Microfinance for Decent Work: Action Research 2008-2012

International Labour Office

Geneva

Overview

Microfinance for Decent Work (MF4DW) is action research that aims to build knowledge on the effects of innovations on microfinance clients' livelihoods. Launched by the ILO Social Finance Programme in 2008, the MF4DW action research began by identifying specific work-related challenges among microfinance clients and, to address them, implemented tailor-made innovations with microfinance institutions around the world. The MF4DW action research applied an experimental research design in order to measure the impact of these innovations overtime.

At the outset of the MF4DW, each participating MFI conducted a diagnostic survey among 200 of its clients to determine their most pressing work-related challenge. The analysis was guided by **ILO's vision of decent work for all** and its goal to promote opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity. Within this framework, the diagnostic determined **child labour**, working conditions, formalisation, job creation and productive employment, risk management/ over-indebtedness, and women's empowerment, as key challenges keeping microfinance clients from obtaining decent work.

Each MFI then selected a key decent work challenge and implemented an innovation to address it. Changes at the client level were captured through a series of client surveys. The ILO, along with research partners, established impact through a mix of econometric methods.

MFI Profile:

LAPO ...improving lives

MFI Partner: LAPO Microfinance Bank Limited

Country of Operation: Nigeria

Organizational Mission: LAPO Microfinance Bank Limited is a pro-poor financial institution committed to economic empowerment of low-income Nigerians through creation of access to responsive financial services on a sustainable basis.

Current Legal Status: Microfinance Bank Limited

Types of Products offered: Loans, Savings, Micro-insurance, Social Empowerment (gender, environment and leadership training), Health Education (HIV/AIDS, reproductive, etc), Advocacy and Enterprise Development (basic book-keeping, etc)

Number of Active Borrowers: 540,170

Total Number of Active Savers: 567,741

Number of Active Insurance Clients: 540,170

Number of Branches: 273 Branches

Geographical Dispersion: Active in 25 of 36 states

**2012*

LAPO's Innovation

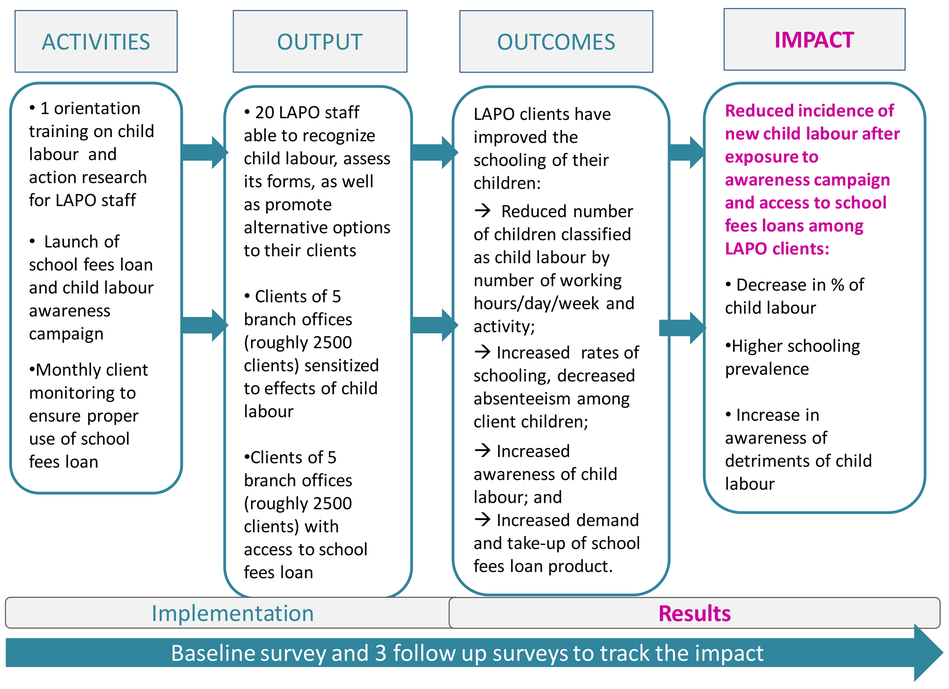
School Support Initiative: Access to Soft Loans for Associated School Fees and Anti-Child Labour Awareness Campaign to Reduce Child Labour among LAPO Clients

Innovation Details

LAPO's innovation was a two-pronged approach to tackling the issue of child labour by 1) educating clients on the disadvantages of sending their children to work instead, or in combination with school, and 2) offering a financial product (a soft loan for school fees at 1%/month) to help struggling parents to diffuse the lump sum school payment—due at the beginning of each school year—over a monthly repayment schedule, and to cover other school-related costs, such as uniforms and books. Therefore, it was hoped that the impetus to put children to work in order to assist in covering the costs of their own school fees would decline with the offer of a new education loan product, as well as from exposure to the awareness campaign.

LAPO tracked changes at the household level, particularly child work/school status, attitude/behaviour changes regarding child labour, and economic shocks to the household. To test the impact of the innovation, LAPO conducted four surveys over the span of 2 years with 2,269 clients and their household members—located throughout Nigeria.

Result's Chain for LAPO



LAPO's Results

The impact assessment compared results gathered from four client groups: those that had access to loan only, those with access to the awareness campaign only, those with access to both, and those with access to neither.

Results show that there is no clear difference among the groups for certain outcomes among the groups, such as:

-No significant impact on child labour incidence, schooling outcomes or attitudes towards work and school;

-Increased hours worked and missed school days (negative impact of innovation);

-Some imapct on school attendance for clients exposed to awareness campaign only; and

-Placing a higer value on work than school for both groups recieving the awareness campaign.

Based on the overall research process and conclusions, the Social Finance Programme of the ILO would like to make the following recommendations to LAPO regarding the future of the school support initiative:

1) LAPO thoroughly review submitted data for inconsistincies that might help to explain the unusual findings for such a straightforward innovation;

2) Examine attrition rates in the sample for each branch during each wave; an analysis could be undertaken looking specifically at clients who left the sample and why, which may explain variations seen in data between waves;

3) Review the awareness campaign material for unintended messages and translations that may be giving unclear messages regarding child work and child schooling;

4) LAPO continue to review child labour among its clients, particularly if the innovations are to continue. The ILO would suggest that all persons involved in the survey process undergo a re-training. Capacitated staff can then continue this important work; and

5) LAPO share their lessons learned, challenges faced, and findings from the action research in order to illustrate how some innovations may have stronger effects or more unintended outcomes than others in the fight against child labour and the campaign for Decent Work.

For more information:

ILO MF4DW Action Research
www.ilo.org/socialfinance
LAPO Microfinance Bank Limited
www.lapo-nigeria.org

Federal Ministry of Labour and Social Affairs

Funded by the Federal Ministry of Labour and Social Affairs (Germany)