklar, azalan kar, finansal krizler ve birçok finansal ve operasyonel zorluklar verilebilir. Salgının sebep olduğu bu sorunların üstesinden en az hasarla gelebilmek için bu kuruluşların finansal portföylerini çeşitlendirmeleri, daha fazla dijital inovasyon yapmaları, verdikleri kredileri yeniden planlamaları, daha fazla devlet teşviği ve desteği almaları ve kendi yatırımlarını artırmaları gerekmektedir.

Anahtar Kelimeler: Kovid-19 Salgını ve Etkisi, Mikrofinans Kuruluşları, Somali, Zorluklar ve Çözümler.

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

LIST OF ABBREVIATIONS

AAOIFI:	Accounting and Auditing Organization for Islamic Financial Institutions
ADA:	Appui au Développement Autonome
CBS:	Central Bank of Somalia
CGAP:	Consultative Group to Assist the Poor
CMF:	Conventional Microfinance
CMFIs:	Conventional Microfinance Institutions
Covid-19	Coronavirus
DHF:	Doses of Hope Foundation
GDP:	Gross Domestic Product
IFSB:	Islamic Financial Services Board
IGAD:	Intergovernmental Authority on Development
IsMF:	Islamic Microfinance
IsMFIs:	Islamic Microfinance Institutions
KIMS:	Kaah International Microfinance Services
K-MFI:	Kaaba Microfinance Institution
MENA:	Middle East and North Africa
MFIs:	Microfinance Institutions
MSMEs:	Micro, Small-Medium Enterprises
MTB:	Money Transfer Businesses
MNO:	Mobile Money Operators
NGOs:	Non-governmental Organization
NRB:	Nepal Rastra Bank

PLS: Profit and Loss Sharing

SARS: Severe Acute Respiratory Syndrome

SHG: Self-Help Group

SMFIs: Somali Microfinance Institutions

SSB: Shariah Supervisory Board

CHAPTER ONE: INTRODUCTION

1.1. BACKGROUND

Asian Development Bank defined microfinance as*“the provision of a broad range of financial services such as deposits, loans, payment services, money transfers, and insurance to poor and low-income households and their microenterprises.”*(ADB, 2000). In another definition, Microfinance can be described as *‘‘a programme that extend small loans to very poor people for self-employment projects that generate income in allowing them to take care of themselves and their families.’’*(Rahman, 2010). Regarding the above definitions we can define microfinance as “program that eradicates poverty, enhances social standards, and creates new opportunities such as new vacancies or increases the income of poor people”. At the same time, it helps poor people who cannot obtain other financial services from banks, such as insurance, savings, loans, money transfers, and payment services. Microfinance institutions (MFIs) take various forms, they may be nonbank financial institutions, commercial banks, government banks, nongovernmental organizations (NGOs), credit unions, or savings and loan cooperatives (Ledgerwood, 1999). On the other hand, Microfinance clients are usually self-employed, farmers, Micro-enterprisers, entrepreneurs, women, refugees, and minorities (Drexler, B., van Bork, G., Mueffelmann, S., Hashemian, C., Siek, H., Sturm, M., ... & Pytkowska, 2020). Microfinance played a significant role in poverty eradication as the World Bank recognized it as a means of addressing income inequality and poverty. It also announced the year 2005 as the year of microfinance to expand its poverty alleviation campaign (Ali, A. H., Abu-Hadi, A. O., & Ali, 2013).

The concept of microfinance was established in the 1970s by Muhammed Yunus. A professor of economics at a Bangladesh University, by providing micro-loans to domestic villagers without collateral to eradicate poverty in the society as Bangladesh was suffering during that time deficiency of food. Across the world, dozens of state-run banks have already tried to provide loans to poor people and have not succeeded. Economic theory has also given many warnings against lending to low-income people who do not have collateral to secure their loans. However, Yunus pledged that his venture would one day make a profit and argued that his low-income customers would reliably repay the loans.

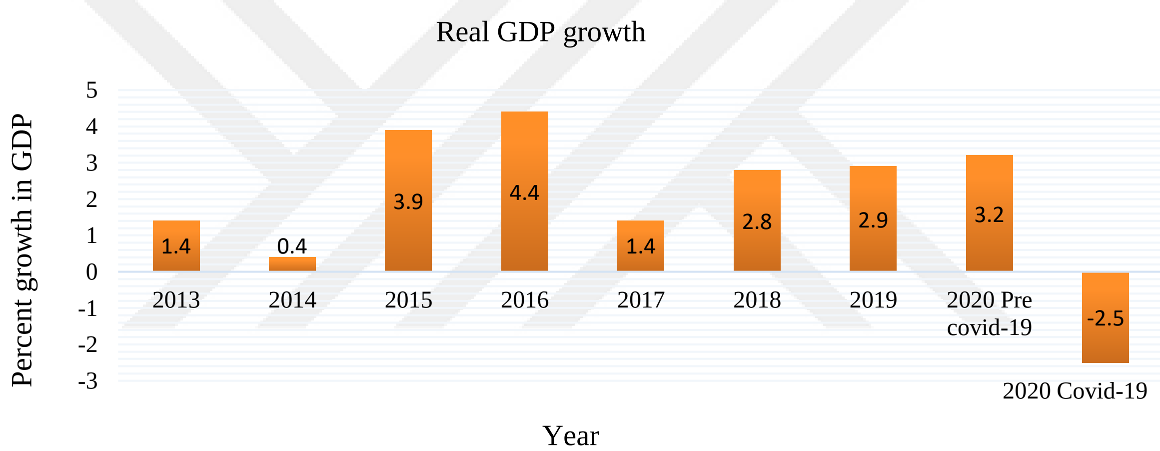
Microfinance has rapidly spread across the world, such as in Asia, Eastern Europe, Africa, and Latin America, and this success made economists rethink hypotheses regarding how low-income people could save and build assets and how institutions conquer market failure (de Aghion, B. A., Armendáriz, B., & Morduch, 2007).

Somalia is situated in the horn of Africa with an area of 627,340 square kilometers, bordered by the Gulf of Aden to the North, Djibouti to the northwest, Ethiopia to the west, the Indian Ocean to the East, and Kenya to the west (Ali, 2021). The country has the longest coastline of any country on the continent and occupies an important geopolitical position as it lies between Sub-Saharan Africa and the countries of Arabia and southwestern Asia (Jörg H.A., 2022). In Somalia, Islam is the dominant religion practiced by more than 99 percent of the population, where the vast majority of Somalis are Sunni and follow the *Shafi'i* school of Islamic jurisprudence (Harvard University, 2020). The British occupied the country in Somaliland (Hargeisa) and Italy in Mogadishu, gaining its independence in 1960. Somalia's economy is based mainly on agriculture, livestock, and remittance. The country exports fish skin, bananas, and scrap metal, and the main export partners are Arab countries such as the United Arab Emirates and Saudi Arabia. However, insecurity, natural disaster (drought and floods), civil war, an unstable political system, a high rate of unemployment, the absence of industrial factories, and recently the Covid-19 hindered the economic development of the country.

After the breakdown of the central government in Somalia in the 1990s, the country's political and economic system collapsed due to the civil war (Musse, A. M., Ab Rashid, R., & Zainol, 2019). According to the (World Bank, 2019), the Somali population was estimated in 2007 at 14 million, where 69 percent of the population is below the poverty level, making the country one of the poorest countries in the world. In addition, the population of Somalia reached around 15.89 million in 2020 (World Bank, 2020). Despite the civil war, the country's economy began to recover in 2011 as the country witnessed a continuous period of political and security progress, providing an opportunity to escape from dark periods. (World Bank, 2020). Somalia's economic update report has highlighted the country's economy was improving before the Coronavirus (Covid-19) pandemic, recovering from the 2016 and 2017 drought. In 2019, the country's economy grew about 2.9 percent, on par with population growth, and it was expected to rise by 3.2 percent in 2020. This expectation growth was related to investment private sector, activation of reforms in the financial and communications sectors, and enhancement of the agriculture area because of the strong rainy season.

Same as the rest of the world, the emergence of the Covid-19 negatively affected Somalia's real Gross Domestic Product (GDP) growth in 2020 and hindered the country's economic recovery. During that time, the country's economy shrank by 2.5 percent due to the closure of airports, businesses and limiting the exports because of the pandemic (World Bank, 2020). The following figure indicates the GDP growth in Somalia between 2013 to 2020.

Figure 1:GDP Growth in Somalia



Sources: (Samantar, 2020)

The Covid-19 outbreak started in Wuhan, China in December 2019 and spread rapidly across the world. The pandemic not only caused a world health crisis but also negatively impacted the world's economy due to the closure of businesses, restrictions on imports and exports, and other lockdown measures such as social distance and quarantine to reduce the spread of the infection (Zheng, C., & Zhang, 2021). The closure of all economic activities except some essential businesses, following the lockdown measure has seriously impacted the income of the people and the way institutions operate.

In mid-March 2020 was the first time Covid-19 occurred in Somalia and negatively impacted various sectors of the economy in the country due to the closure of schools, trade, and borders (Braam et al., 2021). The pandemic also impacted Somalia's exports as the export of livestock to Saudi Arabia declined due to the cessation of the Hajj. The overall inflation rate in Somalia increased from 3.1% in February 2020 and reached 5.2% in March 2020 due to the decline in economic activities.

Moreover, the price of food significantly increased because of the restrictions on trade, transportation, and panic buying, which lead the food inflation to increase from 2.6% to 4.8% in Mogadishu (Samantar, 2020). However, Covid-19 has negatively affected the performance of microfinance financial institutions across the world.

Normally, the portfolio of MFIs is based on group lending, which is free from collateral and it usually collects the loan from the members through a group meeting. But the emergence of Covid-19 resulted in the prohibition of a gathering of people due to the fear of contagion the infection hindered the activities of MFIs in the field. The pandemic declined the income of the people and this caused the clients of MFIs they were not be able to pay their debts (Shrestha, 2020). A survey conducted in 2020 by Consultative Group to Assist the Poor (CGAP) revealed that the global microfinance sector faces a crisis due to the increase in default repayment of debt since the emergence of Covid-19 (CGAP, 2020). Another study conducted by (Afrah, N.A. & Mohamed, 2021) revealed that Covid-19 has negatively affected MFIs and small businesses in Somalia.

According to the (World Bank 2019), the MFIs which operate in Somalia are all Islamic banks as their products are based on *Sharia*, and the most common financial instruments they are using are *Qard Al-Hassan*, donations, and *Murabaha*. The asset size of MFIs players in the country ranges from US$0.3 million to US$3 million, and their average loans stand around US$1,000 in 2019. In addition, the MFIs in Somalia take two forms, either affiliated as subsidiaries of commercial banks or registered as NGOs.

This study investigates the impact of Covid-19 on MFIs in Somalia due to the limited studies in this area, as there is only one paper titled; *"Economic Impacts of Covid-19 on Microfinance Institutions and Small Businesses: Empirical Survey from Somalia"* by (Afrah, N.A. & Mohamed, 2021). The paper did a case study in Mogadishu, and the results reveal that Covid-19 has a negative influence on both microfinance institutions and small businesses. Thus, this study seeks to bridge this literary gap by investigating the impact of Covid-19 on MFIs in Somalia by presenting a case study in Mogadishu and Hargeisa since they are the main two cities in the country where most MFIs operate. In addition, this study is the first study that examines the MFIs in Somalia from the perspective of the institutions themselves, as previous research papers investigate the problem statement from the perspective of the customers.

1.2. PROBLEM STATEMENT

In the last two decades, the world has suffered from several diseases. These diseases have affected most of the countries, such as the Spanish flu in 1918 and Covid-19 in 2019. While others affected a particular area in the world, such as the SARS virus in 2003, the Swine flu virus in 2009, the Ebola virus in 2014, and afterward Zika Virus in 2015.
Furthermore, these pandemics have caused significant mortality and morbidity that resulted in health and financial crisis. The outbreak of Ebola has negatively impacted the MFIs in Liberia and Sierra Leone and declined most of the business activities resulting in default loans (Shrestha, 2020).

On the other hand, research conducted by (Ermawati et al., 2021) investigated the impact of Covid-19 on MFIs in Indonesia. The result of the study revealed that Covid-19 has significantly affected the performance of MFIs due to the decrease in business activities. A Similar study was conducted by (Malik, 2020) in Pakistan through phone surveys and the study was participated by around 1,000 small business owners and 200 MFIs. The result of the study disclosed that 90 percent of family income and sales downturned at the onset of the Covid-19 in the country and 70 microfinance clients were unable to repay their loans due to the pandemic. Furthermore, the MFIs in Somalia have faced a crisis due to the outbreak of Covid-19 like other countries. According to (Afrah, N.A. & Mohamed, 2021), the pandemic has negatively affected MFIs and small businesses in Somalia.

Based on the previous discussion, this study aims to address the impact of Covid-19 on MFIs in Somalia. In addition, it discusses the main challenges which MFIs have faced since the emergence of the Covid-19 pandemic and how to overcome those challenges.

1.3. RESEARCH OBJECTIVES

Covid-19 impacted all aspects of our life, whether it is our health, education or economic situation, so the world of MFIs had also been affected by this situation due to the closure of businesses. Therefore, this study mainly aimed to investigate how Covid-19 affected MFIs in Somalia.

This study will focus on the following main objectives:

i) Analyzing how the pandemic impacted the MFIs in Somalia.
ii) Investigate the main challenges that MFIs have faced since the emergence of Covid-19 and how to overcome these challenges.
iii) Analyzing the financial institutions in Somalia, their types, their size, and their activities.

1.4. RESEARCH QUESTIONS

i) How does covid-19 affect MFIs in Somalia?
ii) How did MFIs in Somalia overcome the challenges caused by the Covid-19?
iii) What is the financial position of MFIs in Somalia? And what are its characteristics?

1.5. SIGNIFICANCE OF THE STUDY

The outcome of this study will assist MFIs in the country since we are focusing on discussing the main challenges they faced during Covid-19. understanding the challenges will assist us to overcome these challenges and enhance the performance of these institutions. Enhancing the performance of these institutions will help more poor people, and this will reduce poverty in the country resulting in speeding economic development in Somalia.

In addition, this study is important to the Central Bank of Somalia and the country's MFIs as it will help them to dispose of the effect of Covid-19. The result of this thesis will provide solutions regarding the impact of Covid-19 on MFIs. Also, it will address some recommendations for the policymakers and MFIs to improve microfinance institutions in the country since these projects play a vital role in poverty alleviation.

1.6. RESEARCH STRUCTURE

The thesis structure consists of six chapters: The first chapter covers the introduction of the thesis, which contains the background of the study, problem statement, research objectives, research questions, the significance of the study, and the structure of the study.

The second chapter discusses the literature review. This section describes the concept of microfinance, its characteristics, models, similarities, and differences between Islamic and conventional microfinance. It also highlighted the difference between macro and microfinance, bank loans, and micro-loans. In addition, the chapter provided a relevant literature review about the impact of Covid-19 on MFIs in the world, in addition, it discussed previous studies that covered the impact of Covid-19 on MFIs in Somalia.

The third chapter represents the methodology part of the study which consists of the study design, the scope of the study, data collection, and finally the main analysis.

The fourth chapter focuses on the results and analysis of the interviews. First, it provided an overview of MFIs in Somalia. Second, the chapter discusses the issues and challenges faced by IsMF around the world. Lastly, it analyzed the issues and challenges faced by MFIs in Somalia before and after the Covid-19.

The fifth chapter discussed the findings and analyzed the questionnaire survey. While lastly, the sixth chapter discussed the conclusion and recommendations of the thesis.

CHAPTER TWO: LITERATURE REVIEW

2.1. INTRODUCTION

In general, the Covid-19 pandemic has affected all the financial sectors, while its impact on Micro, small-medium enterprises (MSMEs) companies was significantly higher due to the nature of their activities as it depends on face-to-face interactions. In addition, the pandemic has lowered the performance of microfinance and small-medium enterprises due to the business closure, social distancing, and bounded financial resources (WTO, 2020).

This chapter reviews previous studies conducted in the field of the microfinance sector. First, it presents the definitions of microfinance from the perspective of conventional and Islamic microfinance, the characteristics of microfinance, and the principles of Islamic microfinance (IsMF). Second, this chapter presented the difference between macro and microfinance, bank loans and micro-loans. Third, it discussed different models of microfinance, in addition to the similarity and difference between Islamic and conventional microfinance. Followed by another section that reviewed the results of the suvey and discussions of previous studies related to the impact of Covid-19 on the MFIs. Lastly, it examined the previous studies regarding the impact of Covid-19 on MFIs in Somalia.

2.2. THE CONCEPT OF MICROFINANCE IN ISLAMIC AND CONVENTIONAL PERSPECTIVES

2.2.1. Definition of Microfinance

There are many theoretical definitions for microfinance, but it has been broadly accepted that microfinance arose for the concern of the poor people. The ambiguity of the definition is not only because there are numerous sorts, paradigms, and exceptions in practice but also because the various stakeholders' attitudes towards microfinance, its methods, applicability, and effects are far from unanimous (Yuqing, 2007).

Robinson defines microfinance as *"small-scale financial services-primarily credit and savings provided to people who farm or fish or herd; who operate small enterprises or microenterprises where goods are produced, recycled, repaired, or sold; who provide services; who work for wages or commissions; who gain income from renting out of small amount land, vehicles, draft animals, or machinery and tools; and to other individuals and groups at the local levels of developing countries,* *both rural and urban."* (Al-Shami et al. 2014) This definition covers a broad concept that comes under the microfinance sector and emphasizes that MFIs should focus on extending small-scale financial services to the entrepreneurs engaged in such activities.

According to (Ledgerwood, 1999), microfinance is a financial service that provides credit, insurance, savings, and payment services to low-income clients. The clients referred to in this definition include, street vendors, small farmers, merchants, services providers, (hairdressers, rickshaw drivers), artisans, and small producers such as blacksmiths and seamstresses. It is stated that many such clients have a stable source of income because they are involved in multiple resources of generation activities (Amarathunga, 2019). Therefore, the clients of MFIs, according to (Ledgerwood, 1999) are generally not considered to be the poorest of the poor but economically active poor, who could facilitate MFI to achieve sustainability (Amarathunga, 2019). He also argues that the definition of microfinance does not cover all aspects of microfinance activities, since some MFIs provide services such as project development services (skills training and marketing) and social services (literacy and healthcare training). In addition, MFIs can be government banks, NGOs, credit unions, saving and loan cooperatives, commercial banks, or non-bank financial institutions.

(Otero, M, & Rhyne, 1994) defined microfinance as *"a revolution that involves the large scale provision of small loans and deposit services to low-income people by secure, conveniently located and competing for commercial financial institutions thereby generating the process needed to democratize capital."*. While Schreiner and Colombet 2001 determined it as *"the attempt to improve access to small deposits and small loans for poor households neglected by banks."* (Appah, E., John, M. S., & Wisdom, 2012). Sometimes microfinance is referred to as *"Microcredit, which is the extension of small amounts of collateral-free institutional loans to jointly liable poor group members for their self-employment income generation, is a Grameen Bank innovation."*(CGAP, 2003; Chakraborty, 2018). The difficulty in defining microfinance is also found due to the inability to determine which size loan is small, and some original characteristics, such as jointly liable poor group members or collateral-free loans, are not always enforced in practice. However, among microfinance projects around the world we are still able to understand the main features and characteristics of microfinance from its purposes, contents, or functions, among them are:

i) A focus on providing financial services to poor families, whether they are microfinance projects or institutions that seek to achieve economic profits or social impact, all of which put the poor, families, or individuals as their targets. Targeting poor people makes MF program different from conventional finance that requires collateral when applying for a loan.

ii) Providing small loans that are frequently denied by the formal commercial banking system where the poor typically cannot meet the requirements of the formal banking sector. Hence, the main purpose of microfinance is to bridge this gap (Yuqing, 2007).

iii) The term of the loan is usually short and the process of applying and distributing the loan does not take a long time.

iv) Clients who do not default on their loans will be eligible to get a high amount of loans when they request a loan again. (Khan, M. A., & Rahaman, 2007).

v) Microfinance is typically cope-with microcredit which refers to small loans, but recently it has been replaced by a broader coverage along with the understanding that *"Financial services needed by the poor include working capital loans, consumer credit, savings, pensions, insurance, and money transfer services"*(CGAP, 2003).

vi) Microfinance is an indirect tool to help low-income people as it has been relevant to alleviate poverty from the beginning, but unlike financial relief, it requires repayment. Credit is an indirect method that unleashes economic potential because it enables targeted people to use their human and productive capital more profitably and efficiently to build their financial base, which could be a good starting point for eradicating poverty (Yuqing, 2007).

2.2.2. Definition of Islamic Microfinance and it is Principles

(Saad & Razak, 2013) argued that the term IsMF is like the conventional term but differs in terms of applying the principles of Islamic law and in the prohibition of interest in business operations (*Riba*). It seems that most authors have ignored the definition of Islamic microfinance because they believe that it is like conventional microfinance except for interest (*riba*). While in my opinion, Islamic and conventional microfinance differs more than only for interest. For instance, they differ in terms of their models of finance and characteristics as well.

Recent studies defined the term IsMF *as "an investment of capital (in cash or in-kind), based on Islamic modes of finance, to the low-income clients, low-income entrepreneurs to help them start or maintain their businesses."* (Smolo, 2012). While (Nabi et al, 2017) defined it as *"a financial service delivered among low income/destitute people based on Islamic Shariah."*

In my opinion, IsMF can be defined as an institution that provides Islamic financial services to low-income people and low-income entrepreneurs to increase their income and alleviate poverty in their communities.

IsMF is based on the principles of Islamic finance, which prohibited interest as Allah SWT says in the Qur'an: "*Allah has permitted trading and forbidden Riba*" Qur'an (2:275). It is also based on other characteristics like risk-sharing and contributions towards real economic activities. In addition, IsMF prohibited uncertainty and risk (*Gharar*), speculation (Maisir), and investing in prohibited products like pork, alcohol, beverages, or gambling (Khan, 2008).

2.3. THE DIFFERENCE BETWEEN THE TERMS: MACRO AND MICROFINANCE, BANK LOANS AND MICRO-LOANS

2.3.1. Difference Between Macro and Microfinance

Both macro and microfinance are related to finance but they differ in their scope as microfinance focuses on individuals, providing financial services to small entrepreneurs, poor people, or any small operating business that face difficulties in terms of access or lack of understanding. Whilst macro-finance focus on the general economy or overall social structure. It involves policy formulation, initiating programs such as a form of financial aid or support extended to an economic or funding, and operating economic plans and projects that will generate employment and other related activities (Ali, 2021).

2.3.2. Difference Between Bank Loans and Micro-Loans

Microfinance provides small loans to poor people without collateral, unlike banks and other financial institutions, which requires their borrower to pledge an asset as collateral. Another difference between microfinance and bank loans is the payment or loan is small in size and is only offered to the poor and micro-entrepreneurs. In addition, the terms and conditions of microfinance are more pliable compared to bank loans (Azmi, N. N. I. N. M., & Thaker, 2020).

2.4. MODELS OF MICROFINANCE

Throughout the years, CMF programs have developed several models for the implementation of microfinance services. Similarly, IsMF programs implemented similar models, but these models have been revised to reflect the unique nature of Islamic finance based on *Shariah* teachings. Some of these models are briefly discussed below:

2.4.1. Grameen Bank Model

The most common model that has been vastly replicated in many countries is the Grameen Bank model. The Grameen Bank model was introduced by Mr. Muhammad Yunus in the late 1970s with a loan of $27 to 42 families. Grameen Bank borrowers in 2021 were estimated at 9.4 million with 2,568 branches in Bangladesh (Grammen Bank, 2021). This model is based on group lending, where the groups consist of five members. All the members have trained on the fundamental elements of financing and the requirements they will have to meet the requirements in order to have the fund. In addition, funding any member of the group is subjected to the consent and guarantee of other members in the group. Peer pressure of a group is used as a substitute for collateral. This model is noted for shared responsibility, where the performance of any member affects the entire group. Islami Bank of Bangladesh is an example of a *Shariah*-compliant version of this model (Smolo, 2012).

2.4.2. Village Bank Model

The village Bank model is widely applied in Africa and Latin America. This model helps impoverished communities to set up their credit and saving associations or village banks. The Village Bank offers to its members non–collateralized loans as well as a place to invest savings and enhance social solidarity. The sponsoring agency offers loans to village banks, and the village banks in turn offer individual loans to their members. Like Grameen Bank, this model also uses peer pressure to ensure full repayment. Members' savings are kept for lending or investing to expand the bank's resource base and make it a self-sufficient institution. Once the bank accumulates sufficient funds internally, it becomes an autonomous and self-sustaining institution (usually over three years). Jabal al-Hoss in Syria is an example of a *shariah* compliant version of this model (Khan, M. A., & Rahaman, 2007; Smolo, 2012).

2.4.3. Credit Union Model

The main feature of the Credit Union Model is the concept of mutuality as it is owned and controlled by its membership which is based on a common bond. Credit union mobilizes savings and provides loans for productive purposes. Such unions are associated with an apex body that promotes primary credit unions and provides training while monitoring their financial performance. Credit unions are very common in Asia, especially in Sri Lanka, and they are also practiced in Nigeria (Abiodun, 2009). A *shariah* compliant version of this model is implemented by Baitul Maal wat Tamweel (BMT) in Indonesia (Smolo, 2012).

2.4.4. Self-Help Group Model (SHG)

This model started in India on a trial basis in 1991(Bharamappanavara, 2013). Each SHG consists of ten to fifteen members who are on the same level of income, and pool together their savings for lending. Moreover, SHGs also seek external funding to supplement their internal resources. SHGs are supported and promoted by NGOs to become self-sufficient. However, this model lends itself to combining microfinance with other developmental activities (Abiodun, 2009).

Among all the models, both Grameen and the village models are more structured than the rest and have enhanced outreach. The Grameen Bank model has become the typical paradigm for microfinance.

(Smolo, 2012) stated that CMF models can be implemented in Islamic countries through the use of *Shariah* compliant instruments and upholding the true spirit of *Shariah* in *Maqasid*. Scholars have different opinions regarding the appropriate institution to practice IsMF. Where some argue that non-banking institutions or NGOs are the most suitable for this task while others argue that greater attention should be paid to profit-sharing (*Mudarabah*), and partnership (*Musharakah*) profit-sharing instruments compared to debt-based instruments such as cost-plus profit (*Murabaha)* and. In addition, others argue that the Islamic banking sector is the most suitable for the task, as they believe that the Islamic banking sector could play a more active role in enhancing the IsMF (Abdul Rahman, 2007).

Conventional MFIs rely heavily on interest-based financing. In contrast, Islamic microfinance institutions (IsMFIs) have a wide range of *Shariah* compliant financial instruments. The following table will discuss briefly the Islamic financial instruments that are used in IsMFIs.

Table 1: The Financial Instruments used in IsMF

Instrument	Mechanism	Suitability	Borrower risk	Institution risk	Remarks
Mudarabah	Profit-sharing partnership in which one of the two parties provides the capital (Institution) while the other party (borrower) provides labor.	Fixed assets, working capital financing, and venture financing.	In the event of loss, the borrower loses his time, effort, and risk of un-rewarded work.	The institution bears all the losses.	The cost of administrating and monitoring the loan is high as the repayment process is complex and calls for transparent and accountable reporting. It is seen as an ideal model of financing but it is rarely practiced.
Musharakah	Partnership contract, where both parties share capital and management.	Fixed assets, working capital financing, and venture financing.	In the event of loss, it is shared according to the ratio of the contribution.	In the event of loss, it is shared according to the ratio of the contribution.	The cost of administrating and monitoring the loan is high as the repayment process is complicated and calls for transparent and accountable reports. It is seen as an ideal model of financing but it is rarely practiced.
Murabaha	Sale agreement with determining profit margin, payment can be	Fixed assets and working capital	The borrower can use the asset and own it at the	The institution owns the asset, and it has the risk and	The cost of administrating and monitoring the loan is low because the

	lump sum or installments		end of the interval.	liabilities of the assets.	repayment schedule is simple. This makes the Murabaha model popular among Islamic MFIs and easier to manage than *Mudarabah* and *Musharakah*.
Ijarah	Leasing tangible assets and the bank is the owner of the assets during the lease period.	Fixed assets	The customer only bears the liabilities related to the use of the asset and does not bear the risk that occurs out of his control.	The institution (bank) shall bear the liabilities and risk that occurs to the assets.	The repayment process for this contract is simple, which makes the cost of administrating and monitoring the loan low. It is common among Islamic MFIs and can be easily adapted by conventional MFIs.
Istisna	Sale contract, in which the goods are specified and paid for in advance, or after the completion of the project, while the goods will be delivered later.	Fixed asset	Borrower risk is high.	Enterprise risk is high	The cascading nature creates the risk of lack of double coincidence; Untried.
Salam	Sale contract, where the price of the goods is paid in advance and the goods	Working capital	Borrower risk is high.	Enterprise risk is high.	The cascading nature creates the risk of lack of double coincidence; Untried

	will be delivered later.				
Qard Al-Hassan	A loan that is free from interest rate	All purposes such as fixed assets, working capital, purchase, and consumption.	Borrower risk is very low.	Enterprise risk is moderate.	Considered the purest form of financing as it aims only to help poor people and charity.

Source: Obaidullah & Khan, 2008,Wajdi Dusuki, 2008, & Riwajanti, 2013

2.5. SIMILARITIES BETWEEN ISLAMIC AND CONVENTIONAL MICROFINANCE

Islamic and conventional microfinance share some similarities since both of them focus on economic developments, poverty alleviation, social goals, promote entrepreneurship, support additional income, and believe that the poor should get involved in entrepreneurship activities. Furthermore, both CMF and IsMF provide financial services to poor people who are unable to obtain financial services such as loans, savings, payment services, and other financial services from the bank (Maikabara et al., 2020; Riwajanti, 2013).

2.6. THE MAIN DIFFERENCE BETWEEN ISLAMIC AND CONVENTIONAL MICROFINANCE

This section discusses the main difference between Islamic and conventional microfinance. Both Islamic and conventional microfinance is different in terms of their characteristics, fund mobilization, model of financing, target group, deduction at the inception of contracts, and social development. The following paragraphs will discuss these differences.

2.6.1. Characteristics

IsMF refers to a financial institution that provides sharia-compliant products and services based on profit and loss sharing. This financial sector is free from interest rates as sharia-prohibited interest, and they gain profit through trading, leasing, or directing financing in profit loss sharing contracts (Abdelkader, I. B., & Salem, 2013). Moreover, IsMF relies on perfection (*Ihsan*), trust (*Amanah*), and justice (*Adl*) between the borrowers or group lending. (Kakembo, S. H. & Ahmed, 2019) On the other hand, CMF relies on an interest rate that transfers risk from lender to borrower, which means that some people earn a profit without the risk (Ahmad, S., Lensink, R., & Mueller, 2020).

2.6.2. Fund Mobilization

Mobilization the funds is another difference between these two systems, where CMF relies on government subsidies, interest-based deposits, donations, and loans. In contrast, IsMF mobilization funds instruments are broader than conventional ones and consist of external and internal resources. The internal resource of IsMF can be safekeeping (*Wadiah*), benevolence loan (*Qard Al-Hassan*), *Mudarabah*, and *Musharakah*. While external resources can be alms (*Zakah*), donations, gifts, and *Waqf*. (Wajdi Dusuki, 2008)

2.6.3. Model of Financing

Both Islamic and conventional microfinance utilize the same model of finance with different instruments whereas IsMF uses *Shairah*-compliant contracts, unlike CMF which is based on the interest rate. These differences are as follows:

i) Micro-Savings:

The savings of low-income people are seen as an investment in IsMFIs, and their deposit will be invested through *Shariah* compliant instruments such as *Mudarabah*, where the profit and losses will be shared between the client and MFIs or invested through *Musharakah* or *Takaful*.

ii) Micro-Credit:

IsMFIs offer their clients micro-credit, which is free from interest rates compared to the conventional one that relies on the interest rate. Since interest is forbidden in Islam, as Allah SWT said in the Qur'an: (Allah has permitted trading and prohibited interest). (2:275) The Islamic MFIs have developed Islamic alternative mechanisms such as *Murabaha* with *Bai-Bithaman-Ajil*, *Ijara* (deferred payment sale), advanced purchase and sale (*Bai-Salam), Qard Al-Hassan,* etc. These patterns originate debt for the client by paying the assets with a gross profit margin (Abdelkader, I. B., & Salem, 2013).

iii) Micro-Lease:

IsMFIs allow their clients to use the asset, for example, a lease contract (*Ijarah*). The institution leases the asset to its client at a specific price and time. With each payment, the lessee approaches the purchase and transfers the possession of the leased asset. It means that the client owns the asset at the end of the contract. Contrary to the traditional lease, the MFIs bear all the risk, even the damage caused by a natural disaster such as earthquakes and other factors that happened outside the client's control. These conditions are determined in advance because the idea is to eschew that a lease contract is considered an interest-bearing sale transaction (Ahmad, S., Lensink, R., & Mueller, 2020)(Ahmad, S., Lensink, R., & Mueller, 2020).

iv) Micro-Takaful:

Conventional microfinance institutions (CMFIs) use micro-insurance, while IsMFIs use micro-takaful. Micro-takaful relies on mutual guarantee and the collected fund which is used to protect against future risk. What distinguishes micro-insurance from micro-takaful is that micro-*takaful* is free from interest and the participants pay premiums on a donation basis, in addition to other differences (M. H. Ahmed, 2016).

2.6.4. Founds Transfer

CMFIs can directly offer cash to their customers as financing. In contrast, IsMFIs institutions do not give cash to their customers as a loan (money) except when it's free from interest or any incremental amount charged on that loan because interest is forbidden in *Shairah* (Abdul Rahman, 2007).

2.6.5. Amount of Funds Transferred to Beneficiaries

Once a loan is approved, CMF rebates a part of the principles for different funds such as group and emergency funds before being distributed to the payee. The interest paid by the payee is computed on the gross amount, which increases the effective rate of interest payable on the loan. In addition, it is easy to transfer money. In contrast, there is no deduction in the IsMFI because goods are generally transmitted, making the prospect of money transfer low.

2.6.6. Dealing With Defaults

CMFIs deal with defaults through group and center pressure, and if that fails, they use threats and vend the defaulters' assets. While IsMFIs use group, center, spouse, and guarantee to pay the arrears.

2.6.7. Target Group

Generally, CMF targets women to empower them to increase their income and self-respect. However, recent research has shown the opposite because the male members of the family usually convince the women to get credit and often use it. In addition, the women endure the responsibility of repayment of the premiums at the end. This causes tensions in the family. On the other hand, IsMFIs target the whole family, not just women. In IsMFIs, both the wife and husband conduct the contract and are responsible for the repayment of the money. The IsMFIs deal with women mostly because they represent the receiving end of the social development program. It is thought that the transmission of Islamic teachings to women serves the purpose of spreading better because they transmit these values to their families, especially children. Therefore, all these things do not create tensions in the family (Ahmed, 2002; Fersi, M., & Boujelbene, 2016).

2.6.8. Paying Attention to The Poorest

Even though CMF aimed to eradicate poverty and help poor people, they still ignored the poorest segment of the population. Extreme poverty causes funds to transfer from productive activities to consumption and asset purchases, resulting in a decline rate of loan repayment. In contrast, IsMFIs can finance the poorest people through Islamic instruments such as Zakah, *Qard Al-Hassan*, and other voluntary charities which we explain previously (Meisami, H., Manzur, D., & Roayaee, 2011; Ahmed, 2002).

2.6.9. **Work Incentive of Staff Members**

The attributes of IsMFI staff are different from the conventional ones. The staff of IsMFIs sees their work as a religious duty, not merely as a means of gaining their living. Unlike CMF staff who see their work only as a means of earning their daily livings (Abiodun, 2009).

2.6.10. Social Development Program

The last difference between the two systems is social development, whereby IsMF is based on religion (includes behavior, ethics, and social development). While CMF relies on secularism (which includes behavior, ethics, and social development) (A. M. Mohamed, 2019).

Table 2: Summary of the differences between Islamic and Conventional Microfinance

Difference	**Islamic microfinance**	**Conventional microfinance**
Characteristics	Based on risk-sharing Sharia compliance Gain profit by trading, leasing, or directing financing in Profit Loss Sharing contracts.	Based on interest rate Risk transfer Gain profit by lending only
Fund mobilization	External resources (*Zakah*, Donations, Gifts, and *Waqf*) Internal resources (*Wadiah*, *Qard Al-Hassan*, *Mudarabah*, and *Musharakah*)	Government subsidies Interest-based deposits Donations and loans
Model of financing	Based on Islamic financial instruments such as Micro Ijarah, Micro-takaful, Micro-savings (*Mudarabah*, *Musharakah* or Takaful), and Micro-credit (*Murabaha with Bai-Bithaman-Ajil*, *Bai-Salam*, and *Qard Al-Hassan*)	Based on interest rate: microcredit, micro insurance micro-savings, and micro-lease
Funds transfer	Transfer of goods	Transfer of funds
Deduction at Inception of contract	No deduction	Part of the funds deducted at inception
Dealing with defaults	Group/ center/spouse, Islamic ethics, and guarantee	Group/ center pressure and threats
Target group	Family	Women
Financing the poorest	Finance the poorest through *Zakah*, Q*ard Al-Hassan*, and other voluntary charities	Ignored the poorest
Work incentive for staff members	Monetary and Religious	Monetary
Social development program	Based on religion (includes behavior, ethics, and social)	Based on secularism, behavior, ethics, and social

Source: Ahmed, 2002 &Fersi, M., & Boujelbene, 2016

2.7. THE IMPACT OF COVID-19 ON MICROFINANCE INSTITUTIONS

The Covid-19 pandemic has led to a health crisis and impacted the financial and economic performance of the world as it slowed down international trade, employment, investment, tourism, and all financial sectors. Studies conducted by (Bagchi B., Chatterjee S., Ghosh R., 2020) (Canuto, 2020) (Goodell, 2020), and (Ozili & Arun, 2020) have revealed that Covid-19 has severely damaged the world's economy, and it is worse than the Great Depression of 2008. The International Monetary Fund (IMF) has speculated the negative impact of Covid-19 on the global economy will be around $12 trillion by 2020 (Muriithi, 2021).

In addition, the pandemic had a significant effect on the global economic growth in the first half of 2020 due to lockdown measures that led to a downturn in business performance. The economic growth in 2020 is expected to be 4.9 percent but the estimation for 2021 and 2022 was stronger than 2020. As the growth was expected to be at 6 percent in 2021 and 4.4 percent in 2022 due to the rising vaccine activity and retuning of normal daily life, which participated in the revival of the economy (IMF, 2020).

In Africa, it is estimated that the pandemic will reduce the economic growth of southern and eastern countries by -3% in 2020, while Central and West Africa are estimated to decline by 1.1 percent due to lockdowns and travel bans that have weakened the region's economy (World Bank, 2021). However, faster vaccine deployment and investment will boost the economic growth of Africa at 5.1 percent in 2022 and 5.4 in 2023 Said Albert Zeufack, the head of the world bank in Africa. Moreover, the pandemic crisis offered African countries a chance to restructure their macroeconomics. For instance, the standardization of exchange rates in Sudan, allows the private sector in Ethiopia to engage in the telecommunication field and fuel subsidy repair in Nigeria (World Bank, 2021).

Several studies have been conducted on the effect of Covid-19 on MFIs in different parts of the world. Research carried out in Europe by (Dąbrowska, Koryński, & Pytkowska, 2020) aims to investigate the impact of Covid-19 on MFIs in Europe and their clients. The study found that the way Covid-19 affected MFIs in European countries differs from one to another as some of them were affected strongly and others slightly. The study also indicated that the effect of the pandemic on MFIs in Europe was moderate, as the institutions diminished their lending activities or employee wages and showed good resilience to overcome this situation. However, microfinance clients suffered during Covid-19 due to the closure of their businesses, declining services provided by microfinance, and lack of enough support.

Another study conducted by (ADA, 2021) evaluated the impact of Covid-19 on microfinance clients through a survey done by Appui au Développement Autonome (ADA). The survey was conducted between 2020 to 2021, while seven countries participated in the study which was as follows: Rwanda, Myanmar, Togo, Cape Verde, Senegal, and El Salvador. The study revealed that clients of MFIs in all these countries that participated in the study experienced a fall in their income, with 80 percent of them who work in the retail and services sector having seen a decrease in their income. A decline in the income of the clients has led many of them to suffer food insecurities which have prompted clients to reduce the number of meals per day. The findings also cited that the pandemic had various impacts on rural and civil economies from one country to another. Rural areas in Bhutan, Togo, and El Salvador were less affected by the pandemic and these countries were slightly more impacted than Myanmar and Rwanda.

In another research (Moreno, 2020) analyzed how to support MSMEs to overcome the Covid-19 crisis. The study points out that the pandemic has negatively affected the MSMEs sector due to the sort of economic activity they engage in, which was based on face-to-face interaction. The paper also revealed that Covid-19 has a significant impact on the Brazilian productive sector strip as it fell to 18.8 percent in April, which resulted in more than 860,000 people losing their jobs and 80 percent of MSMEs experienced a decline of 60 percent of their revenues. (Shrestha, 2020) investigated the impact of Covid-19 on MFIs in Nepal using data collected by Nepal Rastra Bank (NRB) which analyzes the following indicators: change in the number of workers and borrowers after Covid-19, loans, non-performing loans, profitability, and savings. The study founds that Covid-19 impacted MFIs due to the fall in demand for and repayment of loans and increasing savings in MFIs. The study also found that the country's MFIs were significantly impacted by the pandemic in 2020 between mid-March to mid-April but managed to survive with the support of the Nepal Rastra Bank.

A study by (Ermawati et al, 2021) highlighted that the pandemic has negatively affected the performance of MFIs in Indonesia due to the shrink of business activity. Another study conducted by (Mujeri et al, 2020) explored the specific operational and financial dilemma that MFIs have incurred during the pandemic time. The study showed that Covid-19 hit the performance of MFIs in

Bangladesh due to many difficulties including, social distance, loan repayment difficulties, increased savings withdrawal, and an increase in the existing loan portfolio. (Saleh and Manjunath, 2020) examined the impact of Covid-19 on micro, small and medium enterprises in Yemen. The study found that SMEs were negatively impacted by Covid-19 due to the closure of businesses, reducing the oil price, diminished financial remittance, declining international aid to Yemen, and price inflation. While another research conducted by (Zeidy, 2020) analyzed the impact of Covid-19 on MSMEs in Africa. The study revealed that the MSMEs sector faced several challenges due to Covid-19, including the closure of business, decline in the chance to meet new clients, lack of operational cash flow, disruption of the supply chain, and decreased demand for products or services.

A similar study by (Muriithi, 2021) indicated that the biggest challenges facing African SMEs are insufficiency of financing support, ambiguity, absence of government assistance, and lockdowns. A study by (Nyamboga, T. O., & Ali, 2020) aims to discover how Covid-19 influenced the performance of SMEs in the Garissa Township Sub Country, the study explored that there is no relationship between the impact of Covid-19 on economics and the performance of SMEs in Garissa except for a beneficial relationship between the scarcity of business budget and the achievement of SMEs. Another study conducted by (Adebola et al, 2021) evaluated the impact of Covid-19 on microfinance credit by using primary data collected from 100 SMEs in Sango-Ota, Ogun State, Nigeria. The study revealed that 90 percent of SMEs used microfinance credit for their business during Covid-19, and the microcredit raised the stock of goods of the participant SMEs during lockdown measurements.

(Zheng, C., & Zhang, 2021) analyzed the impact of Covid-19 on the financial and social efficiency of MFIs. The study explored that the pandemic declined the financial efficiency of MFI but at the same time increased the MFI social efficiency, the authors also cited that there is a positive relationship between the impact of Covid-19 and MFI social efficiency due to the increase in the demand for small loans. However, the impact of Covid-19 and MFI financial efficiency is negative due to the increase in default of loans.

(Campos et al., 2020) investigated the impact of the crisis on MFIs through a survey participated 100 MFIs from the following continents: Europe, South America, Asia, and Africa. The study found that all MFIs participated in the survey were impacted by Covid-19 due to the crisis as the pandemic increased the credit risk. It also found that MFIs in the Middle East, North Africa, Latin America, and the Caribbean have been negatively affected by Covid-19 due to the significant fall in the number of active clients and a decline in outstanding loans. However, institutions in Europe and Central Asia stay in good condition due to the quite declining number of active clients, controlling the level of risk and stable portfolios.

2.8. THE IMPACT OF COVID-19 ON MICROFINANCE INSTITUTIONS IN SOMALIA

Research conducted by (Samantar, 2020) focused on the impact of Covid-19 on Somali economics in the field of macroeconomics and microeconomics and it showed how to limit its effect. The study shows that the pandemic hindered the recovery of Somalia's economy as it declined the domestic revenue; the Covid-19 has put significant pressure on the budget of the Somalia government. The paper also found that Covid-19 affected MSMEs of the country due to the business shutdowns, disruption of the supply chain, declining customers, and profit losses.

A similar study conducted by (Afrah, N.A. & Mohamed, 2021) disclosed that the pandemic has negatively affected MFIs and micro-businesses in Mogadishu, Somalia. A study by (Mercy Corps, 2020) in the Somali region of Ethiopia revealed that the pandemic had affected MFIs due to the decline in business performance. The report also showed that the Somali Microfinance Institutions (SMFIs) have quit offering loans to any new customers and have not yet been subjected to the closure of their branches due to the crisis, and all mobile bank agents are working. Lastly, the study indicated that SMFIs have not yet faced liquidity issues, but their liquidity position is relapsing as their liquidity ratio decreased from 121 percent at the end of December to 100 percent at the end of March due to the decrease in savings deposits, increase in loan defaults, and delays in loan repayment.

A few empirical studies have been conducted on the impact of Covid-19 on MFIs in Somalia. Moreover, these studies only analyzed the impact of Covid-19 on MFIs from the perspective of the customers, and recently to the best of our knowledge there are no studies have been conducted from the perspective of MFIs employees. Thus, this study seeks to bridge this literary gap by investigating the impact of Covid-19 on IMFIs in Somalia by presenting a case study in Mogadishu and Hargeisa. Moreover, the study highlights the main challenges that MFIs have faced since the onset of Covid-19 and how to overcome these challenges.

Table 3: Compare the difference between our study and the papers of Afrah and Samantar

Item	This thesis	Afrah 2021	Samantar 2022
Objective	• Analyzing how the pandemic impacted the MFIs in Somalia. • Investigate the main challenges that MFIs have faced since the emergence of Covid-19 and how to overcome these challenges. • Analyzing the financial institutions in Somalia, their types, their size, and their activities.	• Analyzing the economic effects of Covid-19 on MFIs and small businesses	• Investigating the impact of Covid-19 on the economies of Somalia from the micro and macro-economic side • Explore short, medium, and long-term policy measures to mitigate the effect of covid-19
Methodology	Quantitative and qualitative	Quantitative and qualitative	Quantitative and qualitative
Target population	MFIs	Small businesses and people with relevant information on MFIs	Businessman and enterprise managers
Region	Mogadishu and Hargeisa	Mogadishu	Mogadishu, Kismayo Beledweyne, Baidoa Bosasso and Dhusamareb
Findings	• Increase default of loans • Liquidity crisis • Increase non-performing assets • Increase savings withdrawals by clients • Decline profit and performance of MFIs	• Customer behavior change • Uncertainty • Financial difficulties • Salary deduction • Increased anxiety and stress for small businesses owners	• Supply chain disruption • Increase the price of goods and services • Covid-19 affects import and export business • Firms experienced a decline in the number of customers

	• Decline demand for loans • Difficulty in disbursing loans • Difficulty providing non-financial services • Difficulty in meeting clients in the field or office.	• Increase late payments	• Somali businessmen are not aware of the government's support

Modified by Author

Table 4: Challenges Faced by Microfinance Institutions During Covid-19

Title	Year the study conducted	Issues and challenges during Covid-19	Region
Impact of COVID-19 Pandemic on the Microfinance Sector in Europe: Field Analysis and Policy Recommendations. (Dąbrowska, Koryński, & Pytkowska, 2020)	2020	• The result of the study reveals that the way Covid-19 affected MFIs in European countries differs from one another as some of them were affected strongly and others slightly. • Overly, the effect of the epidemic on MFIs in Europe was moderate, as the institutions diminished their lending activities or employee wages and showed good resilience to overcome this situation. • However, microfinance clients suffered during Covid-19 due to the closure of their business, declining services provided by microfinance, and lack of enough support.	European countries
Impact of Covid-19 on Microfinance Institutions of Nepal. (Shrestha, 2020)	2020	• Covid-19 impacted MFIs due to the fall in demand for loans and repayment of it and the increase of savings in MFIs.	Nepal

The COVID-19 pandemic and its impact on microfinance institutions in Indonesia. (Ermawati et al, 2021)	2021	• The results disclose that the pandemic negatively affected the performance of MFIs due to the shrink of business activity.	Indonesia
Covid-19 and MFIs in Bangladesh: Innovations in Resilience Building. (Mujeri et al, 2020)	2020	• The study found that Covid-19 hit the performance of MFIs in Bangladesh due to many difficulties including, social distance, loan repayment difficulties, increased savings withdrawal, and an increase in the existing loan portfolio.	Bangladesh
Small and medium enterprises in Yemen: Navigating through additional obstacles during Covid-19. (Saleh & Manjunath, 2020)	2020	• The results show that SMEs were negatively impacted by the Covid-19 due to the closure of business, slowing down the oil price, diminished financial remittance, declining international aid to Yemen, and price inflation.	Yemen
Economic impact of covid-19 on micro, small and medium enterprises (MSMEs) in Africa and policy options for mitigation. (Zeidy, 2020)	2020	• The paper shows that the MSMEs sector faced several challenges due to Covid-19, which include the closure of business, decline in the chance to meet new clients, lack of operational cash flow, disruption of the supply	Africa
The Impact of Covid-19 on African SMEs, Possible Remedies, and Source of Funding. (Muriithi, 2021)	2021	• The study shows that the biggest challenge faced by African SMEs are insufficiency of financing support, ambiguity, absence of government assistance, and lockdowns.	Africa
Influence of covid-19 on the performance of small and micro enterprises in Kenya: A case of Kenya women finance trust in Garissa township sub-	2020	• This study revealed that there is no relationship between the impact of Covid-19 on economics and the performance of SMEs in Garissa except for a beneficial relationship between the scarcity of	Kenya

county, Kenya. (Nyamboga, T. O., & Ali, 2020)		business budget and the achievement of SMEs.	
The economic impact of COVID-19 in Somalia. (Samantar, 2020)	2020	• The study shows that the pandemic hindered the recovery of t Somalia's economy. • Domestic revenue has declined due to Covid-19 easement measures; the Covid-19 has put significant pressure on the budget Somalia Government. • MSMEs have affected Covid-19 due to business closure, supply chain disruption, declining customers, and profit losses.	Somalia
Economic Impacts of COVID-19 on Microfinance Institutions and Small Businesses: Empirical Survey from Somalia. (Afrah, N.A. & Mohamed, 2021)	2021	• The results disclose that the pandemic has negatively affected MFIs and micro-businesses.	Somalia
The impact of COVID-19 on the efficiency of microfinance institutions. (Zheng, C., & Zhang, 2021)	2021	• Results show that the pandemic declined the financial efficiency of MFIs but increased the MFIs social efficiency. • There is a positive relationship between the impact of Covid-19 and MFIs social efficiency due to the increase in the demand for small loans. However, the impact of Covid-19 and MFIs financial efficiency is negative due to the increase in default of loans.	General
The impact of the crisis on microfinance institutions. Analyses and perspectives. (Campos et al., 2020)	2020	• The study found that all MFIs participated in the survey were impacted by the Covid-19 due to the crisis as the pandemic increased the credit risk.	Middle East, Latin America, North Africa,

		• It also funds that MFIs in the middle east, Latin America, North Africa, and the Caribbean were negatively impacted by the pandemic due to the significant fall in the number of active clients and the decline in outstanding loans. However, institutions in Europe and Central Asia stay in good condition due to the quite declining number of active clients, controlling the level of risk and stable portfolios.	Europe, Central Asia, and the Caribbean
COVID-19 and finance: Agendas for future research. (Goodell, 2020)	2020	• The study found that the pandemic has caused a significant impact on global economics.	

Modified by Author

Based on the above table we found that Covid-19 has disrupted the normal activities of MFIs across the world, but the way affected the world was different from one country to another. (Dąbrowska, Koryński, and Pytkowska, 2020) stated that MFIs in European countries were moderately affected by Covid-19 as they diminished their lending activities or employees and showed a good resiliency to overcome the pandemic crisis. However, Covid-19 has negatively affected MFIs in the Middle East, Asia, and Africa due to the lack of operational cash flow, increasing savings, increased default of loans, business closure, absence of government support, supply chain disruptions, diminishing financial remittance, increase the existing loan portfolio and difficulty in meeting customer in the filed or office.

Like other countries, Covid-19 has negatively affected MFIs in Somalia and hindered their normal activities due to closing the business, lower profitability, supply chain disruptions, increase in portfolio risks, uncertainty, increase savings, and financial crisis.

However, there is only one paper that discussed the impact of Covid-19 on MFIs in Somalia by doing a case study in Mogadishu from the perspective of 40 participants who had relevant information on MFIs and small businesses (Afrah, N.A. & Mohamed, 2021). Based on our research we did not find any paper that analyses the impact of Covid-19 from the perspective of the MFIs.

Therefore, this study seeks to bridge this literature review by analyzing the impact of Covid-19 on MFIs in Somalia and the challenges they encountered during the pandemic through a questionnaire distributed to MFIs operating in Mogadishu and Hargeisa.

CHAPTER THREE: METHODOLOGY

3.1. INTRODUCTION

This chapter describes the methodology utilized in the study. The analysis will rely on prime data collected through an interview and a questionnaire distributed to MFIs in Somalia, particularly in Mogadishu and Hargeisa. The chapter consists of the following parts: study design, qualitative method, data collection, respondents, quantitative method, data collection and analysis, and scope of the study.

3.2. STUDY DESIGN

The research design presents the structure and methods used by the researcher to analyze the data. A good research design contributes to achieving research objectives and helps the researcher answer the research questions.

Methodologies suggest how investigations should proceed by indicating which issued should be examined, how to frame a problem so that it can be investigated, how to develop suitable data generation, and how to establish a logical connection between the problem, data generated, analysis, and conclusions drawn (Jackson, Drummond, and Camara 2007). This study used both quantitative and qualitative methods to gather enough information and come up with better suggestions at the end of the study. In this study, we used a mixed research design, and the result of the study was based on both non-numerical and numerical analysis. A mixed research design is defined as *"the class of research where the researcher mixes or combines quantitative and qualitative research techniques, methods, approaches, concepts or language into a single study."* (Ponterotto, Mathew, & Raughley, 2013). According to Schoonenboom and Burke, a mixed research design methodology provides significant insight into data and reveals the research problem better than using a single type of resigning design (Nyamboga, T. O., & Ali, 2020). Therefore, we used a mixed methodology to offset any limitations arising from qualitative research and quantitative research method, to address the study problem in a better way to get a practical solution regarding the challenges encountered by MFIs during Covid-19.

3.3. QUALITATIVE METHOD

This study aims to explore how Covid-19 affects MFIs in Somalia by conducting a case study in Mogadishu and Hargeisa. One of the methodologies utilized in this study was qualitative methodology in order to explore the challenges faced by MFIs in Somalia during the pandemic. Qualitative research is a study that focuses on specific individuals rather than the public to understand humans and the experience they have in the world. This method is used to reveal behaviors and opinions to understand their experience in the world (Jackson, Drummond, & Camara, 2007). This study used qualitative methodology to get more information and understanding of the challenges faced by MFIs during Covid-19.

3.4. DATA COLLECTION

In gathering data for qualitative analysis, this study conducts an interview with experts from eight MFIs in Somalia. Zikmund claims that personal interviews are direct forms of communication that allow the interviewer to provide feedback by clarifying any questions (Thaker 2015). The questionnaire of the interview focuses on the challenges faced by MFIs during Covid-19. We divided the challenges faced by MFIs into two main categories. In the first part of the interview, we asked MFIs what kind of operational challenges were faced by MFIs during the pandemic. While in the second part of the interview asked about the financial difficulties they faced during Covid-19.

3.5. RESPONDENTS

This study conducts an interview with eight experts from different MFIs in Somalia. These institutions include; Dahabshiil Bank, Dara Salam Bank, Premier Bank, Amal Bank, Agro Africa Bank, IBS Bank, Sombank, and Galaxy international Bank. Experts are selected based on their field of specialization and qualification. The experts who took part in this interview are the head officers of the microfinance department.

3.6. QUANTITATIVE METHOD

The study also utilized quantitative methodology to analyze how Covid-19 impacts MFIs that operate in Somalia, particularly in Mogadishu and Hargeisa as well as which model of microfinance is dominant in the country.

Quantitative research is used to expound on a specific phenomenon by collecting numerical data and then analyzing it using mathematically based methods. Qualitative research uses non-numerical data, while quantitative uses numerical data(KamolsonSu, 2007).

3.7. DATA COLLECTION AND ANALYSIS

This study utilized primary and secondary data. The secondary data relies on the available data such as reports of the World Bank, annual reports of the Central Bank of Somalia, articles, research papers, reports of MFIs, books, and the Websites of the Somali banks. While the primary data were collected using a questionnaire distributed to MFIs in Somalia, particularly in Mogadishu and Hargeisa, as they are the main cities that MFIs work. The questions are divided into three parts. The first part focuses on demographic data, such as the institution's name and year of incorporation, its operating area, the number of branches, the type of microfinance model they use, and the legal status of the institution. The second part discusses the impact of Covid 19 on MFIs in Somalia using the following indicators: impact of Covid-19 on MFIs, reduces lending, the number of projects, the default of loans, customer indulgence, savings, liquidity crisis, financial support, laid employees, closure of branches, challenges, and performance of MFIs. The third part presents recommendations and solutions. Additionally, in the interview section, we asked participants questions related to the financial and operational challenges that MFIs faced during Covid-19.

To analyze the impact of Covid-19 on MFIs in Somalia, we used different structure questions in our surveys, such as closed-ended questions, open-ended questions, Likert scale questions, and multi-choice questions. In this study, the collected data were analyzed using descriptive statistics with the help of the Stata program.

3.8. SCOPE OF THE STUDY

The study has restricted some MFIs in Somalia that are affiliated with commercial banks in the country. The researcher-selected institutions operate in Mogadishu and Hargeisa, as they are the main cities in the country. These institutions include Dahabshiil Bank, Dara Salam Bank, Premier Bank, Amal Bank, Agro Africa Bank, IBS Bank, Sombank, and Galaxy international Bank. The sample size of the study was eight MFIs, and NGO MFIs were not a part of this study because it is difficult to visit NGOs operating in Somalia due to the insecurity and Covid-19 restrictions.

CHAPTER FOUR: RESULTS AND ANALYSIS OF INTERVIEWS

4.1. INTRODUCTION

This chapter presents the result and analysis of the interview we conducted with MFIs. First, the chapter gives an overview of Somalian microfinance. It presents a brief history of the financial institutions that exist before and after the collapse of the central government of Somalia. Second, it discusses the history of MFIs in Somalia. Followed by another section that presents the challenges faced by IsMF around the world. Lastly, it outlines the issue and challenges faced by Somalian MFIs before and after Covid-19.

4.2. THE FINANCIAL INSTITUTIONS IN SOMALIA

This section highlights the financial sector that exists in Somalia. The section consists of two parts; in the first part, we discuss the financial institution that was operating in Somalia before the civil war, followed by another part focusing on the financial institutions that owned the country after the collapse.

4.2.1 Before The Collapse of The Government

Somali is situated in the Horn of Africa, and it was established in 1960 after the former Italian Trusteeship merged with British Somaliland. The Central Bank of Somalia (CBS) was founded in 1960 and is known as the ‘‘Somali National Bank”. Between 1960 and 1969, Somalia had four distinct economic sectors, with pastoral or semi-pastoral sectors representing the majority of the population (approximately 65 percent). The second was the plantation economy, which includes only a small percent of Somalis but represents nearly half of Somalia's export revenues. The third was in the hands of a small class of merchants who run shops or were immersed in international trade. Lastly, there was a rising public service sector of salaried officials - teachers, soldiers, parliamentarians, ministry employees, government ministers, policemen, and other civil servants like health officials (Laitin, D. D., & Samatar, 1984). Before the civil war, the country's financial sector consisted of the CBS, the Commercial and Savings Bank, the Somali Development Bank, and the state insurance company (KPMG, 2004).

4.2.2 After The Collapse of The Government

The Central Bank of Somalia collapsed in 1991 due to the civil war that led to the collapse of the country's economy, and in 2011 the country's economy began to recover. Currently, the financial sector of Somalia consists of the central banks (including Somaliland)[1], commercial banks, money transfer businesses (MTB), mobile money operators (MNO), and MFIs (World Bank, 2019; Dalmar, A. & Farah, 2020).

Today there are 11 banks and 10 MTBs authorized by CBS. Additionally, two banks are licensed but not yet operational. (Central Bank of Somalia, 2021) According to the annual report of (the Central Bank of Somalia 2018), the total assets of the banking industry reached 414 million United States Dollars (US$) in December 2018.

4.3. OVERVIEW OF SOMALIAN MICROFINANCE

The history of microfinance can be traced back to the middle of the nineteenth century when the theorist Lysander Spooner was writing about the benefits of small loans to entrepreneurs and farmers to alleviate poverty in the community. Friedrich Wilhelm Raiffeisen was the first founder of cooperative lending banks to support farmers in rural Germany (Chakraborty, 2018). The modern use of the term “microfinancing” started in Bangladesh in 1974 and reached Africa in the 1980s, becoming stronger and more productive in the 1990s (Ali, 2021).

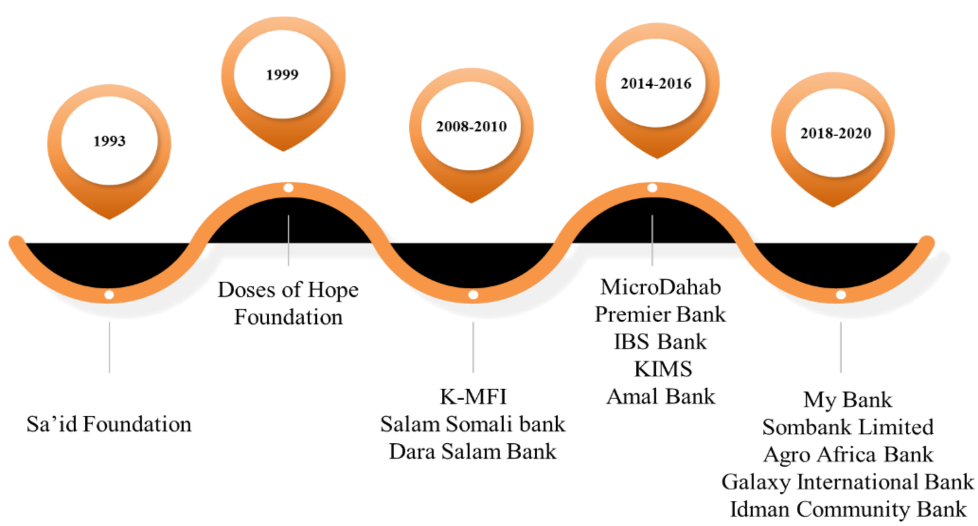
In Somalia, the microfinance system remained unregulated or uncontrolled (World Bank, 2019). There is little information about the history of microfinance due to the collapse of the economic system of the country. We can say that the first time reached microfinance in Somalia was in the 1990s when the Sa’id Foundation outset its micro-credit program in Mogadishu in 1993. The institution received it is initial capital of investment from Oxfam America in 1996 (Mahadale et al, 2020). In 1999 the Doses of Hope Foundation (DHF) started the microfinance program in Somaliland with 150 women.

[1] Somalia become one state when the two Somalia came together in 1960, Mogadishu (colonized Italy) and Hargeisa (colonized British). However, when the central government collapsed in the 1990s, the country was divided into different states. Somaliland (Northern Somalia) declared its self-independence in 1991 but has not been recognized by Mogadishu or internationally. (Felter, 2018)

Between 1999 and 2017 the microfinance project reached 7000 clients, 80 percent were low-income and women. DHF transformed the microfinance project into an autonomous MFIs known as Kaaba Microfinance Institution (K-MFI) in 2008. K-MFI product is based on sharia rules and they mainly offer *Murabaha*, *Musharaka*, and *Ijara* products (Mohamed, 2019; *Kaaba MFI Website*, 2022).

Additionally, Salam Somali Bank established microfinance in 2010 in Mogadishu to alleviate poverty in the society and help low-income people. In 2014 Kaah International Microfinance Services (KIMS) started the microfinance program in Hargeisa, intending to alleviate poverty and participate in the social and economic development of Somalia. KIMS offers *Murabaha* and micro-savings accounts, targeting poor people, especially small businesses, retailers, women, home businesses, fisheries, and market traders (Mohamed, 2019). Recently, KIMS provided $ 14 million to more than 13,700 MSMEs clients with a portfolio value of $3.8 million. At the end of 2022, KIMS aims to provide access to funding for 50,000 Somalis and manage an active portfolio of US$13 million to create 25,000 jobs (Refugee Investment Network website, 2019). The following figure will present the history of Somalian microfinance.

Figure 2: History of Somalian Microfinance



Source: Author

Currently, eleven MFIs are operating in Somalia, and they are either affiliated as subsidiaries of commercial banks or registered as NGOs. This includes Dahabshiil Bank (MicroDahab), IBS Bank, Premier Bank, Amal Bank, Salam Somali Bank, Agro Africa Bank, Galaxy International Bank, Sombank Limited, Dara Salam Bank (Kobciye Microfinance) K-MFI, and KIMS.

In addition, My Bank and Idman Community Bank are planning to open a microfinance program soon. MFIs that are affiliated with the commercial banks generally work in the same regions as their parent institutions, while NGOs operate in urban areas such as Mogadishu, Hargeisa, Kismayo, and Garowe. The products that offer MFIs are based on sharia finance, and the most common financial instruments they use are *Qard Al-Hassan*, donations, and *Murabaha*. The asset size of MFIs players in the country ranges from US$0.3 million to US$3 million and their average loans stand around US$1,000, and it is for consumption and business. Finally, MFIs lend for both commercial and private purposes. (UNIDO, 2020) The following table will provide background information about the MFIs operated in Somalia.

Table 5: Microfinance Institutions in Somalia

Institution name	**Year founded and operated area**	**Type**	**Model of finance**	**Focused area/ clients**
Kaaba Microfinance	2008 Somaliland	NGOs	Profit based model	Female Youth
Salam Somali bank	2009 Mogadishu	Private bank	Charity model	NF
Dara Salam Bank	2010 Hargeisa	Private bank	Profit based and charity model	Small business Rural area Agriculture Women
Micro Dahab	2014 All Somali	Private bank	Profit based model	Renewable energy Fishing Livestock Agriculture Youth And women
Premier Bank	2014 Mogadishu & Hargeisa.	Private bank	Charity model	NF
IBS Bank	2015 Mogadishu	Private bank	Group and individual model	NF

Kaah International Microfinance Services	2015 All Somalia	NGOs	Profit based and charity model	Female Rural area Youth
Amal Bank	2016 All Somalia	Private bank	Charity model	NF
Sombank Limited	2018 All Somalia	Private bank	Profit based model	NF
Agro Africa Bank	2019 Mogadishu	Private bank	Grameen bank model	NF
Galaxy International Bank		Private bank	Charity model	NF

Note: NF stands for not found. Source: Website of the banks and questionnaire collected by the author from theinstitutions

Based on the above table, we found that most of the MFIs operating in Somalia are affiliated with commercial banks, and NGO, MFIs are very limited in the country. We also found that the clients of MFIs are mostly young people, women, and entrepreneurs. Moreover, the country's MFIs are investing in renewable energy, fishing, livestock, and agriculture, and focusing on the rural areas to alleviate poverty and boost economic development.

Like other countries, MFIs in Somalia also aim to provide education services, financial services, and health services to the poor to alleviate poverty in the country, encourage the development of new businesses, create jobs, and participate in the economic development in Somalia. (Ali, 2021)

4.4. ISSUES AND CHALLENGES FACED BY ISLAMIC MICROFINANCE AROUND THE WORLD

This section explores the general challenges facing IsMF in the world. The issues and challenges facing the IsMF differ from country to country. For instance, the IsMF in Turkey faces many difficulties such as lack of shariah governance, insufficient government support, lack of qualified employees in shariah rules, and lack of advertising and diversified products (Abbara, D. Shehi, Q. Bukari, 2019). In Pakistan, the IsMF faces many challenges including, political interference, lack of diversified products, high transaction cost, competition, lack of management capacity in MFIs, lack of public awareness, improper regulations, and insufficient investment in agriculture development (Muhammad, 2010).

According to (Azmi, N. N. I. N. M., & Thaker, 2020), the challenges facing IsMF in the MENA region are the lack of appropriate infrastructure, governmental and administrative problems, limited market access, inadequate financial and operational capabilities, lack of innovation and diversified products, and slow growth and development in the IsMF industry. A similar study conducted by (Hersi, 2018) in the IGAD region revealed that the IsMF faces many challenges such as insufficient human capital, lack of shariah board, legal and regulatory framework problems, lack of diversified products, moral hazard problems, and lack of public awareness. The issues and challenges facing the IsMF in the world are listed below:

4.1.1. Lack of Shariah Supervisory Board

The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) defined the Shariah Supervisory Board (SSB) as *" an independent body which has the duty to direct, review and supervise the Islamic Financial Institutions (IFIs) operations to comply the Sharia rules."*(Fakhruddin & Jusoh, 2018) The members of SSB are typically eminent scholars and jurisprudence experts who confirm compliance of financial products and consistency of operations with Sharia. However, referring to the review of IsMFIs shows that none of them have instituted SSB because this approach is expensive. The challenge facing MFIs is therefore to look for an alternative to the above approach. (Obaidullah and Khan, 2008). Therefore, it is essential to set up a local and international SSB because they play a vital role in the industry, as they ensure the eligibility of IsMF products and whether they are sharia compliant (Abiodun, 2009).

4.1.2. Lack of Product Diversification

Despite the various models of Islamic finance, IsMF has highly remained *Murabaha* centric. Even *Ijarah* has not seen many takers in contrast to the prevailing Islamic finance. Even though profit-loss-sharing (PLS) financing is thought acclaimed as "ideal", is rarely used. The "actual" number of enterprises based on *Zakah*, *Awqaf*, and *Qard Al-Hassan* is not close to the vast potential these enterprises and tools offer. In addition, voluntary savings, insurance, deposits, remittance, and other fee-based services are not offered. Islamic financial institutions mostly prefer the debt-based model rather than the PLS model for the following reasons: First, PLS mechanisms require long-term engagement by MFIs in the form of technical/business assistance which raises the cost of execution. Second, PLS risk is extremely high as the profit remains uncertain.

The MFIs face challenges when using PLS as it is difficult to predict their cash follow due to the weekly earnings fluctuating, and micro-entrepreneurs make the task doubly difficult by not keeping accurate accounts. Third, it is difficult for the loan officers and borrowers to understand the PLS model because the repayment process is complex (Obaidullah & Khan, 2008).

4.1.3. Divergent Customers' Perceptions

Customers have different perceptions toward *Qard Al-Hassan*, *Murabaha*, and *Mudarabah*, which makes implementing and evolving IsMF challenging, and their lack of knowledge of jurisprudence rules that govern the interest-free (*Riba*) mechanism caused additional challenges in IsMF.

First, customers seem to display an initial preference for *Mudarabah*, which has a profit-sharing mechanism. However, only a few understand that the profit-sharing mechanism may, under a specific design, make it more expensive than other Islamic finance alternatives. Secondly, some customers are aware of the discrepancy between the microfinance programs and borrowers in determining profits. Additionally, the borrowers may also prefer not to disclose their profits to the program.

In addition, customers' perception of a *Qard Al-Hassan*, an interest-free loan is also causing some concern due to its 'pure' form. Although Shariah distinguishes between the concept of *Qard Al-Hassan* and *Sadaqah*, some borrowers may interpret it as free. On the other hand, some borrowers understand the distinction between *Qard Al- Hassan* and *Sadaqah* and accept the need for repayment but the pliability in this mechanism does not determine 'when' to do so. In a nutshell, customers' perception of *Qard Al-Hassan* as free money that does not need to be repaid or paid at any time they want due to the flexibility of this mechanism, which does not specify when to repay, creates a significant challenge for the IsMFIs.

Moreover, when it comes to *Murabaha*, which is related to the buy and resale mechanism, some clients are concerned about its resemblance to the practice of fixed interest rates. However, when this concern is properly addressed, it is acceptable by the local religious leaders and customers, as they understand and accept that the cost incurred in implementing the microfinance program has been recovered to ensure the continuity of the program. They also appreciate the model's transparency, which provides equal installments. It is easier to monitor and administer (Mansori, Kim, & Safari, 2015).

4.1.4. Divergent Views Among Scholars

Different views among Islamic scholars regarding some models of finance such as *ijarah* and *Murabahah* is another issue facing IsMFIs which makes some IsMF feel inconvenient toward such modes and see them as interest-bearing schemes (Abiodun, 2009).

4.1.5. Linkages With Banks and Capital Market

If microfinance will contribute to the build of inclusive financial systems, it must evolve strong linkages with the capital market and the formal banking sector. However, the weak links with commercial banks and capital markets and a lack of interest in microfinance due to the lack of guaranteed systems can pose a challenge to the microfinance sector (Riwajanti, 2015).

4.5. ISSUES AND CHALLENGES FACED BY THE MICROFINANCE INSTITUTIONS IN SOMALIA BEFORE COVID-19

This section analyses the issues and challenges faced by the MFIs in Somalia before Covid-19. The MFIs in Somalia face many issues and challenges that hinder their progress and alleviation of poverty in society. (Dahir, 2015) investigated the challenges faced by MFIs in Somalia, particularly in Mogadishu. The study found that IsMF played a vital in alleviating poverty among low-income people. However, Somalian MFIs have faced many difficulties including insufficient government support, credit risk, limited management capacity of microfinance, lack of public awareness, legal and regulatory framework problems, and insufficient funding from donors. Additionally, Somalian MFIs face a serious problem in the case of dealing with defaulters due to the absence of the financial sector (Mudey, H. M., 2020).

Another challenge that Somalian MFIs face is the lack of International SSB. Each MFIs in the country has it is own SSB, while it is recommended to set up an international SSB that consists of *Shairah* and economic experts. Over that, lack of professional skills, company performance, financial disclosure, and lack of effective reporting to attract external users are other challenges that face Somalian microfinance (A. M. Mohamed, 2019). Thus, disclosing information to the public, training the staff, and holding seminars and conferences may help to raise the awareness of the public and enhance the performance of IsMF.

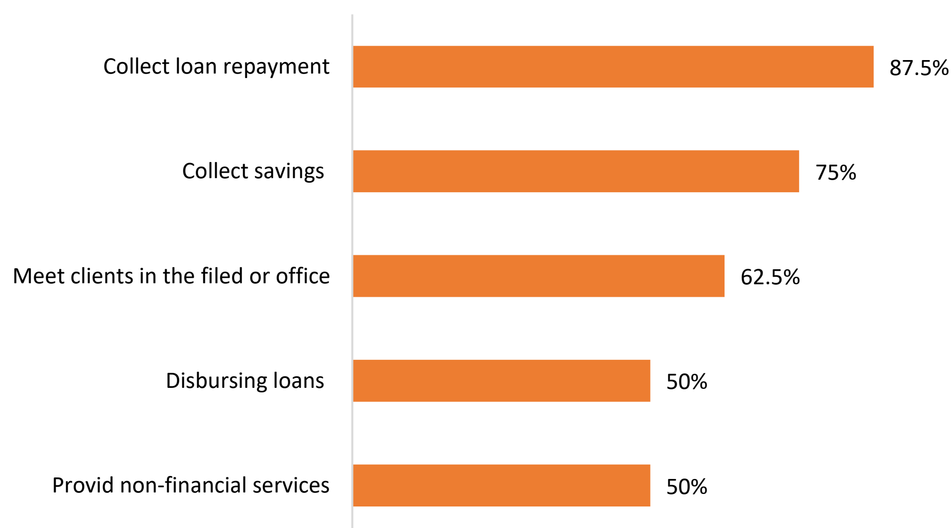
4.6. CHALLENGES ENCOUNTERED BY THE MICROFINANCE INSTITUTIONS IN SOMALIA DURING COVID-19

This section analyses the issues and challenges faced by the MFIs in Somalia during Covid-19. We divided the challenges encountered by the MFIs into two main categories. In the first part of the interview, we asked MFIs about the operational challenges they faced during Covid-19. Whereas, in the second part of the interview, we asked them about the financial hardships they faced during the Covid-19.

4.6.1 Operational Difficulties

Covid-19 has affected and hampered most microfinance activities due to the covid-19 spread containment policy that prohibits people from gathering. This caused to face MFIs several operational challenges like difficulty for the staff to meet clients in the field or office, disbursing loans, difficulty to provide non-financial services, collect loan repayment and savings in the usual way. The following figure will analyze the operational difficulties encountered by the MFIs in Somalia.

Figure 3: Operational Difficulties Faced by MFIs



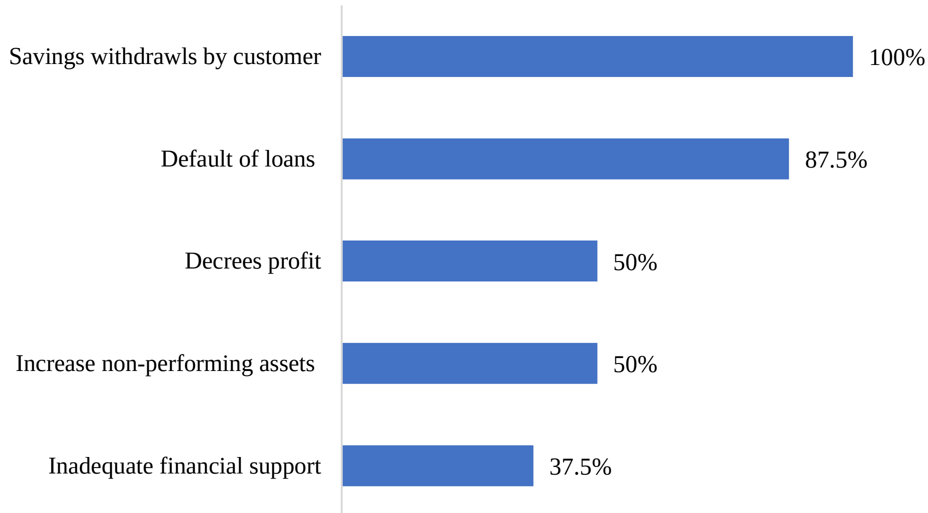
SMFIs have faced several operational challenges like other MFIs in the world. Figure 3 indicates that more than half of the SMFIs had difficulty in collecting loan repayment, collecting savings in the usual way, and difficulty for staff in order to meet their clients in the offices during the lockdown of Covid-19. Moreover, half of the institutions that participated in the survey had difficulty in providing non-financial services such as (training, health, education, and other services) and disbursing loans in the usual way. Hence, these operational challenges have led to the emergence of other financial difficulties for all MFIs such as liquidity crunch, risk management, and increased withdrawals by clients.

The above discussion supports a study conducted in Bangladesh by (Mujeri et al, 2020) where 59 MFIs participated in the study and the result of the highlighted that 88 percent of the MFIs had difficulties in providing non-financial services such as business development, training, education, health, and other services whilst 85 percent of them faced difficulties in meeting clients at the filed. Difficulty in collecting loans, disbursing new loans as usual, and difficulty for staff to meet micro-enterprises or work were among other challenges faced MFIs in Bangladesh during Covid-19. A similar study conducted in India reports that MFIs face difficulties in collecting loan repayment due to the Covid-19 which hampered the economic activities and declined the income of the microfinance clients because of the restricted market activities. Moreover, the Covid-19 virus has caused poor relations between MFI employees and clients due to the restrictions of the pandemic (Sangwan et al, 2021).

4.6.2 Financial Difficulties

The emergence of Covid-19 has caused a significant impact on economic activities in the world. Like other economic sectors, the MFI sector also faced financial challenges such as an increase in default of loans due to the Covid-19 which severely affected the income of the microfinance clients, resulting in a decline in their repayment duties. This led to an increase in the non-performing assets and a decrease in the loan portfolio. The following figure will analyze the financial difficulties encountered by the MFIs during Covid-19.

Figure 4: Financial Difficulties Faced by MFIs



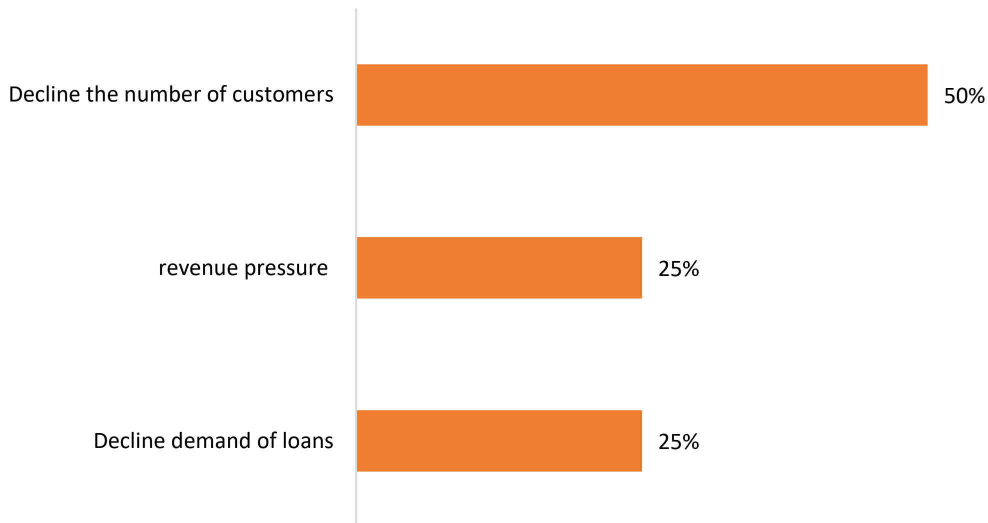
As shown in figure 4, All MFIs that participated in the survey reported that they experienced an increase in savings withdrawals by customers. 87.5 percent of the MFIs have experienced an increased default of loans, while half of the surveyed MFIs face a decline in profit and an increase in no-performing assets. In addition, 37.5 percent of MFIs face inadequate financial support from donors. Thus, these financial difficulties present a challenge to the MFI sector in the short term.

A study that investigated countries in Asia, Africa, Europe, and South America revealed that Covid-19 caused several financial difficulties for MFIs such as a significant slowdown in the loan portfolio and an increased portfolio at risk.

However, some MFIs surveyed experienced liquidity shortages. Increased expenditures on equipment and materials, significant depreciation of the local currency against the dollar, increase savings withdrawal by customers, and repayment difficulties for financiers were among other financial challenges encountered by the MFIs in these countries (Campos, Foschl, & Dunkel, 2020). Another study conducted in Somalia by (Afrah, N.A. & Mohamed, 2021) revealed that Covid-19 affected MFIs as it caused an increase in the portfolio at risk, a high rate of savings withdrawals, and a lack of financial liquidity.

Figure 5 analyzed other challenges faced by MFIs during Covid-19 including revenue pressure, number of customers, and demand for loans.

Figure 5: Other Challenges Faced by MFIs During Covid-19



The result in figure 5 shows that 50 percent of the surveyed institutions experienced a decrease in the number of customers and 25 percent of them experienced a decrease in the demand for loans. While 25 percent of the institution says that they experienced revenue pressure due to the Covid-19. The above finding is supported by a study by (World Bank 2021) which revealed that Pakistani MFIs have seen a slight drop in loan demand because Covid-19 has reduced people's income.

As the result of the interview, we can see that default of loans, savings withdrawals, collecting loan repayments and savings, and meeting clients face to face were the main financial and operational challenges faced by MFIs in Somalia during Covid-19. The following table will compare issues and challenges faced SMFIs before and after Covid-19.

Table 6: Issues and Challenges Faced by MFIs Before and Post Covid-19

Before Covid-19	**After Covid-19**
• Legal and regulatory framework • Lack of international SSB and Islamic economic experts • Credit risk	• Difficulties in collecting loan repayment and savings • Difficulties in meeting clients in the field or offices

• Insufficient government support • Lack of public awareness • Lack of professional skills • Lack of effective reporting to attract external users	• Difficulty in disbursing loans • Difficulty in providing non-financial services such as training • Liquidity Crisis • Increase default of loans • Increase non-performing assets • Increase saving withdrawal • Decrease profit • Decrease the performance of MFIs • Decrease the number of clients • Decrease demand for loans

CHAPTER FIVE: FINDINGS AND ANALYSIS OF THE QUESTIONNAIRE SURVEY

5.1. INTRODUCTION

This thesis attempts to explore the impact of covid-19 on MFIs in Somalia. Hence, this section presents the result and findings of the survey. The impact of Covid-19 on SMFIs, the model of microfinance they use. The study participated in eight MFIs operating in Mogadishu and Hargeisa.

5.2. DEMOGRAPHIC INFORMATION

This section analyses the first part of the survey, including the name of the institutions, operated area, number of branches, model of microfinance, and the legal status of the institutions.

Table 5 presents the demographic background information of the Somalian microfinance institutions that participated in the study.

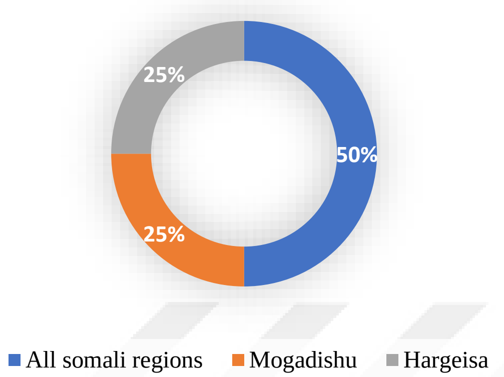
Table 7: Background Information on MFIs

Name of the institution's	Number of branches	The legal status of the institutions
Agro Africa Bank	2	Private
Amal Bank	11	Private
Darasalaam Bank	35	Private
Dahabshiil Bank	39	Private
Galaxy International Bank	1	Private
IBS Bank	13	Private
Premier Bank	7	Private
Sombank Limited	13	Private

According to the above table, eight institutions participated in the study, and all of them were private. In addition, all surveyed MFIs are affiliated as subsidiaries of commercial banks.

The second question in the demographic information party focuses on the area operates MFIs in the country.

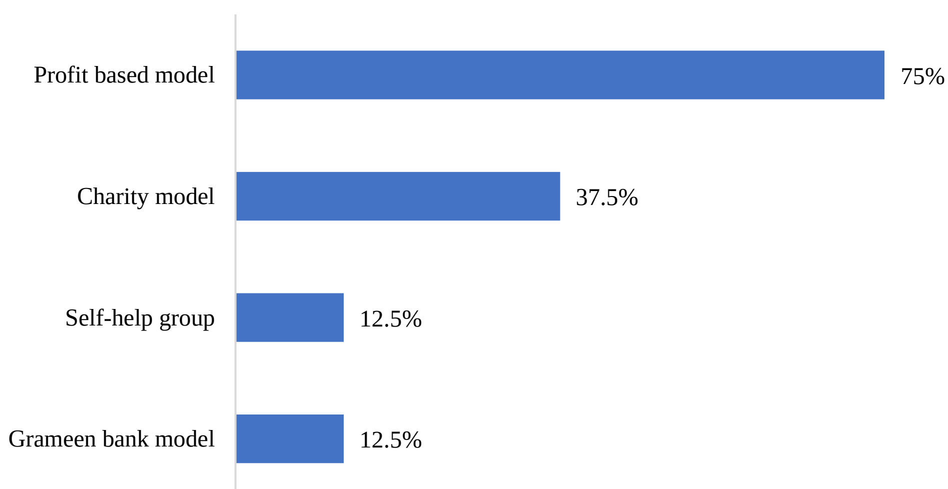
Figure 6: Institutions Operated Area



The result in figure 6 shows that 50 percent of Somalian microfinance has branches in all Somali regions, while 25 percent of MFI operate in Mogadishu and the other 25 percent in Hargeisa.

The fourth question in the demographic information party is about the model of microfinance that uses MFIs in Somalia.

Figure 7: Model of Microfinance



The result in figure 7 shows that 75 percent of Somalian microfinance that participated in the study used a profit-based model (*Mudarabah*, *Murabaha*, and *Musharakah*). While 37.5 percent use the charity model (*Qard Al-Hassan*, *Waqf*, and *Zakah*). In addition, 12.5 percent of the SMFIs uses self-help group, whilst other12.5 percent of them uses the Grameen bank model. From the above result, we can conclude that more than half of the SMFIs use the profit-based model or charity model.

5.3. IMPACT OF COVID-19 ON SOMALIAN MICROFINANCE

This section analyses the second part of the survey by using the following variables: impact of Covid-19 on MFIs, reduce lending, number of projects, the default of repayments, customer indulgence, savings, liquidity crisis, financial support, laid employees, closure of branches, and performance of MFIs. Table 8 will analyze questions: impact of Covid-19, reduce lending, number of projects, the default of repayment, customer indulgence, and saving withdrawals.

Table 8: Impact of Covid-19 On MFIs

Variable Name	Frequency	Percent %	Mean and Std.Dev
To what extent does covid-19 affect your institution			
Positive Natural Negative	1 4 3	12.5 50 37.5	0.62[0.74]
To what extent your institution reduces lending because of Covid-19			
Reduced less than half	8	100	1[0]
Does the project number offered by your institution decrease because of Covid-19			
Yes No	6 2	75 25	0.25[0.46]
Did the default of repayment debt during covid-19 increased			

Yes No	6 2	75 25	0.25[0.46]
To what extent is your institution offering indulgence to customers			
High Medium Low	2 6	25 75	1.75[0.46]
To what extent has your institution faced an increase in savings withdrawals			
High Medium Low	1 5 2	12.5 62.5 25	1.37[0.91]

From table 8, we found that half of the surveyed MFIs are naturally affected by the Covid-19 while the number of MFIs that are affected negatively is higher than those affected positively. Where 37.5 of the MFIs were affected negatively while only 12.5 percent experienced a positive effect during the pandemic. In other words, the way Covid-19 affects SMFIs varies from one institution to another, as some of them were affected negatively whilst others were affected either positively or naturally. We can say the reasons behind affecting Covid-19 positively to some MFIs can be an increased demand for loans due to the Covid-19 which decline in the income of the people. However, the number affected naturally is higher than the number affected positively or negatively. This supports a study conducted by (Dąbrowska, Koryński, & Pytkowska, 2020) which reveals that most of MFIs have been naturally affected by Covid-19, as the institutions diminished their lending activities or employee wages and showed good resilience to overcome this situation.

The result also shows that all MFIs that participated in the survey have reduced lending by more than half. Additionally, 75 percent of the MFIs have declined the number of projects they offer to their clients due to the Covid-19. More than half of the institutions experienced an increase in debt defaults during Covid-19, while 25 percent of them did not experience any increase in loan defaults.75 percent of MFIs offered their customer indulgence at a moderate level, while 25 percent offered it at a high level. However, 62.5 percent of MFIs witness an increase in savings withdrawals at a moderate level and 25 percent at a low level, while only 12.5 percent of them witness an increase in savings withdrawals at a high level.

This supports a study conducted by (Mercy Corps, 2020) which reveals that SMFIs in the Ethiopia region have quit offering loans to any new customers and experienced an increase in default of loans and a decrease in saving deposits due to the Covid-19.

Table 9 analyzed questions regarding the financial crisis, financial support, closure of branches, laying off some employees, and decline in their performance.

Table 9: Impact of Covid-19 on MFIs Continuous

Variable Name	**Frequency**	**Percent %**	**Mean and Std.Dev**
Did your institutions face a liquidity crisis because of Covid-19?			
Yes No	3 5	37.5 62.5	0.62[0.51]
If yes, have you got financial support from any institution or organization?			
Yes No	1 7	12.5 87.5	0.87[0.35]
Did covid-19 have caused the closure of any branches of your Institution?			
Yes No	- 8	- 100	1[0]
Has your institution laid off some employees due to Covid-19?			
Yes No	1 7	12.5 87.5	0.87[0.35]
Did Covid-19 have declined the performance of microfinance?			
Yes No	7 1	87.5 12.5	0.12[0.35]

As shown in table 9, more than half of MFIs have not experienced a liquidity crisis, and only 37.5 percent of them experienced this crisis. 87.5 percent of the institutions that participated in the survey had not laid off their employees and did not receive financial support from any institution or organization because most of the MFIs dealt with the liquidity crisis using their reserve funds and shareholders' equity. However, 12.5 percent of the institutions laid off their employees and got financial support from the Somali stability fund organization.

The result also shows that all surveyed MFIs have not closed any of their branches due to the Covid-19. Moreover, 87.5 percent of the surveyed MFIs mentioned that Covid-19 has declined the performance of MF while 12.5 percent of them reported that Covid-19 did not affect the performance of the MFIs. From the above results, we can find that MFIs have shown good resilience to overcome the Covid-19 crisis as they reduced their lending activity and managed to avoid a liquidity crisis.

As a result of the survey, we can find that Covid-19 has moderately impacted the MFIs in Somalia as all the institutions that participated in the survey reduced their lending activity to less than half and declined the number of projects they offer to their clients. However, Covid-19 has affected the performance of MFIs, even though half of the institution has not experienced a liquidity crisis.

CHAPTER SIX: CONCLUSION

6.1. INTRODUCTION

This chapter concludes the result and analysis of the study and it consists of four sections. The first section focuses on the conclusion of the study. The second section presents practical solutions whilst the third section discusses the implementation of the study and recommendations for future research. The fourth section is the limitation of the study.

6.2. CONCLUSION

Historically, the MF program began in German in the nineteenth century and become popular in the 1970s when Muhammed Yunus started the Grameen Bank model in Bangladesh and reached Africa in the 1980s. Microfinance reached Somalia in the 1990s and eleven MFIs are currently operating in the country. The products offered by SMFIs are shariah-compliant and they heavily use the charity model and profit-based model. The challenges faced by IsMFIs around the world are divergent customers' perceptions, lack of SSB, lack of product diversification, divergent views among scholars, and weak linkages with the banks and capital market.

Before Covid-19, SMFIs faced several challenges including the legal and regulatory framework, lack of international SSB and Islamic economic experts, credit risk, insufficient government support, lack of public awareness, professional skills, and lack of effective reporting to attract external users.

Covid-19 has severely damaged the global economy due to the restriction on business activities. This matter caused many people to lose their jobs and lower their income resulting in difficulty repaying their loans. Covid-19 has affected MFIs and caused several financial and operational challenges such as increased loan defaults, financial crunch, increasing savings withdrawals, difficulty in collecting loans and savings, and many other challenges. Thus, this study looks at how the Covid-19 virus has affected MFIs in Somalia, the challenges they have encountered, and how to overcome those challenges.

The result showed that half of the surveyed MFIs had a moderate impact on Covid-19 as all institutions reduced their lending activity, and more than half of them reduced the number of projects they offer their clients due to the Covid-19. It also exposed that 75 percent of MFIs experienced an increase in default of loans whilst 62.5 percent experienced a moderate level of savings withdrawals.

The result also showed that fewer MFIs faced a liquidity crunch, yet 87.5 percent of them confirmed that Covid-19 affected the performance of MFIs. Half of the institutions faced declining in the number of clients, while a fewer of them faced decline demand for loans. Moreover, 12.5 percent of MFIs laid off some of their staff, while 87.5 percent dealt with the liquidity crunch using their reserve fund and shareholders' equity.

In addition, Somalia MFIs also faced several operational challenges such as meeting clients in the field or office, disbursing loans, providing non-financial services, and collecting loan repayment and savings. These operational challenges have led to financial challenges for the MFIs such as the default of loans, increased savings withdrawals by clients, increased non-performing assets, lower profit, and insufficient financial support from donors.

To overcome these challenges, it is suggested for MFIs to have a diverse financial portfolio, increase investment, rescheduling loans, increase disbursing, government support, and use various sources of the capital market such as crowdfunding and peer-to-peer lending.

6.3. PRACTICAL SOLUTIONS

To overcome the impact and challenges of Covid-19 on MFIs in Somalia, this study recommended the following points:

- Encourage financial service providers to lend to businesses and MSMEs to assisst them recover from the crisis.
- Create an opportunity for both young people and farmers to reduce the economic deficit of the country.
- Utilize the rising demand for mobile money to assist MFIs in accelerating the adoption of digital solutions by expanding mobile money agents and providing help for business door-to-door marketing.
- Provide financial service providers with technical assistance and strategic financial support to enable them to implement loan rescheduling initiatives aimed at micro and small businesses.
- Support and technical assistance mechanisms for MFIs that catalyze and enable them to provide loans to help companies recover quickly and effectively once the crisis is over, thus stimulating recovery and job creation.

- Encourage to take the advantage of the various sources from the capital market such as venture capital using Mudarabah, crowdfunding, and peer-to-peer lending using the different Islamic contracts such as Musharakah, Mudarabah, Murabaha, and ijarah.
- To overcome the financial crisis, MFIs have indicated the importance of diversifying the financial portfolio through investing projects.
- To overcome loan default, MFIs have indicated the need to provide strategic financial assistance to implement loan rescheduling initiatives targeting defaulters and those delaying loan repayment. In addition, MFIs should put effective action to decline loan defaults, remodel the selection process by taking Covid-19 issues into account, and provide loans to borrowers who are likely to repay the loan.
- The problem of increasing the non-performing assets can be solved by rescheduling and making financial statement analyses, checking the performance of institutions, and tracking the repayment of the borrowers. Moreover, the borrower is required to provide personal guarantees to secure the loan, and the guarantor must repay the loan in full to avoid a default of the loan.
- The problem of declining profits can be solved by increasing disbursements and enhancing customer services to attract more customers. This will increase saving deposits, increase investment, and keep non-performing assets low. In addition, leniency in credit restructuring for 12 months to maintain the level of health, liquidity, and profitability of institutions.
- Increasing savings withdrawals by the customer can be solved by providing indirect benefits to the customer who has a certain amount of savings in the bank like the customer will be eligible for a loan for a certain period at a discount rate.
- The performance of the MFIs can be increased by making good strategies and policies that will help develop and encourage households to take advantage of MFIs, and finance the agriculture sector which enables the institutions to generate more profits and increase the production of the country since agriculture consider one of the economic backbones of Somalia (Laitin, D. D., & Samatar, 1984). In addition, introducing innovative digital financial services that provide quick and easy access to microfinance services without the need to meet in person would solve the difficulties in meeting the customers face to face during pandemics.
- Disclosure of information to the public would help enhance the operating performance of institutions, so MFIs in Somalia would be better off disclosing their information to the public.

So, if they disclose their information to the public by publishing annual reports of the institution, it will enhance their reputation and give opportunities to attract many investors and donors.

- The Covid-19 crisis can be reduced by taking the vaccine to decline the spread of the virus and increase the awareness of the people.
- The government should assist MFIs during the pandemics by reducing the taxations and supporting them financially using A*wqaf* and charity models.
- The government should set regulations that can attract more international donors to come and invest in the country by supporting the financial institutions, which will assist the financial institutions to provide more loans and generate more profit. At the same time, the government should provide financial support to SMEs as this will enhance the stability of MFIs as the microfinance customer will be able to repay their loans.
- Domestic and international MFIs should come together to address the impact and challenges of Covid-19 on MFIs.
- Doing further research regarding this important topic, particularly the impact of Covid-19 on MFIs in Somalia in the short and long term.

Table 10: Challenges Faced by MFIs and its Practical Solutions

Category	**Issues and challenges**	**Solutions**
Operational	• Collect loan repayment and savings • Meet clients in the field or office • Disbursing loans • Provide non-financial services	• Come up with good strategies and plans • Loan restructure • Discover new digital solutions to manage the products and services with clients
Financial	• Liquidity crisis • Default of loans • Increase non-performing assets • Increase saving withdrawal • Decrease profit • Decrease the performance of MFIs	• Diversifying the financial portfolio • Doing financial statement analyses, checking the performance of institutions, and tracking the repayment of the borrowers.

		• Loan rescheduling and taking effective action to decline loan defaults • Take advantage of the various source from the capital market, such as crowdfunding, peer-to-peer lending venture capital, and many others • Provide indirect benefits to the client • Increase disbursement and enhance the client services • Increase investments

6.4. IMPLICATION OF THE STUDY AND FUTURE RESEARCH

This study aims to examine the impact of Covid-19 on MFIs in Somalia and the main challenges they faced during the Covid-19, and how to overcome these challenges. It also aimed to explore the financial institutions in Somalia, their types, their size, and their activities. Therefore, this study is important for both the Somali Central Bank and MFIs because understanding the challenges will assist the institutions to eliminate these challenges and enhance the performance of MFIs. Previous similar studies conducted their studies from the perspective of small businesses, micro and macroeconomics of Somalia, and customers, but this study was conducted from the perspective of MFIs staff. A promising area for future studies would be the issue and challenges faced by NGOs who offer IsMF programs in Somalia. In addition, future research could be conducted on a comprehensive case study for all regions of Somalia. This thesis focused on the challenges faced by MFIs and some other issues and challenges found that need further analysis. For example, credit risk, law difficulties, and challenges face clients who default on their repayment due to financial problems and other problems that face both clients and MFIs.

6.5. LIMITATION OF THE STUDY

Every study has limitations, and among the limitation this study was its only focused on the private sector of IsMFIs in Mogadishu and Hargeisa and does not focus on the NGOs that offer microfinance programs and that's because it was difficult for the researcher to contact them due to the insecurity issues and Covid-19 restrictions during the time of conducting this study. This thesis focus on the impact of Covid-19 on MFIs in Somalia and the challenges they face during Covid-19.

REFERENCES

Abbara, D. Shehi, Q. Bukari, B.O. 2019. "Prospects and Challenges of Islamic Microfinance in Turkey." : 1–17.

Abdelkader, I. B., & Salem, A. B. 2013. "Islamic vs Conventional Microfinance Institutions: Performance Analysis in MENA Countries." *International Journal of Business and Social Research* 3(5): 219–33. https://www.researchgate.net/profile/Ines-Ben-Abdelkader-2/publication/262063178_Islamic_vs_Conventional_Microfinance_Institutions_Performance_analysis_in_MENA_countries.

Abdul Rahman, A. R. 2007. "Islamic Microfinance: A Missing Component in Islamic Banking Kyoto Bulletin of Islamic Area Studies." *Journal of Chemical Information and Modeling* 1(2): 38–53.

Abiodun, S.A. 2009. "Islamic Microfinance in the Contemporary World: A Survey of Its Prospects and Challenges." http://www.academia.edu/14381045/Islamic_Microfinance_in_the_Contemporary_World_a_Survey_of_Its_Prospects_and_Challenges_in_Ijebu-Ode_Ogun_State_Nigeria.

ADA. 2021. "Microfinance Clients Facing the COVID-19 Crisis : From Findings to Action for MFIs."

ADB. 2000. "Finance for the Poor: Microfinance Development Strategy." *Rural Asian study: Beyond the Green Revolution*: 1–52. http://www.syngentafoundation.org.

Adebola, Bako Yusuf, Oyegoke Adebusola Adebola, Idowu Afolasade Florence, and Aderemi Timothy Ayomitunde. 2021. "Microfinance Banks, Small and Medium Scale Enterprises and COVID-19 Pandemic in Nigeria." *European Journal of Economics, Law and Politics* 8(2): 1–10.

Afrah, N.A. and Mohamed, A.M. 2021. "Economic Impacts of COVID-19 on Microfinance Institutions and Small Businesses: Empirical Survey from Somalia." *European Journal of Business and Management* 13(6).

Ahmad, S., Lensink, R., & Mueller, A. 2020. "The Double Bottom Line of Microfinance: A Global

Comparison between Conventional and Islamic Microfinance.” *World Development* 136: 105130. https://doi.org/10.1016/j.worlddev.2020.105130.

Ahmed, H. 2002. “Financing Microenterprises: An Analytical Study of Islamic Microfinance Institutions.” *Islamic Economic Studies* 9(2): 27–64. http://www.isdb.org/irj/go/km/docs/documents/IDBDevelopments/Internet/English/IRTI/CM/downloads/IES_Articles/Vol 9-2..Habib Ahmed..Financing Microenterprises..dp.pdf.

Ahmed, Mamdouh H. 2016. “Micro Takaful Insurance as a Tool to Guaranteeing Financing and Protecting Micro Enterprises.” *Journal of Business & Financial Affairs* 05(04).

Al-Shami, Sayed Samer Ali, Izaidin Bin Adbul Majid, Nurulizwa Abdul Rashid, and Mohd Syaiful Rizal Bin Abdul Hamid. 2014. “Conceptual Framework: The Role of Microfinance on the Wellbeing of Poor People Cases Studies from Malaysia and Yemen.” *Asian Social Science* 10(1): 230–42.

Ali, K. I. 2021. “The Effect of Microfinance Service towards Urban Women Empowerment in Hargeisa, Somaliland.” *International Journal of Novel Research in Marketing Management and Economics* 8(3): 7–23.

Amarathunga, H. 2019. *Sustainability and Poverty Outreach in Microfinance: The Sri Lankan Experience: To Resolve Dilemmas of Microfinance Practitioners and Policy Makers.* iUniverse. https://books.google.com.tr/books?hl=en&lr=&id=Ro-qDwAAQBAJ&oi=fnd&pg=PT5&dq=sustainability+and+poverty+outreach+in+microfinance+the+Siri+lank+experience.

Appah, E., John, M. S., & Wisdom, S. 2012. “An Analysis of Microfinance and Poverty Reduction in Bayelsa State of Nigeria.” *Kuwait Chapter of the Arabian Journal of Business and Management Review* 1(7): 38–57.

Azmi, N. N. I. N. M., & Thaker, M. A. B. M. T. 2020. “Literature Survey on Islamic Microfinance.” *Global Review of Islamic Economics and Business* 8(1): 023.

Bagchi B., Chatterjee S., Ghosh R., Dandapat D. 2020. In Coronavirus Outbreak and the Great Lockdown *Impact of COVID-19 on Global Economy.* Springer, Singapore. https://link.springer.com/chapter/10.1007/978-981-15-7782-6_3.

Bank, World. 2019. *Somalia Capacity Advancement, Livelihoods and Entrepreneurship, through Digital Uplift Project.*

Bharamappanavara, Saikumar C. 2013. “Growth and Outreach of Self-Help Groups’ Microcredit Models in India: A Literature Insight.” *International Journal of Social and Economic Research* 3(1): 1.

Campos, E., L. Foschl, and B. Dunkel. 2020. *The Impact of the Crisis on Microfinance Institutions Covid-19: Analyses and Perspectives*.

Canuto, O. 2020. “The Impact of Coronavirus on the Global Economy.” *Policy Center for the New South*. https://www.policycenter.ma/publications/impact-coronavirus-global-economy.

CGAP. 2003. “The Impact of Microfinance Donor Brief No.13, July 2003. Christen,.” *Donor Brief* (13).

Chakraborty, S. 2018. “Effect and Effectiveness of Microfinance in the Presence of Political Environment: A Study of Microfinance Institutions of West Bengal, India.” In *In Microfinance and Its Impact on Entrepreneurial Development, Sustainability, and Inclusive Growth*, IGI Global, 296–307. https://www.igi-global.com/chapter/effect-and-effectiveness-of-microfinance-in-the-presence-of-political-environment/206384.

Dąbrowska, Kinga, Piotr Koryński, and Justyna Pytkowska. 2020. “Impact of COVID-19 Pandemic on the Microfinance Sector in Europe : Field Analysis and Policy Recommendations.” *Microfinance centre* (September): 1–20.

Dahir, A. M. 2015. “The Challenges Facing Microfinance Institutions in Poverty Eradication : A Case Study in Mogadishu.” *International Journal of Humanities Social Sciences and Education (IJHSSE)* 2(2): 56–62.

Dalmar, A. & Farah, B. 2020. *Mapping of Financial Services for SHGs and Barriers for Women to Access Microfinance Services in Somalia*. https://www.concernusa.org/wp-content/uploads/2020/08/Concern-Worldwide-Somalia-Mapping-Financial-Services-Report-May-2020.pdf.

Drexler, B., van Bork, G., Mueffelmann, S., Hashemian, C., Siek, H., Sturm, M., ... & Pytkowska,

J. 2020. *Microfinance in the European Union: Market Analysis and Recommendations for Delivery Options in 2021-2027*.

Ermawati, T., et al. 2021. “The COVID-19 Pandemic and Its Impact on Microfinance Institutions in Indonesia.” *Enterprise Development & Microfinance* 32(1): 93–106.

Fakhruddin, Iwan, and Mohd Abdullah Jusoh. 2018. “Influence of Sharia Supervisory Board Characteristics on the Shariah Compliance.” In *Research Gate*,.

Felter, Claire. 2018. “Somaliland: The Horn of Africa’s Breakaway State.” *Councilon Foreign Relations*. https://www.cfr.org/backgrounder/somaliland-horn-africas-breakaway-state?amp.

Fersi, M., & Boujelbene, M. 2016. “The Determinants of the Performance and the Sustainability of Conventional and Islamic Microfinance Institutions.” *Economics World* 4(5): 197–215.

Goodell, John W. 2020. “COVID-19 and Finance: Agendas for Future Research.” *Finance Research Letters* 35.

Grammen Bank. 2021. “Grameen Bank- At a Glance.” https://grameenbank.org/introduction/.

Harvard University. 2020. “Islam in Somalia.” *RELIGION AND PUBLIC LIFE, Harvard Divinity School*. https://rpl.hds.harvard.edu/faq/islam-somalia#:~:text=Islam is the dominant religion,over 99%25 of the population.

Hersi, R. 2018. *The Prospects and Challenges of Islamic Microfinance in the IGAD Region*.

IMF. 2020. “World Economic Outlook Update : A Crisis Like No Other, An Uncertain Recovery.” *International Monetary Fund*. https://www.imf.org/en/Publications/WEO/Issues/2020/06/24/WEOUpdateJune2020.

Jackson, Ronald L., Darlene K. Drummond, and Sakile Camara. 2007. “What Is Qualitative Research?” *Qualitative Research Reports in Communication* 8(1): 21–28.

Jörg H.A., Janzen. 2022. “Somalia.” *Britannica*. https://www.britannica.com/place/Somalia.

“Kaaba MFI.” 2022. http://kaabamfi.org/index.php/about/about-us.

Kakembo, S. H. & Ahmed, A.U.F. 2019. Pyrex Journal of Business and Finance Management

Research *An Analysis On The Role Of Islamic Microfinance As A Strategy In Meeting The Challenges Of Poverty In The Asian Region : Case Study Of Brunei Darussalam*.

KamolsonSu, Suphat. 2007. “Fundamentals of Quantitative Research.” *Language Institute Chulalongkorn University,*. http://www.culi.chula.ac.th/e-Journal/bod/Suphat Sukamolson.pdf%5Cnhttp://isites.harvard.edu/fs/docs/icb.topic1463827.files/2007_Sukamolson_Fundamentals of Quantitative Research.pdf.

Khan, M. A., & Rahaman, M. A. 2007. “Impact of Microfinance on Living Standards , Empowerment and Poverty Alleviation of Poor People : A Case Study on Microfinance in the Chittagong District of Bangladesh.”

Khan, Ajaz Ahmed. 2008. “Islamic Microfinance.” *Birmingham, UK: Islamic Relief Worldwide.*: 353–65.

KPMG. 2004. “Feasibility Study on Financial Services in Somalia: Updated Final Report.”

Laitin, D. D., & Samatar, S. S. 1984. “Somalia and the World Economy.” *Review of African Political Economy* 11(30): 58–72.

Ledgerwood, J. 1999. *Sustainable Banking with the Poor Microfinance Handbook*.

Mahadale, M. A., Mohamd, A. A., Ali, M. A. H., & Hassan, A. A. 2020. “A Study on the Role of NGOs in Poverty Reduction of Southern Somalia.” *Daffodil International University Dhaka, Bangladesh* (December).

Maikabara, Abdullateef Abdulqadir, Abdulmajeed M.R. Aderemi, and Sri Maulida. 2020. “Investigating the Viability of the Charity Based Model of Islamic Microfinance for Eradicating the Impact of Covid-19 on Social Wellbeing in Nigeria: A Discriptive Analysis.” *Journal of Islamic Economics Perspectives* 2(1): 114–22.

Mansori, Shaheen, Chin Sze Kim, and Meysam Safari. 2015. “A Shariah Perspective Review on Islamic Microfinance.” *Asian Social Science* 11(9): 273–80.

Meisami, H., Manzur, D., & Roayaee, M. 2011. “Islamic vs. Conventional Microfinance: A Comparative Theoretical Analysis.” *International Journal of Business and Managment Tomorrow* 1(1): 67–70.

Mercy Corps. 2020. *Economic Impacts of Covid-19 in the Somali Region of Ethiopia*.

Mohamed, A.M. 2019. “A Comparative Study of Islamic Microfinancing for SMES In Somlia and Nigeria : Experiences, Challenges and Opportunities”.(Doctoral Dissertation, Hamad Bin Khalifa University (Qatar).”

Mohamed, J. I. 2019. “Effects of Microfinance Projects on Small Business Growth in Hargeisa, Somaliland.”

Moreno, R. M. 2020. “How to Support MSMEs so They Overcome the COVID-19.” *The World Bank*. https://www.worldbank.org/en/news/opinion/2020/07/10/brazil-how-support-micro-small-medium-enterprises-overcome-covid-19-coronavirus-shock.

Mudey, H. M., & Wekesa. 2020. “Effect of Credit Policy on Loan Performance of Microfinance Insatitutions in Mogadishu,Somalia.” *Intertnaltional Journal of Advanced Research and Review* 5(4): 20–31.

Muhammad, Sulaiman D. 2010. “Microfinance Challenges and Opportunities in Pakistan.” *European Journal of Social Sciences* 14(1): 88–97.

Mujeri, M K, F Nargis, N Akhter, and F Muneer. 2020. *Covid-19 and MFIs in Bangladesh: Innovations in Resilience Building*. http://inm.org.bd/wp-content/uploads/2020/10/working-pepar-62.pdf.

Muriithi, S. M. 2021. “The Impact of Covid-19 on African SMEs, Possible Remedies and Source of Funding.” *European Journal and Reflection in Management Sciences* 9(1). https://www.researchgate.net/publication/348994142.

Nabi, Golzare, Aminul Islam, Rosni Bakar, and Rafiun Nabi. 2017. “Islamic Microfinance as a Tool of Financial Inclusion in Bangladesh.” *Journal of Islamic Economics, Banking and Finance* 13(1): 24–51.

Network, Refugee Investment. 2019. “Kaah International Microfinance Services.” *Refugee Investment Network*. https://refugeeinvestments.org/opportunities/kims/.

Nyamboga, T. O., & Ali, H. A. 2020. “Influence of Covid-19 on Performance of Small and Micro Enterprises in Kenya: A Case of Kenya Women Finance Trust in Garissa Township Sub

County, Kenya.” *International Journal of Economics, Business and Management Research* 4(11): 168–85. www.ijebmr.com.

Obaidullah, Mohammed, and Tariqullah Khan. 2008. SSRN Electronic Journal *Islamic Microfinance Development: Challenges and Initiatives*.

Otero, M and Rhyne, E. 1994. *The New World of Microenterprise Finance: Building Healthy Financial Institutions for the Poor*. West Hartford: Conn Kumarian Press.

Ozili, Peterson K, and Thankom Arun. 2020. “Spillover of COVID-19: Impact on the Global Economy.” *Available at SSRN 3562570*.

Ponterotto, Joseph G., Jaya T. Mathew, and Brigid Raughley. 2013. “The Value of Mixed Methods Designs to Social Justice Research in Counseling and Psychology.” *Journal for Social Action in Counseling & Psychology* 5(2): 42–68.

Rahman, A. R. A. 2010. “Islamic Microfinance: An Ethical Alternative to Poverty Alleviation.” *Humanomics* 26(4): 284–95.

Riwajanti, N. I. 2015. “Islamic Microfinance Development: Challenges and Development.” *Jurnal Riset dan Aplikasi: Akuntansi dan Manajemen* 1(1): 42–53.

Riwajanti, N.I. 2013. “Islamic Microfinance: A Tool for Poverty Alleviation.” *Afro Eurasian Studies* 2(1&2): 254–71.

Saad, Norma Md, and Dzuljastri Abdul Razak. 2013. “Towards an Application of Musharakah Mutanaqisah Principle in Islamic Microfinance.” *International Journal of Business and Society* 14(2): 221–34.

Saleh, M A K, and K R Manjunath. 2020. “Small and Medium Enterprises in Yemen: Navigating through Additional Obstacles during Covid-19.” In *\In 11th International Conference on Shifting Paradigm in Business, Economy and Society: Vision (Vol. 2050).*, https://www.researchgate.net/publication/345214764.

Samantar, Mohamed Said. 2020. “The Economic Impact of Coivid-19 on Somalia.” *Research Gate*.

Sangwan, Sunil, Narayan Chandra Nayak, Vikas Sangwan, and Ashis Kumar Pradhan. 2021. “Covid-19 Pandemic: Challenges and Ways Forward for the Indian Microfinance Institutions.” *Journal of Public Affairs*.

Shrestha, P. K. 2020. Reserach Gate. *Impact of Covid-19 on Microfinance Institutions of Nepal*.

Smolo, E. 2012. “An Overview of Islamic Microfinance.” *Research Gate*.

Somalia, central bank of. 2021. “Licensed Banks.” *central bank of somalia*. https://centralbank.gov.so/licensed-banks/.

Somalia, Central Bank of. 2018. *Central Bank of Somalia, Annual Report 2018*. https://www.cbsl.gov.lk/en/publications/economic-and-financial-reports/annual-reports/annual-report-2018.

Thaker, Mohamed Asmy Mohd Thas. 2015. Kulliyyah of Economics and Management Sciences International Islamic University Malaysia “A Proposed Integrated Cash Waqf Micro Enterprise Investment (ICWME-I) Model for Mitigating the Financial and Human Capital Development Challenges of Micro Enterprises in Malaysia.”

UNIDO. 2020. United Nations Industrial Development Organization *SOMALIA FINANCIAL SECTOR TECHNICAL REPORT*.

Wajdi Dusuki, Asyraf. 2008. “Banking for the Poor: The Role of Islamic Banking in Microfinance Initiatives.” *Humanomics* 24(1): 49–66.

World Bank. 2020. “Population, Total - Somalia.” *The World Bank*. https://data.worldbank.org/indicator/SP.POP.TOTL?locations=SO.

———. 2021. *Supporting Microfinance to Sustain Small Businesses*.

WTO. 2020. “Helping MSMEs Navigate the COVID-19 Crisis.” *World Trade Organization.* https://www.wto.org/english/tratop_e/covid19_e/msmes_report_e.pdf.

Yuqing, Cui. 2007. “Can Microfinance Change the Lives of the Poor in China?” *Reuters Institute for the Study of Journalism*: 27.

Zeidy, Ibrahim A. 2020. Common market for Eastern and Southern Africa *Economic Impact of*

Covid-19 on Micro, Small and Medium Enterprises (Msmes) in Africa and Policy Options for Mitigation.

Zheng, C., & Zhang, J. 2021. "The Impact of COVID-19 on the Efficiency of Microfinance Institutions." *International Review of Economics and Finance* 71: 407–23.

APENDIX I

ETHIC APPROVAL DOCUMENT

APENDIX II

SURVEY SAMPLES

THE IMPACT OF COVID-19 ON MICROFINANCE INSTITUTIONS IN SOMALIA – 2022 English

السلام عليم ورحمة الله وبركاته

Dear Sir/Madam,

I am Safiyo Abdifitah Shire, a master's student in Islamic Economics and Finance program at Ankara Social Sciences University in Turkey. The survey aims to address the impact of Covid-19 on microfinance institutions in Somalia and the main challenges they had faced since the emergence of Covid-19.

The survey will consist of three parts:

i) Background information about the institutions

ii) Impact of covid-19 on microfinance institutions

iii) Recommendation and solutions

Participants' answers will be preserved confidential, and the output of the survey will be used for the thesis with the title “The Impact of Covid-19 on Microfinance Institutions in Somali”. The study is supervised by the Assist. Professor. Tawfik Azrak. The survey is approved by ASBU Ethical Board.

Your contribution and comments on this survey are greatly appreciated

Thank you for your participation. For more information about this survey, you can contact thisemail safiyo.abdifitahshire@student.asbu.edu.tr.

Survey Questions

Part One: Background Information About the Institutions

1- Name of the institution and date of establishment

2- Institution work area

☐ Mogadishu ☐ Hargeisa ☐ Both ☐ All Somali region

3- Number of branches -----------------------------

4- Which Model of microfinance did your institution use?

☐ Grameen bank model ☐ Self-help group ☐ Profit based model (*Mudarabah*, *Murabaha*, and *Musharakah*) ☐ Charity model (*Qard Al-Hassan*, *Waqf* and *Zakah*) ☐ Other

5- What is the legal status of your institution?

☐ Public ☐ Private ☐ NGO ☐ Other

Part Two: Impact of Covid-19 on Microfinance Institutions

1- To what extent does covid-19 affect your institution.

☐ Positive ☐ Neural ☐ Negative

2- If your institution has been positively affected by the Covid-19 pandemic, please explain it?

3- To what extent does your institution reduce lending because of Covid-19?

☐ Reduced more than half ☐ Reduced less than half ☐ Stopped lending

4- Does the project number offered by your institution decrease because of Covid-19?

☐ Yes ☐ No

5- Did the default of repayment debt during covid-19 increase?

☐ Yes ☐ No

6- To what extent is your institution offering indulgence to customers

☐ High ☐ Medium ☐ Low

7- To what extent has your institution faced an increase in savings withdrawals

☐ High ☐ Medium ☐ Low

8- Did your institution face a liquidity crisis because of Covid-19?

☐ Yes ☐ No

9- If yes, have you got financial support from any institution or organization?

☐ Yes ☐ No

10- From where did you get the financial support?

11- Did covid-19 have caused the closure of any branches of your institution?

☐ Yes ☐ No

12- Has your institution laid off some employees due to Covid-19?

☐ Yes ☐ No

13- Did Covid-19 have made it difficult for the staff to meet the customers in the field or office?

☐ Yes ☐ No

14- Did Covid-19 have declined the performance of microfinance institutions in Somalia?

☐ Yes ☐ No

15- What are the main challenges faced by your institution after covid-19?

☐ Increase default of loans ☐ Increase non-performing asset ☐ Decline the number of customers ☐ Decline profit ☐ Decline demand of loans

16- What are other challenges facing your institution?

17- Based on your opinion, how to overcome or reduce those challenges?

Part Three: Recommendation and Solutions

1- How to overcome the following financial challenges that have been faced by microfinance institutions during the pandemic:

i) Default of loans --

----

ii) Financial crisis --
----

iii) Increase non-performing assets

iv) Decrease profit

v) Increase savings withdrawals by customer

2- How can we increase the performance of microfinance institutions during the pandemics?

3- Please describe any other recommendations and solutions that can limit the impact of Covid-19 on microfinance institutions in Somalia.

End of the Survey
Thanks

APENDIX III

THE IMPACT OF COVID-19 ON MICROFINANCE INSTITUTIONS IN SOMALIA – 2022 SOMALIA

Salamu Aleykum Warahmatulah Wabarakatuh

Mudane / Marwo,

Magacaygu waa Safiyo Abdifitah Shire. Waxaan ahay ardayad master ka dhigta jamacada Ankara social science university oo kutala Turkey, qeebta dhaqalaha Islamka iyo maliyada. Sahankan ayaa ujeedadiisu tahay in lagu ogaado saamaynta uu Covid-19 ku leeyahay hay'adaha maaliyadda yar yar ee Soomaaliya iyo caqabadaha ugu waaweyn ee ay la kulmeen tan iyo markii uu soo shaac baxay Covid-19.

Sahanku wuxuu ka koobnaan doonaa saddex qaybood:

i) Xogta hay'adaha
ii) Saamenta Covid-19 ku yeeshay hay'adaha maaliyadda yar yar
iii) Talo iyo xal

Jawaabaha ka qaybgalayaasha waxa loo ilaalin doonaa si sir ah, natiijada sahankana waxaa loo isticmaali doonaa qoraal cinwaan looga dhigay "Sameenta oo ku yeeshtay Covid-19 hay'adaha maaliyadda yar yar ee Somaliya". Daraasadda waxaa kormeeraya Kaaliyaha. Professor. Tawfik Azrak.

Wax ku biirintaada iyo faallooyinka ku saabsan sahamintan aad ayaa loo tixgalinaa.

Waad ku mahadsan tahay ka qaybgalkaaga. Wixii macluumaad dheeraad ah oo ku saabsan sahankan, waxaad la xidhiidhi kartaa iimaylkan safiyo.abdifitahshire@student.asbu.edu.tr.

Su'aalaha Sahanka

Qaybta Koowaad: Macluumaadka ku Saabsan Hay'adaha

1- Magaca hay'adda iyo taariikhda la aasaasay
2- Goobta shaqada ee hay'adda

☐ Mogadishu ☐ Hargeisa ☐ Labadaba ☐ Dhammaan gobolada Soomaaliyed

3- Tirada laamaha
4- Waa maxay noca Microfinance hay'adaadu isticmaasha?

☐ Qaabka bangiga Grameen ☐ Kooxda is-caawinta ☐ Qaabka faa'idada ku salaysan (*Mudarabah*, *Murabaha*, and *Musharakah*) ☐ Qaabka samafalka(*Qard Al-H assan*,*Waqf* and *Zakah*) ☐ Qaabab kale

5- Waa nocee maqaamka hay'adaa?

☐ Dawli ☐ Qhaas ☐ Ururada aan Dawli ahayn ☐ Kuwa kale

Qaybta Labaad: Saamaynta Covid-19 ku Yeeshay Hay'adaha Maaliyadda Yar Yar

1- Sidee ayuu u saameeyay covid-19 hay'adada.

☐ Wanagsan ☐ Dhexdhexaad ☐ xun

2- Haddii hay'adada si wanaagsan u saamaysay musiibada Covid-19, fadlan sharax?
3- Ilaa intee in le'eg ayay hay'adadu hoos u dhigtay amaahda Covid-19 dartiisa?

☐ Waxa la dhimay in ka badan kala badh ☐ La dhimay wax ka yar kala badh

☐ Joojinta dhamaan amaahda

4- Miyay nambarka mashruuca ay bixiso hay'adadu hoos u dhacday Covid-19 dartiisa?

☐ Haa ☐ Maya

5- Miyay kor u kacday habsanka dib ubixinta deenta inta lagu jiro covid-19?

☐ Haa ☐ Maya

6- Ilaa intee in le'eg ayey hay'addaadu fududeen u sameesay macaamiisheda?

☐ Heer sare ☐ Dhexdhexaad ☐ Heer hooseya

7- Ilaa intee in le'eg ayay hay'addaadu soo food saartay korodhka labixida lacagaha kaydka ah

☐ Heer sare ☐ Dhexdhexaad ☐ Heer hooseya

8- Hay'addaadu ma la kulmay dhibaato maaliyad uu sababay Covid-19?

☐ Haa ☐ Maya

9- Hadday haa tahay, miyaad taageero dhaqaale ka heshay hay'ad ama urur?

☐ Haa ☐ Maya

10- Xagee Ka Heshay Taageerada Dhaqaale?

11- Covid-19 ma sababay in la xidho qaar kamida laamaha hay'addiina ?

☐ Haa ☐ Maya

12- Hay'addaadu ma ka fadhiisisay qaar ka mid ah shaqaalaheeda shaqada sababo la xiriira Covid-19?

☐ Haa ☐ Maya

13- Covid-19 miyuu sababab unoqday in ay adkaato in shaqaaluhu la kulmaan macaamiisha goobta ama xafiiska

☐ Haa ☐ Maya

14- Covid-19 miyuu hoos u dhigay waxqabadka hay'adaha maaliyadda yar yar ee Soomaaliya

☐ Haa ☐ Maya

15- Maxay yihiin caqabadaha ugu waaweyn ee kahor imaaday hay'addaada covid-19 kadib?

☐ Kororka habsanka dib ubixinta deenta ☐ Kororka hantida aan shaqaynayn

☐ Hoos u dhac tirada macaamiisha ☐ Hoos u dhaca faa'iidada

☐ Hoos u dhac dalabka amaahda

16- Maxay yihiin caqabadaha kale ee hortaagan hay'addaada?

17- Ra'yi ahaantaa, sidee looga gudbi karaa ama loo dhimi karaa caqabadahaas?

Qaybta Sadaxaad: Talo iyo Xal

1- Sidii looga gudbi karaa caqabadahan maaliyadeed ee soo foodsaaray hay'adaha maaliyadda yar yar intii lagu jiray Covid-19:

i) Habsanka dib ubixinta deenta --

----

ii) Dhibaato maliyeed--

----

iii) Kororka hantida aan shaqaynayn --

----

iv) Hoos u dhaca faa'iidada --

----

v) Kororka labixida lacagaha kaydka ah ee macaamisha --

2- Sideen u kordhin karnaa wax qabadka hay’adaha maaliyadda yar yar xilliyada ay jiraan aafooyinka

- -

- -

- -

- -

- -

- -

3- Fadlan sharax talooyin iyo xalal kale oo xaddidi kara saameynta Covid-19 uu ku leeyahay hay’adaha maaliyadda yar yar ee Soomaaliya.

- -

- -

- -

- -

- -

- -

Dhamaadka Sahanka

Mahadsanid