



International
Labour
Organization

Microfinance for Decent Work

Action Research Programme

How MFIs Can Improve Their
Clients' Livelihoods

Introduction to SPTF Members

May 16, 2012

Innovative Finance for Social Justice



Microfinance for Decent Work in a nutshell...

- ✓ Action Research Programme
- ✓ Timeframe: 2008-12
- ✓ 16 partner-MFIs worldwide

GOAL: to measure the impact of decent work innovations on the welfare of microfinance clients

Why does ILO engage?



Clients of microfinance institutions must cope with serious work challenges



Child Labour



Working Conditions



Informality

...and

- vulnerability to income shocks
- overindebtedness
- isolation, no voice



Findings from the Diagnostic Phase of MF4DW

- 90% self-employed, average 2 jobs created
- Child labour (5-14 years) constituted 5% of total employment created
- 11% reported dangerous working conditions or injuries
- 54% of client's business activities informal, 41% paid taxes
- 8% reported cross-borrowing and 14% had repayment issues
- 43% reported large unforeseen expense in preceding year (main reason: accident, illness)
- Only 2-3% used a form of insurance to cover unforeseen expenses

(N= 4748)



Microfinance for Decent Work Innovations

Job Creation	<ul style="list-style-type: none">•Organisational restructuring established new SME lending window
Child Labour	<ul style="list-style-type: none">•Awareness campaign•Client training to increase production productivity•Modification of existing health-insurance product
Working Conditions	<ul style="list-style-type: none">•Client training on good working conditions and agreement on improvement plan•Specific loan product for work improvements
Discrimination	<ul style="list-style-type: none">•Client training on women's empowerment
Vulnerability	<ul style="list-style-type: none">•Entrepreneurship training for clients•Introduction of multi-risk insurance for business loan clients•Introduction of health, credit life insurance•Introduction of individual emergency fund•Introduction of leasing product



Steps Completed...

Phase I: Selection and diagnosis

- Identification of partner-MFIs worldwide
- Identification of decent work challenges among MFI clients

Phase II: Implementation and testing

- Developed strategy and innovations
- Sampling of target and control group
- Baseline survey
- Implementation of innovations
- Follow-up surveys every 6 months

Phase III: Analysis, documentation & dissemination

- Preliminary analysis (descriptive statistics)
- ...



... Steps Ongoing, and Outstanding

Phase III: Analysis, documentation & dissemination

- Final impact analysis for each innovation (econometric analysis, difference-in-difference method)
- Cost/Benefit analysis at institutional level
- Documentation and dissemination: case studies, briefs, webinars, conference participation

Phase IV: Scale-up

- Promotion of effective strategies
- Capacity building of MF stakeholders



Preliminary Results - Child Labour

Innovation: Extended micro insurance coverage to HH members

- Upgrade of current micro-health and accidental death insurance product available to all non-nuclear family members between 18 & 65 in the client household.
- Increased awareness of loan officers on micro insurance product and informal coaching of clients on its use.

Preliminary Results

- Increased coverage at the individual level & increased usage
- 7% decrease in child labour
- 5-6% lower risk of children involved in hazardous occupations
- No effect on child schooling



Preliminary Results - Formalization

Innovation: Awareness raising campaign and BDS for the formalization of growth-oriented enterprises

- Selection and Training of 3 Business Development Officers (BDO) at central level on formalization
- 10 Information campaigns on the benefits of formalization (410 clients targeted-batches of 30-40 each)
- Client briefing on marketing and accounting during regular interactions with clients

Preliminary Results

- High level of business registration (60% of innovation clients compared to less than 10% in control group)
- Positive impact on access to bank accounts for innovation clients - 10% increase of bank accountholders
- Innovation sample has overall a higher income growth over the whole period
- Importance of the client's enterprise for income generation has increased (only in perception and not in "hard facts" e.g. employment, investment in productive assets, turnover)



Preliminary Results - Vulnerability I

Innovation: Financial Education Programme

- Train field staff to be in a better position to advise clients, through group and individual counselling, on financial matters including risk management and over-indebtedness

Preliminary Results

- Increased association of savings with security
- Attitude changes towards setting money aside for future emergencies
- Improved repayment behaviour
- Increased uptake of insurance



Preliminary Results - Vulnerability II

Innovation: **Individual Emergency Fund**

- 10% interest rebate (if repayments on time) deposited in IEF
- Client can augment IEF with voluntary contribution
- Client can withdraw money for emergencies

Preliminary Results

- Reduction in overindebtedness / multiple borrowing
- Slight change in financial attitude
- Slight change in risk management



Challenges (examples)

- **Understanding of research methodology**
 - concept of innovation and control group (all factors identical except for innovation)
 - sampling
 - interviewing the same clients over time
- **Staff turnover**
 - contact person/team in MFI,
 - research staff,
 - MFI staff implementing innovation
- **Client drop-out**
- **Time required for new product uptake**
- **Data quality**
(incomplete questionnaires, consistent client IDs and names)
- **MIS**



More information...

- SPTF Annual Meeting in Jordan, June 8, 2012:

Session to share results of ILO's current research on innovations that 16 MFIs have implemented to create positive impact for clients, not only in their working conditions but generally related to their "world of work" and livelihoods. Open to all participants from 9:00-12:00 to share research findings.

=> Sign up in advance with Patricia Richter at richter@ilo.org

- www.ilo.org/socialfinance



Q & A

