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: TYM Fund (Tao Yeu May)

Country of Operation: Vietnam

Organizational Mission: To improve the quality of life of poor Vietnamese women in rural areas by providing them with credit, savings and micro-insurance services, creating favourable conditions for their participation in economic activities and enhancing their role in society.

Current Legal Status: Licensed Microfinance Institution

Types of Products offered: Loans, Savings, Mutual Assistance Fund, Training

Number of Active Borrowers: 72,958

% of Women Borrowers: 100%

Total Number of Active Savers: 73,675

Number of Active Insurance Clients: 540,170

Number of Branches: 17 Branches & 20 transaction offices

Geographical Dispersion: Ten Provinces (North & Central)

Size of Gross Loan Portfolio (in USD$): 21 million **2011*

TYM's Innovation

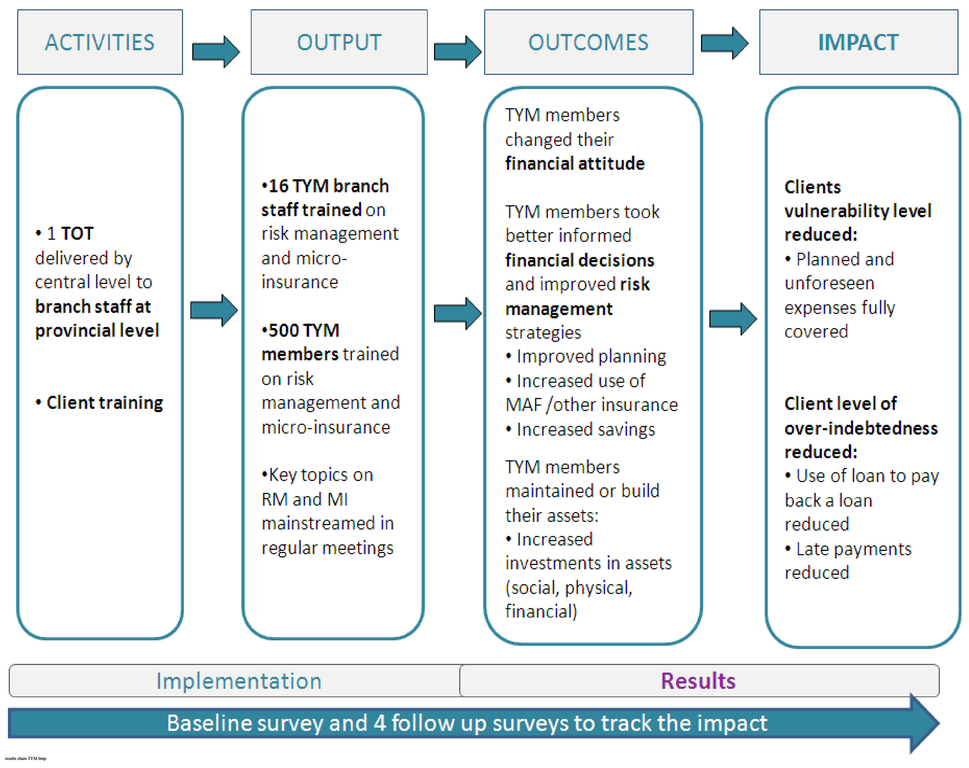
Training on Risk Management and Micro-insurance to Improve Risk Management Strategies among Members of TYM

Innovation Details

TYM addressed risk management through the provision of risk management training for its members wherein they learned to select good strategies for coping with risks and unforeseen expenses, including the TYM upgraded Mutual Assistance Fund (life and credit life insurance). TYM tracked changes at the member and MFI levels—particularly exposure to training, income and expenditure patterns, number of claims, and client portfolio—in order to follow the impact of the innovation over time. TYM hopes its members will better protect themselves and their household against economic shocks, thus preserving their business, building their assets and overcoming poverty. TYM trained approximately 20 regional/branch managers on risk management and micro-insurance, and delivered two half-day-trainings on risk management and micro-insurance to 1267 clients. Additional briefing sessions were integrated into regular meetings in 48 centres (1738 members).

TYM conducted 5 surveys over the span of 2.5 years on a sample of 1000 clients in two provinces: Hanoi Capitol and Nam Dinh.

Result's Chain for TYM



TYM'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 the client training on risk management and microinsurance had:

- strong impact on financial attitude;
- some impact on financial behavior;
- little impact on asset building;
- little impact on multiple borrowing / over-indebtedness; and
- little impact on vulnerability.

Based on the overall research process and conclusions, the ILO recommends the following to TYM regarding the future of the risk management training and the Mutual Assistance Fund:

1) Continue to implement the client training on risk management and microinsurance at defined moments during TYM client interactions and roll out to other branches;

2) Continue to track progress on the client level as part of TYM's social performance;

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

4) Strengthen TYM's capacity to efficiently manage the Mutual Assistance Fund; and

5) 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

TYM Fund
www.tymfund.org/vn

Federal Ministry of Labour and Social Affairs

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