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: Angkor Mikroheranhvatho (Kampuchea) Co. Ltd (AMK)

Country of Operation: Cambodia

Organizational Mission: To help large numbers of poor people to improve their livelihood options through the delivery of appropriate and viable microfinance services.

Current Legal Status: Licensed Microfinance Institution

Types of Products offered: Loans, savings, money transfers, mobile banking, (internal) training

Total Number of Active Borrowers: 285,700 (87% women)

Total Number of Active Savers: 8,924

Size of Gross Loan Portfolio (in USD$): 47,248,599

Total staff: 1,083

Number of Branches: 24 (76 sub-branches)

Geographical Dispersion: Active in all 24 Provinces and in 9,300 villages

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AMK's Innovation

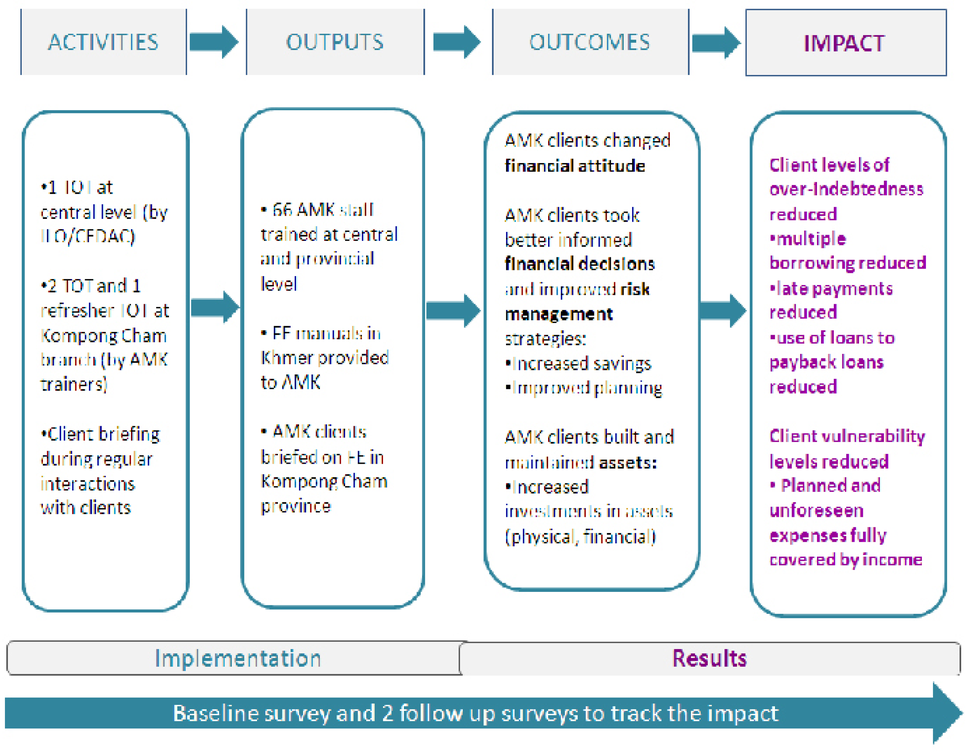
Training on Financial Education to Improve Risk Management among Clients of AMK

Innovation Details

AMK addressed risk management and over-indebtedness through the provision of financial education training to its staff. Training was provided to the AMK Training Department and Client Officers who then transferred their knowledge through their direct interactions with clients. Forty-eight branch/area managers, training officers and client officers were trained on Financial Education, as well as a refresher training one-year later. AMK tracked changes at the client and MFI levels—particularly exposure to training, income and expenditure patterns, repayment behaviour, and financial attitudes—in order to measure the impact of the innovation on risk management and indebtedness of clients. With this innovation, AMK expects to help its clients to mitigate risk, in particular, exposure to over-indebtedness.

AMK conducted 3 surveys over the span of 2.5 years on a sample of 1200 clients in two provinces: Kompong Cham and Kompong Thom.

Result's Chain for AMK



AMK's Results

The impact assessment compared results gathered from two client groups: those that had access to the innovation and those that did not. It shows that:

AMK's financial education programme had the strongest impact on the **repayment behaviour** of clients.

The innovation also had significant and positive impact on outcome variables such as insurance take-up (**asset building**), clients' association of savings and security, handling of debt, attitude towards borrowing (**financial attitude**), and decision to set money aside for future emergencies (**risk management**). However, the analysis also shows insignificant and/or unexpected results for other outcome variables, which may be due challenges of the experimental design of the research.

Based on the overall research process and conclusions, the ILO would like to make the following **recommendations** to AMK regarding the future of the Financial Education training:

1) Continue to **implement the financial education** programme by sharing the pre-determined financial education topics with clients at defined moments during the loan cycle;

2) Continue to **track progress** as part of AMK's social performance agenda;

3) **Monitor the quality of programme delivery** and regularly strengthen the client officers and area managers financial education knowledge and training skills;

4) **Complement the financial education curriculum** with one topic on insurance to strengthen client's awareness about the insurance concept and the use of such products (including the claim process); and

5) **Share tools, methodologies, and findings** from the action research through national and international MFI networks to encourage efforts in reducing the risks of clients' over-indebtedness and to promote the concept of Decent Work.

For more information:

ILO MF4DW Action Research
www.ilo.org/socialfinance

AMK
www.amkcambodia.com

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