



International  
Labour  
Organization

# Why Financial Inclusion matters to the working poor.

UNCITRAL Colloquium  
on microfinance  
Vienna, 12 January 2011

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Innovative Finance for Social Justice



# Clients of microfinance institutions must cope with serious work challenges



Child Labour



Working Conditions



Informality

...and

- vulnerability to income shocks
- Over-indebtedness
- isolation, no voice

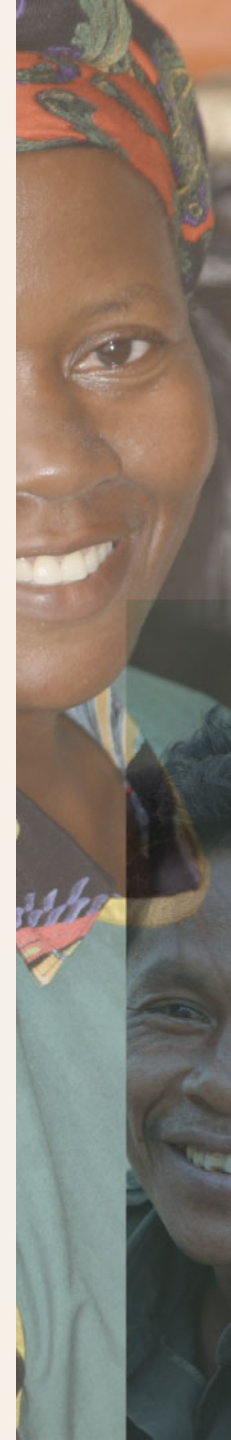


## Assumptions

**Hypothesis 1: financial institutions produce tangible work-related benefits to their clients.**

**Hypothesis 2: In the long term this is also good for the financial institution's bottom line.**

**Hypothesis 3: there is a case for public policy to support financial institutions that go for decent work of their clients.**

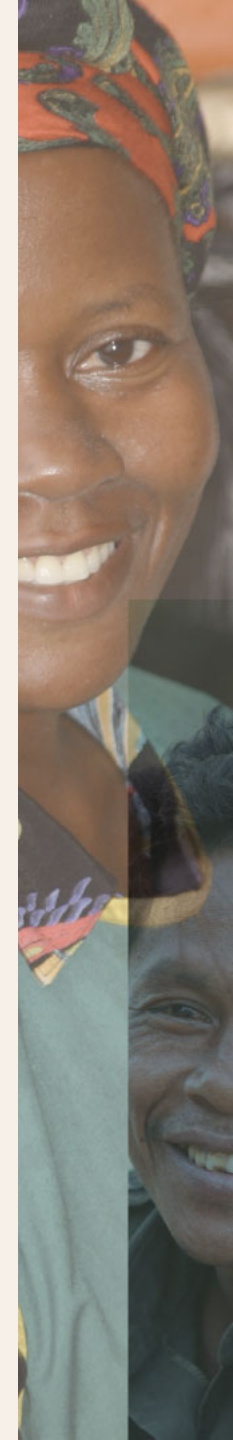


## 16 partner MFIs



## Work-related problem areas

	<b>ASIA</b>	<b>CENTRAL ASIA</b>	<b>MIDDLE EAST AND AFRICA</b>	<b>LATIN AMERICA</b>
<b>CHILD LABOUR</b>	NRSP, Pakistan		LAPO, Nigeria NYESIGISO, Mali	
<b>INFORMALITY</b>	ESAF, India	IMON, Tajikistan	RCPB, Burkina Faso	
<b>SUBOPTIMAL WAGE EMPLOYMENT</b>		BAI TUSHUM, Kyrgyzstan		
<b>VULNERABILITY, OVERINDEBTEDNESS</b>	TYM, Vietnam VFC, Cambodia AMK, Cambodia NWTF, Philippines		PRIDE, Uganda	CONFIANZA, Peru BANCOVELO, Honduras
<b>UNSAFE WORKING CONDITIONS</b>	BASIX, India		AI AMANA, Morocco TAMWEELCOM, Jordan	



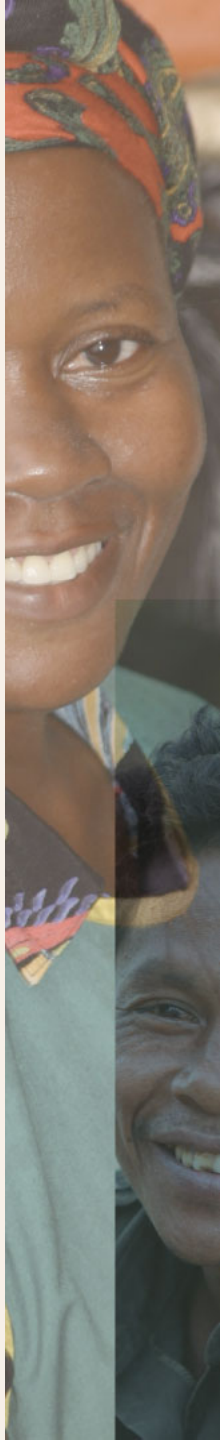
# What MFIs do to address to make work for their clients

## 1. Risk Management & Over-Indebtedness

- Financial Education of Trainers and Clients (AMK & VFC)
- Risk Mgmt. Training on Emergency Fund Product (NWTF)
- Introduction of Micro-Insurance & Training (Confianza, TYM & Bancovelo)
- Entrepreneurship Training (NWTF)

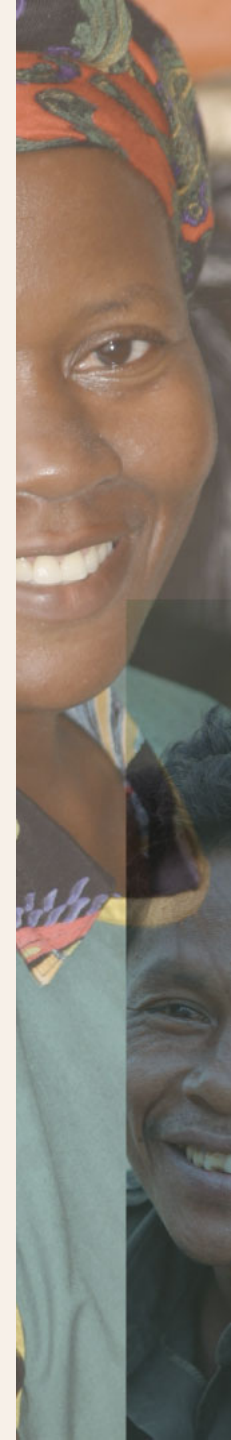
## 2. Child Labour

- Extension of Micro-Insurance Product to Family (NRSP)
- Education Loan for Associated School Fees (LAPO)
- Training Package combining BDS, WIND, and CL awareness components (Nyésigiso)

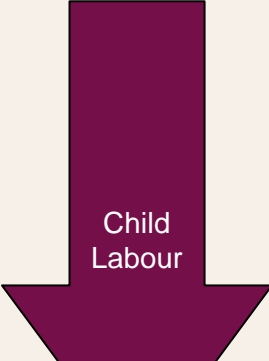
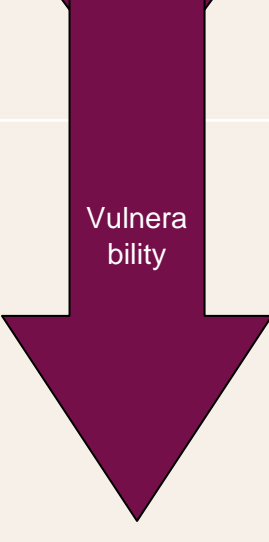


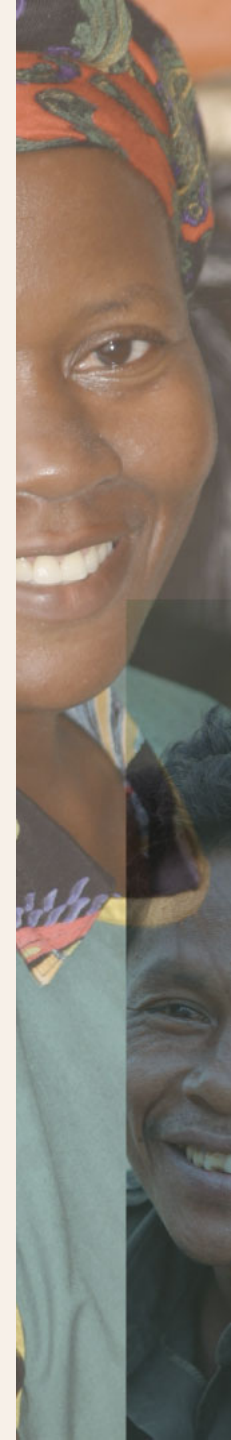
## ✓ Who are these clients? N= 4748

- 90% self-employed.
- 50% have at least one employee.
- 483 child laborers
- 11% reported dangerous working conditions or injuries
- 8% reported cross-borrowing and 14% had repayment issues.
- 54% are informal/unregistered
- 41% of surveyed clients pay taxes.
- 43% reported a large, unforeseen expense in the preceding year
- 2-3% use insurance to cover expense
- 73% do not belong to any association



# Impact indicators

Decent Work Area	Innovation	Common DW Indicators	Innovation Specific Indicators	Impact
Child Labour	<ul style="list-style-type: none"> <li>• School fees loan</li> <li>• GERME/ WIND/ CL training</li> <li>• Extended MI (health)</li> </ul>	<ul style="list-style-type: none"> <li>• Incidence of CL</li> <li>• # of missed days of school</li> <li>• # of days working</li> <li>• # of days in school</li> <li>• HH income</li> </ul>	<ul style="list-style-type: none"> <li>• PPI Score</li> <li>• MI uptake</li> <li>• Use of MI</li> <li>• Exposure to trng. Materials</li> <li>• Attendance records</li> <li>• Changes in opinion on CL</li> </ul>	
Risk Management & Over-indebtedness	<ul style="list-style-type: none"> <li>• FE of trainers/clients</li> <li>• Risk Mgmt. Training on Emergency funds</li> <li>• Intro. Of MI and training</li> <li>• Entrepreneurship training</li> </ul>	<ul style="list-style-type: none"> <li>• Ranking of unforeseen expenses</li> <li>• Means to cover unexpected expenses</li> <li>• Financial behavior</li> <li>• Planning horizons</li> </ul>	<ul style="list-style-type: none"> <li>• Accumulation of physical assets</li> <li>• Accumulation of financial assets (i.e. savings)</li> <li>• Renewal of MI</li> <li>• Claim ratio for MI</li> <li>• Sustainability of business venture</li> </ul>	





## Indicators to signal changes in formality status

- Knowledge about formality
- Registration
- Book keeping
- Bank account
- Tax payment
- Firm or asset insurance
- Membership in an association
- Participation in government promotion schemes



## What do clients want?

- **Design of loan products:**
  - “Increase credit ceiling...”
  - “need more loans...”
  - “Credit (increase limit)...”
- **Information on accident prevention:**
  - “Awareness, loan, saving, insurance...”
  - “AWARENESS”
  - “Yes MFI support to invest and improve working conditions”
  - “awareness, training and insurance”
  - “AWARENESS, MORE LOAN AND FINANCIAL SUPPORT.”
  - “LOAN FOR CONSUMPTION PURPOSE ,SAVING AND INSURANCE”
  - “Help improve the working conditions”
  - “Living condition could be improved if continues providing MF services”
  - “Awareness and capacity building”
  - “awareness and information about income generating opportunities”



## What do clients want?

### Advise on expansion:

- “To invest and expand activity. This will increase income and improve livelihood”
- “To help expand my work”
- “Help me increase my work”
- “Increase loan amount so that I could expand my work”
- “Training in vocational skills”
- “Linkages with factories for work and information about business opportunities “
- “Give us some technical assistance and facilities”
- “Vocational skills training for son (mason)”

