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: ESAF Microfinance &Investments (P) Ltd (EMFIL)

Country of Operation: India

Organizational Mission: To positively impact the lives of the neglected class across India, by offering them exclusive financial services along with livelihood development services, healthcare, education, housing and training for skill development.

Current Legal Status: Non-bank Financial Institution

Types of Products offered: Loans, social security schemes, and Business Development Services

Total Number of Active Borrowers: 322,590 (99.6% women)

Total Number of Active Savers: 0

Size of Gross Loan Portfolio (in INR): 2,095 million

Total staff: 1,591

Number of Branches: 150

Geographical Dispersion: Active in 7 states, 35 districts

**2011*

ESAF's Innovation

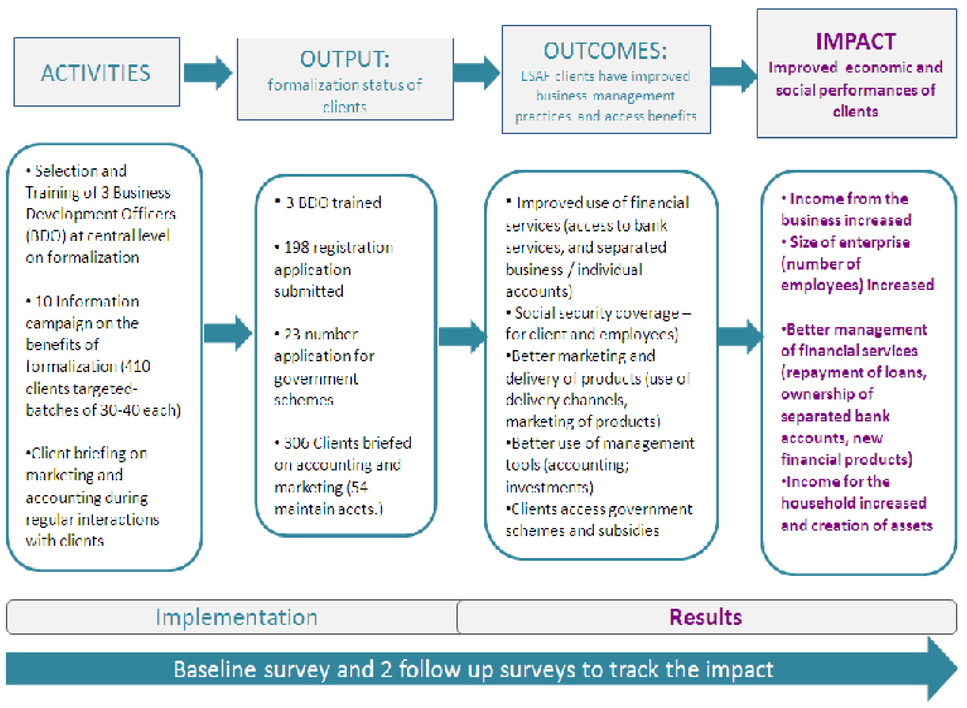
SHRAM JYOTI - 'Upholding the Spirit of Labour': Access to Business Development Services in an effort to increase Formalization among ESAF Clients

Innovation Details

ESAF's objective is to improve the financial performance of ESAF clients, leading to their economic and social empowerment. The strategy followed hopes to reach this objective by supporting formalization of growth-oriented clients, which may facilitate their access to government support schemes, bank loans, membership in business associations, and markets. This was pursued through the provision of information and targeted business development services (BDS). The innovation targeted ESAF clients that are not members of producer companies and that are recognized as enterprises with growth potential – either entrepreneurs that have reached a certain level of business activity and need support to upgrade or entrepreneurs that have reached the capacity to formalize but have not done so due to lack of information. ESAF provided BDS and information services to clients.

ESAF conducted 4 surveys over the span of 2 years on a sample of 670 clients in six branch locations.

Result's Chain for ESAF



ESAF'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 there is a clear difference for certain outcomes between the groups, such as:

- Strong increase in registration of businesses with relevant authorities;
- Improved access to bank services for clients in the innovation group;
- Better awareness and access to government schemes and benefits;
- Perception of increased importance of the household enterprise for income generation; and
- Increased use of management tools in running the business although performances of the enterprises have not been impacted in the period of the innovation.

Therefore it is reasonable to conclude that the impact on formalization can be attributed to the provision of Business Development Services promoted by the innovation.

Based on the overall research process and conclusions, the ILO would like to make the following recommendations to ESAF regarding the future of the BDS training and formalization of clients:

1) Continue awareness raising on benefits of formalization for the clients that have a potential to grow their business;
2) Continue the individual support in business management practices provided to clients through Business Development Officers;
3) Liaise in a more systematic manner with government authorities to represent the interests of clients and allow clients to reap fully benefits of formalization;
4) Inquire further on the business case to develop a sustainable BDS model;
5) Share their tools methodologies, experiences, and findings through national and international networks of microfinance institutions in order to encourage similar work in the promotion of formalization and the campaign for Decent Work around the world.

For more information:

ILO MF4DW Action Research
www.ilo.org/socialfinance

ESAF
www.esafindia.org

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