Why Financial Inclusion matters to the working poor.

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Clients of microfinance institutions must cope with serious work challenges

...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

<table>
<thead>
<tr>
<th></th>
<th>ASIA</th>
<th>CENTRAL ASIA</th>
<th>MIDDLE EAST AND AFRICA</th>
<th>LATIN AMERICA</th>
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</thead>
<tbody>
<tr>
<td><strong>CHILD LABOUR</strong></td>
<td>NRSP, Pakistan</td>
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<td>LAPO, Nigeria</td>
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<td>NYESIGISO, Mali</td>
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<td><strong>INFORMALITY</strong></td>
<td>ESAF, India</td>
<td>IMON, Tajikistan</td>
<td>RCPB, Burkina Faso</td>
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<td><strong>SUBOPTIMAL WAGE</strong></td>
<td></td>
<td>BAI TUSHUM, Kyrgyzstan</td>
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<td><strong>EMPLOYMENT</strong></td>
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<td></td>
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<td><strong>VULNERABILITY,</strong></td>
<td>TYM, Vietnam VFC,</td>
<td></td>
<td>PRIDE, Uganda</td>
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<tr>
<td><strong>OVERIDEBTEDNESS</strong></td>
<td>Cambodia AMK ,</td>
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<td></td>
<td>Cambodia NWTF,</td>
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<td>Philippines</td>
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<td><strong>UNSAFE WORKING</strong></td>
<td>BASIX, India</td>
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<td>AI AMANA, Morocco</td>
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<td><strong>CONDITIONS</strong></td>
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<td>TAMWEELCOM, Jordan</td>
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</table>
**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

<table>
<thead>
<tr>
<th>Decent Work Area</th>
<th>Innovation</th>
<th>Common DW Indicators</th>
<th>Innovation Specific Indicators</th>
<th>Impact</th>
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</thead>
<tbody>
<tr>
<td>Child Labour</td>
<td>• School fees loan</td>
<td>• Incidence of CL</td>
<td>• PPI Score</td>
<td>Vulnerness</td>
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<td></td>
<td>• GERME/ WIND/ CL training</td>
<td>• # of missed days of school</td>
<td>• MI uptake</td>
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<tr>
<td></td>
<td>• Extended MI (health)</td>
<td>• # of days working</td>
<td>• Use of MI</td>
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<tr>
<td>Risk Management &amp; Over-indebtedness</td>
<td>• FE of trainers/clients</td>
<td>• Ranking of unforeseen expenses</td>
<td>• Accumulation of physical assets</td>
<td>Child Labour</td>
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<td></td>
<td>• Risk Mgmt. Training on Emergency funds</td>
<td>• Means to cover unexpected expenses</td>
<td>• Accumulation of financial assets (i.e. savings)</td>
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<td>• Intro. Of MI and training</td>
<td>• Financial behavior</td>
<td>• Renewal of MI</td>
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<td></td>
<td>• Entrepreneurship training</td>
<td>• Planning horizons</td>
<td>• Claim ratio for MI</td>
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<td>• Sustainability of business venture</td>
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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)”