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:

BAI TUSHUM & PARTNERS MICROFINANCE COMPANY

MFI Partner: Bai Tushum and Partners
Country of Operation: Kyrgystan
Organizational Mission:
Bai-Tushum and Partners is a reliable financial partner contributing to the economic development of the Kyrgyz Republic through the delivery of microfinance services in rural and urban areas, that lead to increased employment and meets the interests of its clients and investors.

Current Legal Status: Non-Bank Financial Institution
Types of Products offered: Loans and Voluntary Savings
Number of Active Borrowers: 35,428
% of Women Borrowers: 44%
Total Number of Depositers: 411
Total staff: 360
Number of Branches: 44
Geographical Dispersion: Active across the entire country
Size of Gross Loan Portfolio (in USD$): 55 million *2011

Bai Tushum's Innovation

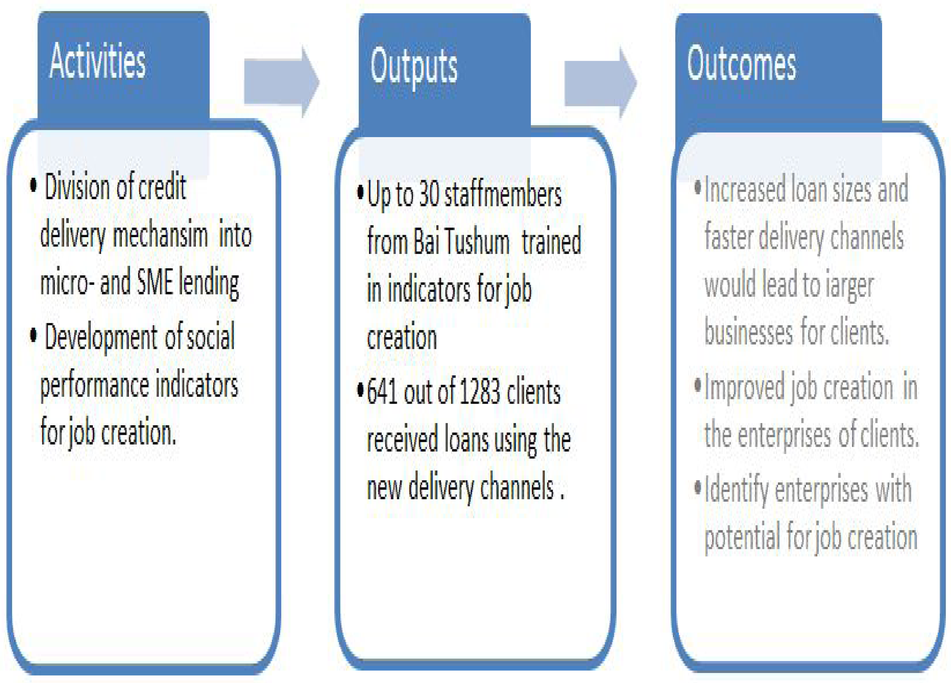
Re-organizing Operations towards Better Job Creation

Innovation Details

Bai Tushum reorganized the credit process and delivery system within the company through the establishment of a separate department for SME lending. The innovation was implemented at the branch level strategically and operationally, as well as through the sub-offices. The main purpose of the innovation was to see if the new delivery mechanism of SME and micro lending may contribute to productive employment for microfinance clients and creates jobs for their workers. The new delivery system was implemented in all branches. Organizational changes include providing larger loans for SMEs, decentralization of loan approval, division of staff into a micro and SME department.

Bai Tushum conducted 3 surveys over the span of 1 year on a sample of 1440 clients in 7 branches: Jalabad, Osh, Talas, Bishkek, Naryn, Karakol, Batken.

Result's Chain for Bai Tushum



Bai Tushum's Results

Preliminary results:

The social performance assessment compared several clients groups namely those who received loans under new delivery channels and those who did not.

- We find a small effect of increases in loan size on job creation, but it's not always significant
- We find a negative effect of client exit on job creation
- Other factors such as type of sector are influencing job creation

Based on the overall research process and conclusions, the ILO would like to make the following recommendations to Bai Tushum regarding the future of the system delivery:

1) Continue providing support for enterprises with potential for job creation;
2) Incorporate indicators for job creation into social performance management; and
3) 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

Bai Tushum
www.baitushum.kg

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