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:

MFI Partner: Negros Women for Tomorrow Foundation (NWTF)

Country of Operation: Philippines

Organizational Mission: To provide sustainable financial and client-responsive developmental services to the poor.

Current Legal Status: Non-government Organization

Types of Products offered: Group & Individual Loans, Micro-insurance, & Savings (Compulsory & Voluntary)

Number of Active Borrowers: 122,423

% of Women Borrowers: 99.9%

Total Number of Active Savers: 122,423

Number of Branches: 50

Geographical Dispersion: Negros Occidental, & Oriental; Cebu, Bohol; South & North Leyte; North & West Samar; Palawan; Iloilo; Capiz; Aklan & Antique.

Size of Gross Loan Portfolio (in USD$): 14.6 million **2011*

NWTF's IEF Innovation

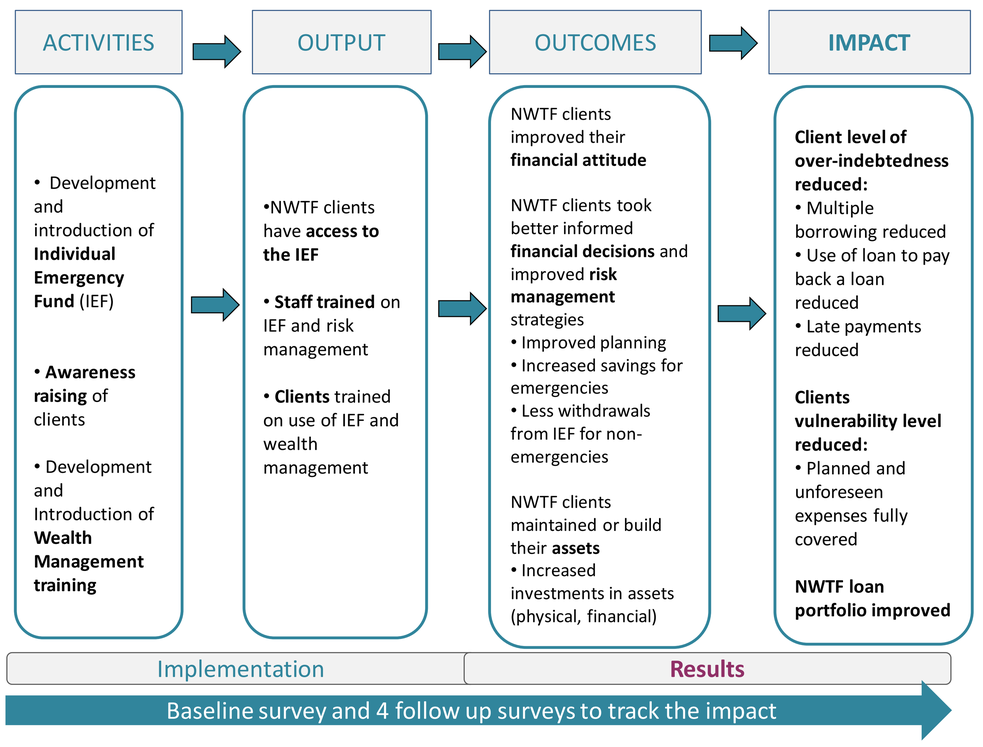
Individual Emergency Fund (IEF): Enhancing NWTF's Incentives Program to Capacitate Clients in Managing Risks

Innovation Details

NWTF addressed risk management and vulnerability through the introduction of an Individual Emergency Fund and Wealth Management training of clients on Cebu island. NWTF tracked changes on the client and household levels - particularly changes in financial attitude, building of financial assets, absorption of economic shocks and client awareness - in order to follow the impact of the innovation over time. NWTF hoped to decrease its overall portfolio-at-risk and boost the availability of safety nets to clients, especially in times of emergencies in order to lessen their tendency to withdraw funds from business operations.

NWTF conducted 5 surveys over the span of 2.5 years on a sample of 1286 clients in two branches on Cebu island.

Result's Chain for NWTF IEF



NWTF's IEF Results

The impact assessment compared results gathered from two client groups: those that had access to the Individual Emergency Fund and Wealth training and those that did not. It shows that the Individual Emergency Fund and the Wealth training had:

-strong impact on over-indebtedness/multiple borrowing;
-some impact on vulnerability;
-some impact on financial attitude;
-some impact on asset building; and
-inconclusive impact on risk management.

Based on the overall research process and conclusions, the ILO would like to make the following recommendations to NWTF regarding the future of the Individual Emergency Fund and the Wealth training:

1) Continue to implement the Individual Emergency Fund and the Wealth training and roll out to other branches;

2) Continue to track progress on the client level as part of NWTF's social performance agenda and incorporate into NWTF's tailored PPI tool;

3) Monitor the quality of the training delivery and regularly strengthen the risk management knowledge and training skills of NWTF staff;

4) Share tools, methodologies, and findings from the action research through national and international MFI networks to encourage efforts in improving clients' risk management and to promote the concept of Decent Work.

For more information:

ILO MF4DW Action Research
www.ilo.org/socialfinance

NWTF
www.nwtf.ph

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