Risk of Child Labor in Microfinance

Results from ILO & 60 Decibels

April 2023

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Summary

All data was collected through phone surveys in clients' local language.

> Languages: Bambara, Bemba, Burmese, English, French, Khmer, Myanmar, Nago, Nyanja, Pidgin, Russian, Tajik, and Wolof.

> Average Survey Length: 22 minutes

> Average Response Rate: 68%

Throughout this deck, we have often discussed segmented results by sub-region. The percentage of the sample from each sub-region is below;

> West Africa: 51%

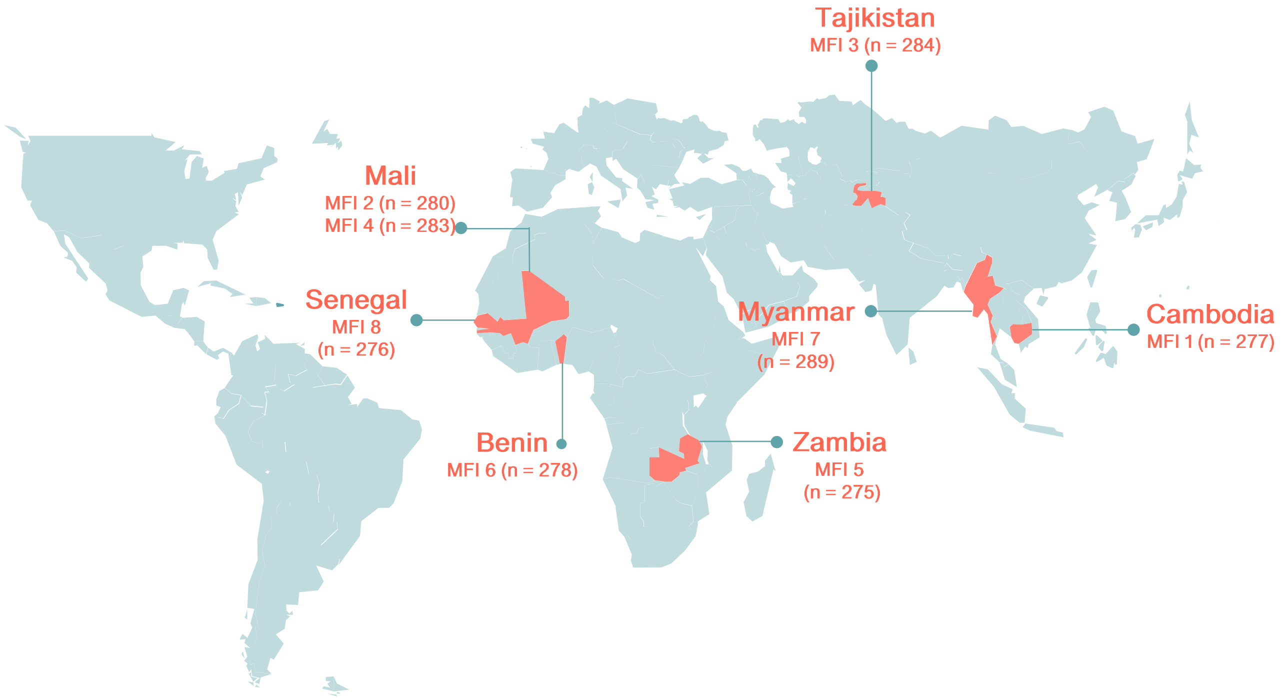
> Southeast Asia: 29%

> Central Asia: 14%

> East Africa: 6%

We spoke with 2,242 microfinance clients from 8 microfinance institutions in Africa and Asia for this analysis.

Geographic Distribution



Key Insights

1

21% of clients report receiving business support, paid or unpaid, from individuals under 18. Family under 18 is the most common type of support.

Clients in West Africa are 29 percentage points more likely to say they receive business support under 18 compared to the other regions included in this report (36% versus 7%) – suggesting risk of child labor with microfinance clients is higher in West Africa. Half of clients report they receive support from family over 18 with their business (page 8).

2

There are significant differences in five 60 Decibels Microfinance Indicators; income change, employment increases, amount spent on education, worry about finances, and reduced household food consumption to make repayment when we compare clients who say they receive support under 18 to those who do not receive business support from individuals under 18.

These differences can be found on the following page in the performance snapshot (page 6) and in detail in the following pages of this report (pages 11, 13, 15, 17, & 19).

3

1 in 3 clients who have decreased the amount they spend on their children's education say this is because of personal factors, or factors that are deemed within the control of the client.

The most common personal factors among clients include decreases in business income, the child dropping out of school, prioritizing business spending, or using the loan for another purpose (page 9).

Performance Snapshot

The indicators on this page represent significant differences found in the 60 Decibels MFI Index outcomes by clients who report having business support under 18 versus those who do not.

Increases in Income

% of clients who report ‘very much increased’ income because of MFI

Increases in Paid Employees

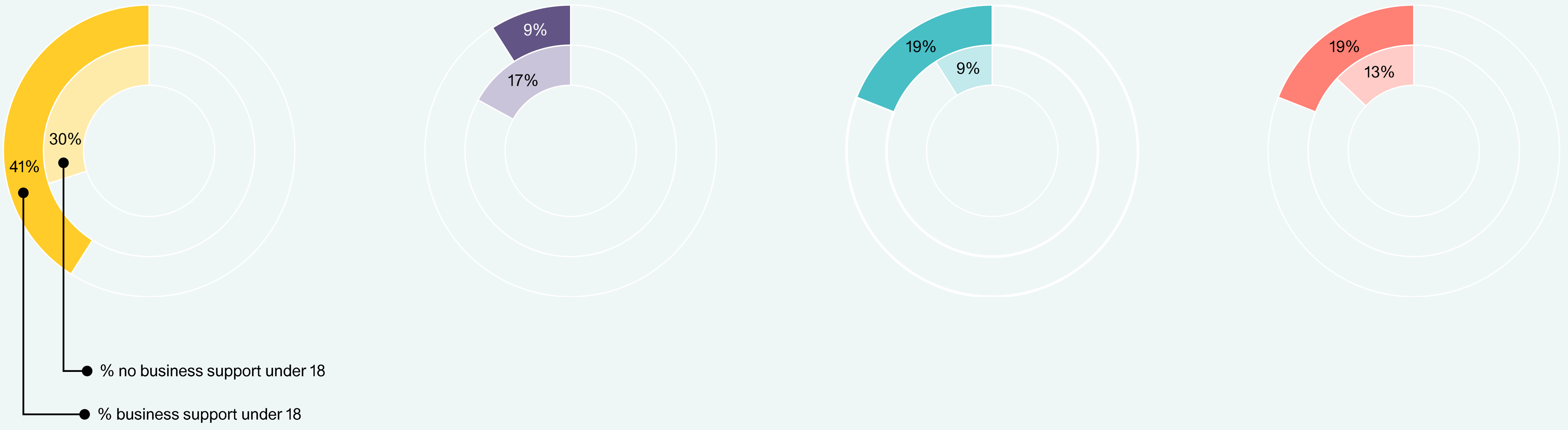
% of clients who report ‘increased’ number of employees in their business because of MFI

Increased Worry about Finances

% of clients who report ‘very much increased’ worry about finances because of MFI

Reduced Consumption for Repayment

% of clients who report reducing food consumption of a household member to make a loan repayment from MFI



Detailed Insights

Business Support: Over and Under 18

1 in 5 clients say that someone under 18 supports their business activities, either free or paid.

We asked 1,976 clients of the sample who, if anyone, helps with their business activities for free or paid. 60% of clients say people over 18 support their business activities and 21% say people under 18 support their business activities.

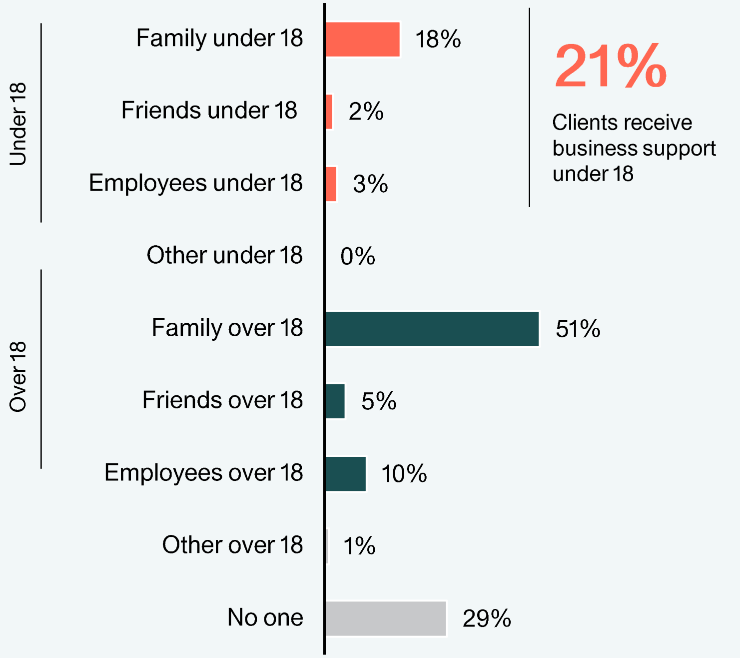
29% of clients say no one, paid or unpaid, supports their business activities.

Clients in West Africa are more likely to report that people under 18 support their business activities compared to other regions (36% vs 7%).

Throughout this report, we compare the outcomes of clients who say they have business support under 18 to those who say they do not have business support under 18.

Support with Business Activities (Paid or Unpaid)

Q: Who, if anyone, helps you with your business activities either for free or paid? Multiple Select (n = 1,976)



Under 18 Business Support Disaggregated by MFI

	Under 18 Total	Family under 18	Friends under 18	Employees under 18
MFI 4	**49%**	40%	7%	7%
MFI 8	**35%**	35%	0%	0%
MFI 6	**30%**	22%	1%	4%
MFI 2	**26%**	21%	1%	4%
MFI 5	**20%**	16%	3%	0%
MFI 3	**6%**	4%	0%	2%
MFI 1	**4%**	4%	0%	0%
MFI 7	**4%**	4%	0%	0%

Decreased Spending on Education

Of the clients who decreased or had no change to their education spending because of the microfinance loan, 3 in 4 say this is because of reasons outside their control.

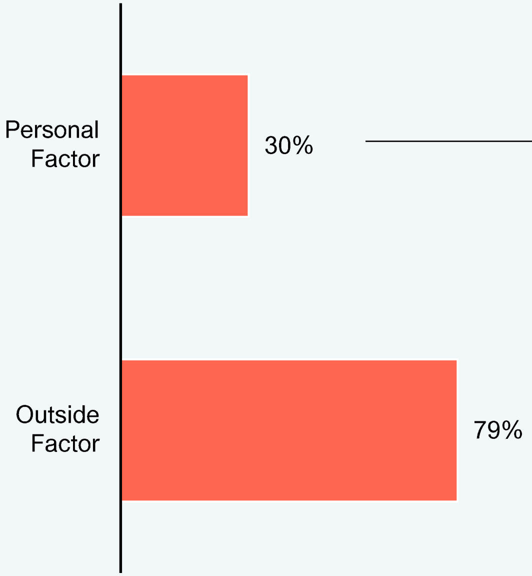
We coded the education spending change open-ended responses by outside & personal factors:

- Outside Factor – A factor outside the control of the client. These include free or subsidized education, someone else pays their school feels, or school fees are unchanged.
- Personal Factor – A factor within the control of the client. These include a decrease in business income, the child dropped out of school, prioritized business spending, or used the loan for another purpose.

Clients in West Africa are more likely to cite outside factors for the decrease or no change in the amount they spend on education (81%) compared to clients in other regions (64%).

Clients Reporting Decreased Spending on Education

Q: Can you please explain why the amount you spend on your children going to school has decreased or has not changed? (n = 111) Open-ended response, qualitative coded.



Personal Factors Disaggregated by MFI*

MFI 1 (n = 5)	• 60% Decrease in business income • 20% Child dropped out
MFI 3 (n = 3)	• 70% Other • 30% Used loan for other purpose
MFI 4 (n = 3)	• 30% Prioritized business spending • 30% Decrease in business income
MFI 2 (n = 2)	• 50% Decrease in business income • 50% Other
MFI 7 (n = 15)	• 64% Prioritized business spending • 36% Used loan for other purpose
MFI 8 (n = 5)	• 100% Used loan for other purpose
Aggregate (n = 33)	• 43% Used loan for other purpose • 33% Prioritized business spending

*0 clients from MFI 6 and MFI 5 said the amount the spend on their child decreased or did not change because of personal factors.

Personal Factors

Decrease in Income

“I can say that the money I spend on my children's education has decreased because my current financial situation has deteriorated. Which is characterized by the decrease in my income which can no longer support these expenses.”

– MFI 2 Client

Child Dropped Out

“I was not able to take my children to school because they have to help me with work to get more income.”

– MFI 1 Client

Used Loan for Other Purposes

“The loan amount is not even to extend my business and can not support to my children's school expense.”

– MFI 7 Client

Outside Factors

Free Education from Government

“Because here, the school is practically free and the expenses are not substantial.”

– MFI 4 Client

School Fees Decreased for the Client

“What I spend on my children's schooling has decreased because my husband is currently paying the compulsory fees. As for me, I only take care of small elementary expenses.”

– MFI 2 Client

Child Graduated

“My children are grown up and are in Dakar working.”

– MFI 8 Client

Income Change

Clients with business support under 18 are more likely to report their income has 'very much increased' compared to those who do not have business support under 18.

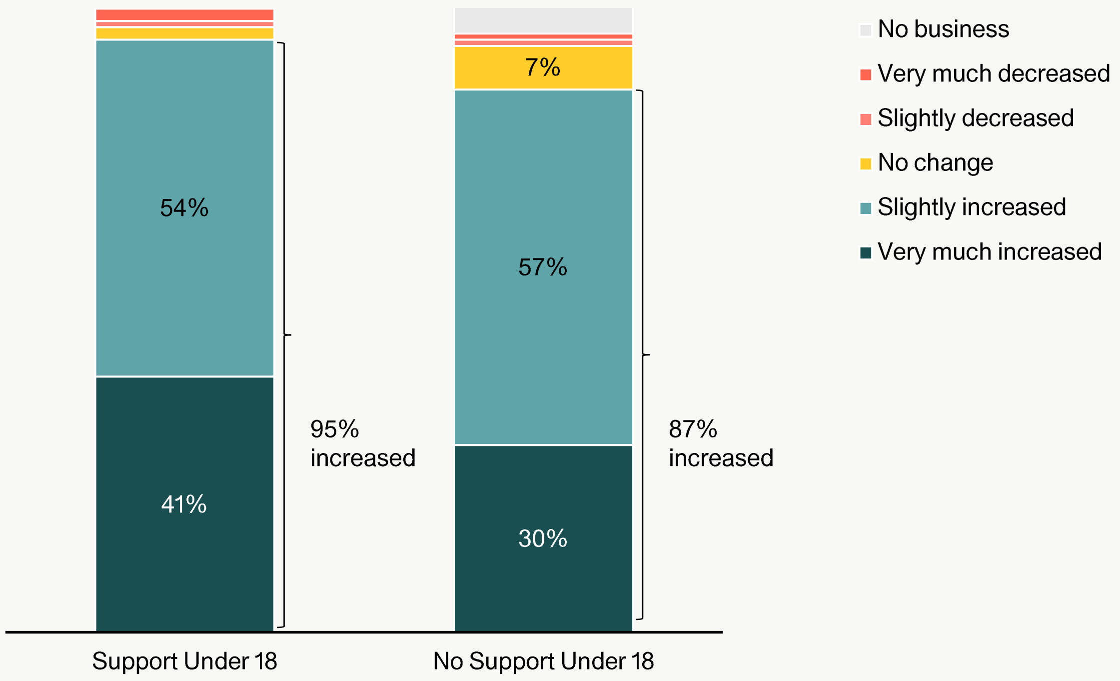
41% of clients with business support under 18 say their income has 'very much increased' compared to 30% without business support under 18 - the difference is significant.

Females and males are equally likely to report their business has 'very much increased' if they have support under 18.

Clients from MFI 5 are most likely to report their income has 'very much increased' if they have business support under 18 (87%).

Impact on Income

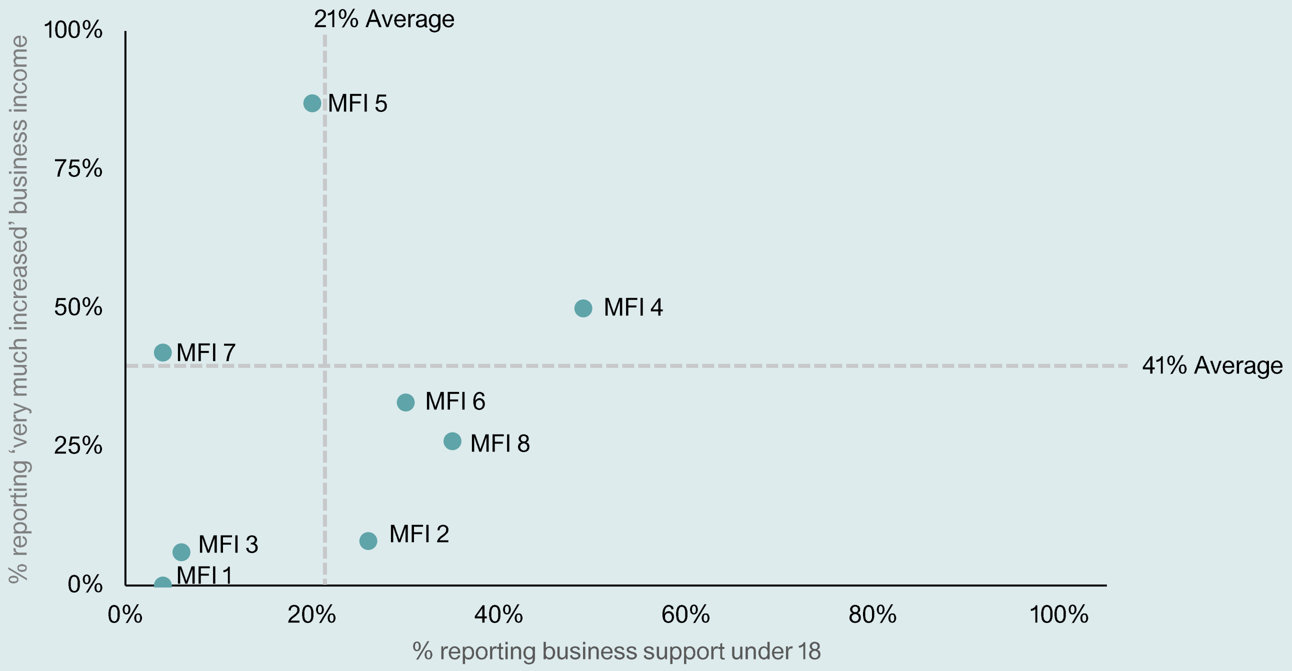
Q: Has the money you earn from your business changed because of [MFI]? (n = 1,976)



Income & Business Support Under 18 by MFI

Business Support Under 18 vs. Income Changes

% of all clients who say they have business support under 18 compared to % of clients with support under 18 who say 'very much increased' business income



Job Creation

Clients with business support under 18 are less likely to increase their number of paid employees compared to those without business support under 18.

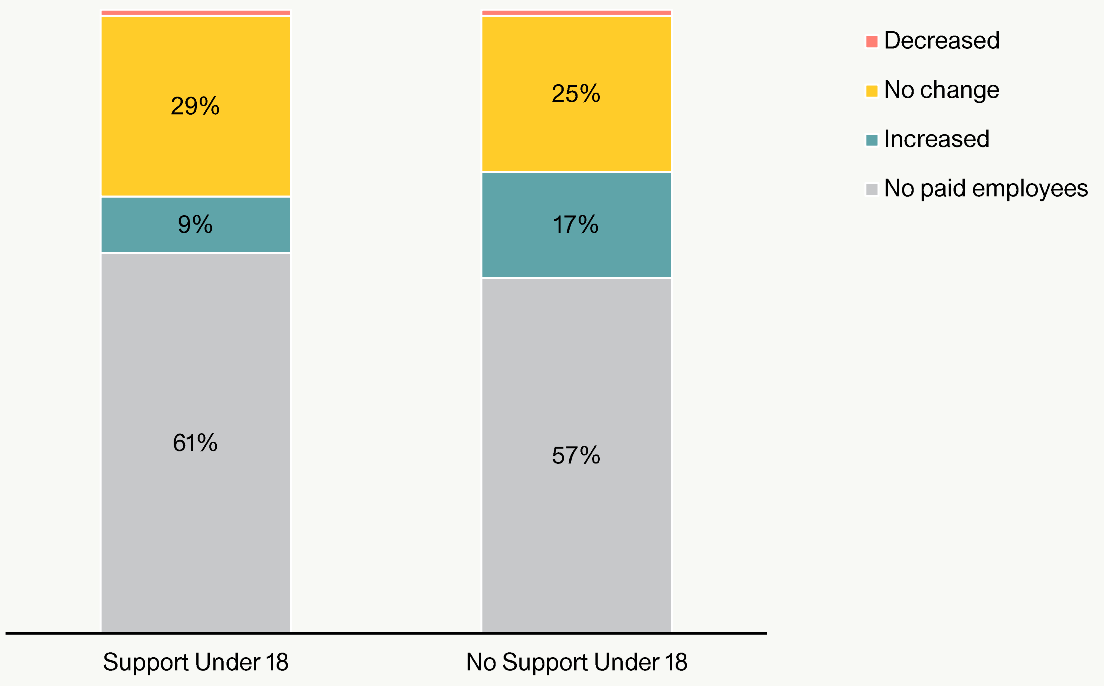
9% of clients who have business support under 18 say their number of paid employees has increased, compared to 17% of clients with no support under 18. Simialrly, those with business support under 18 report higher levels of ‘no paid employees’ compared to those without business support under 18 (61% vs. 57%).

The following list shows the % of clients with business support under 18 who report their number of paid employees has ‘increased’;

> 42% MFI 1
> 22% MFI 2
> 17% MFI 7
> 7% MFI 4
> 6% MFI 3
> 4% MFI 5
> 4% MFI 8
> 2% MFI 6

Change in Paid Employees

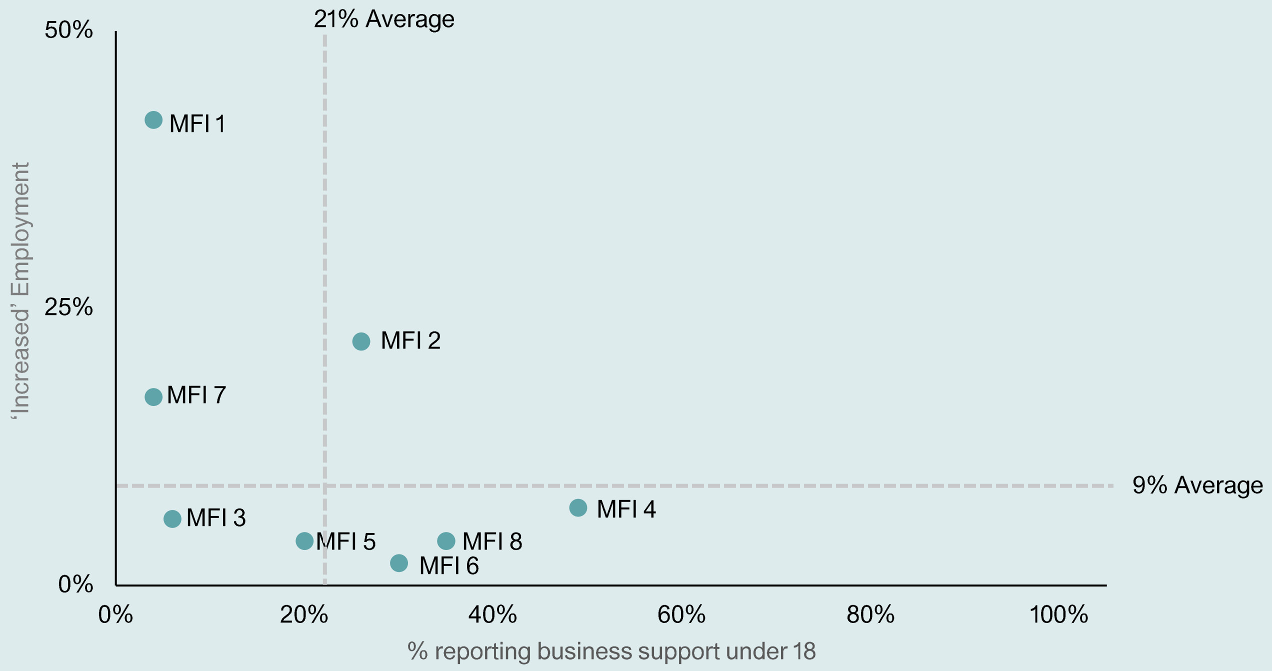
Q: Has your number of paid employees working for your business changed since you started working with [MFI]? (n = 1,898)



Employment & Business Support Under 18 by MFI

Business Support Under 18 vs. Increased Employment

% of all clients who say they have business support under 18 compared to % of clients with support under 18 who say 'increased' employment



Worry about Finances

Clients with and without business support under 18 report the same level of decreased worry about finances because of their MFI.

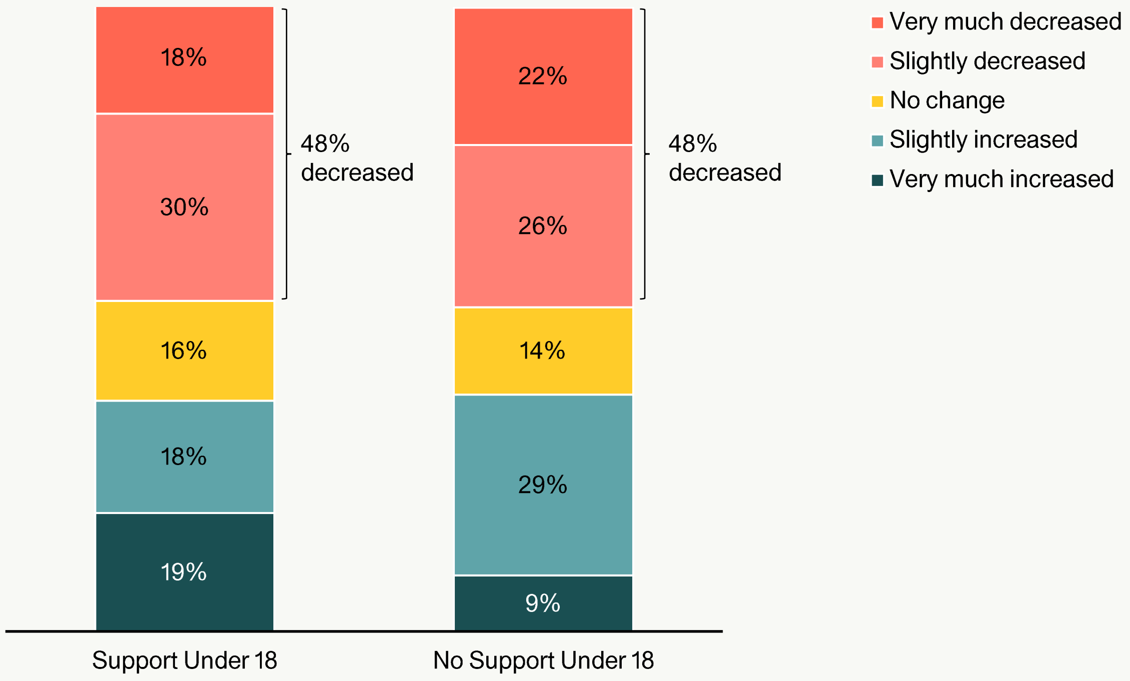
Clients with business support under 18 are more likely to report their worry about their finances has 'very much increased' because of their MFI (19%) compared to those who do not have business support under 18 (9%), which is a significant difference. This suggests that clients who have business support under 18 are more worried about their finances.

The following list shows the % of clients with business support under 18 who report their worry has 'very much increased' by MFI;

> 35% MFI 4
> 19% MFI 8
> 18% MFI 3
> 17% MFI 1
> 8% MFI 6
> 4% MFI 5
> 2% MFI 2
> 0% MFI 7

Impact on Worry Related to Finances

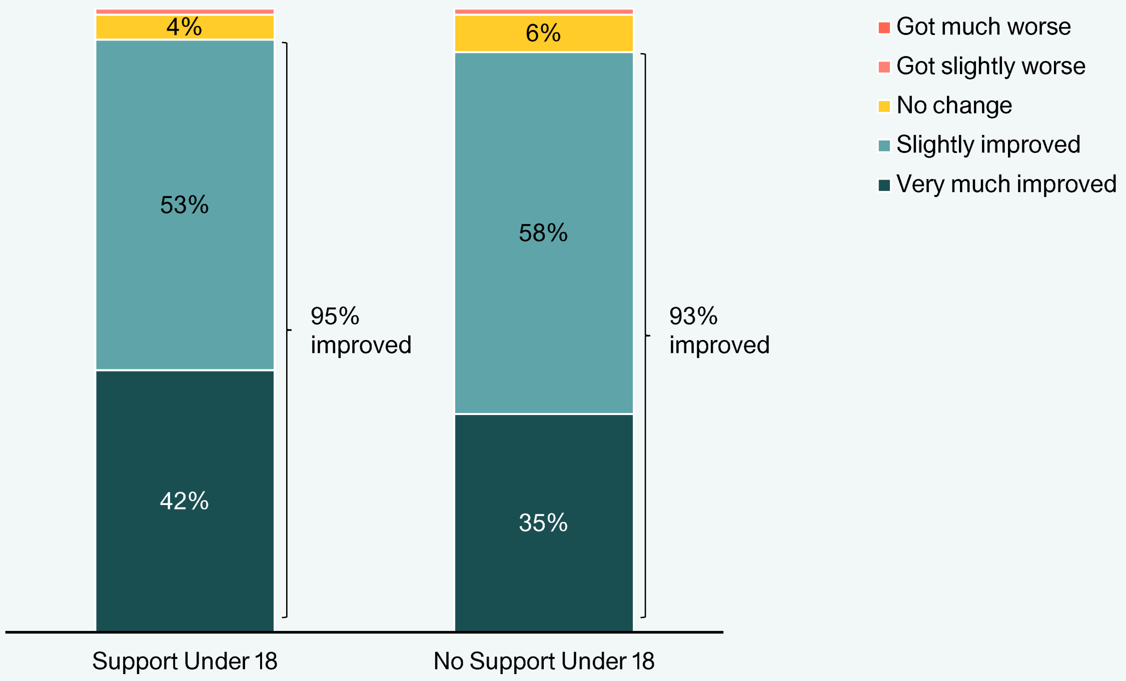
Q: Because of [MFI], how has your worry related to your finances changed? (n = 1,975)



Quality of Life

Perceived Quality of Life Change

Q: Has your quality of life changed because of [MFI]? (n = 1,976)



Amount Spent on Education

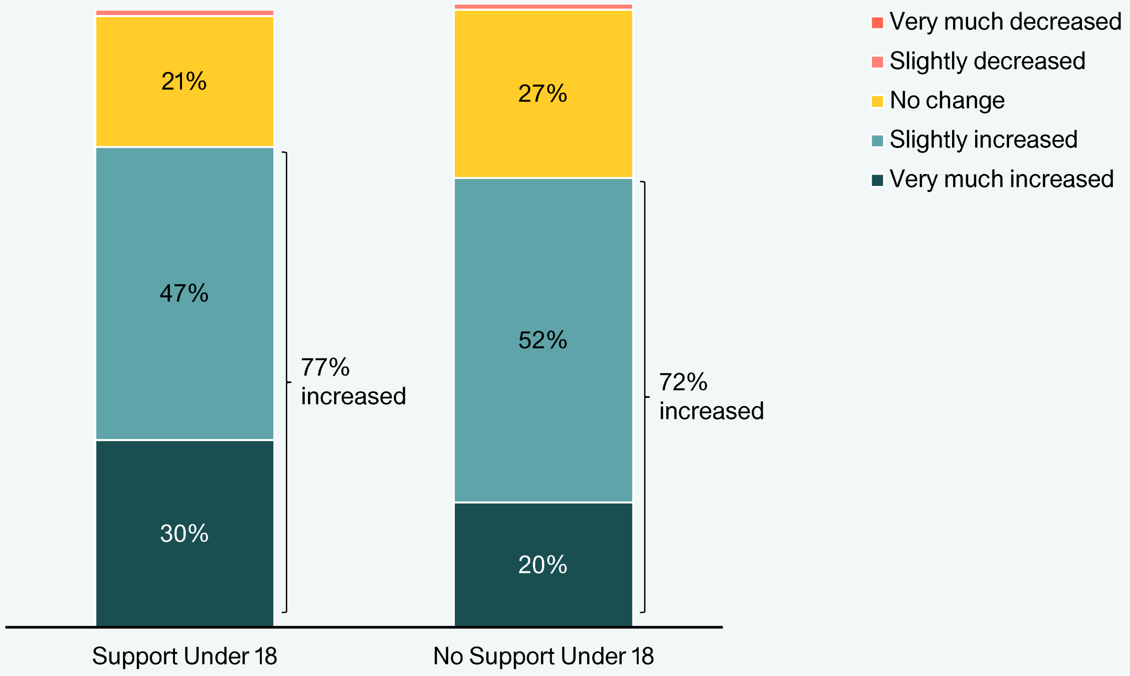
3 in 10 clients with business support under 18 have 'very much increased' the amount they spend on their children's education – more than those without support under 18.

Interestingly, there is a significant difference between clients who have and who do not have business support under 18 and the amount the client spends on their children's education.

30% of clients who have business support under 18 report the amount they spend on education has 'very much increased compared to 20% of clients without business support under 18.

Change in Education Spending

Q: Has the amount you spend on your children's education changed because of [MFI]? (n = 1,713*)



*262 respondents were removed from the sample who do not have school aged children

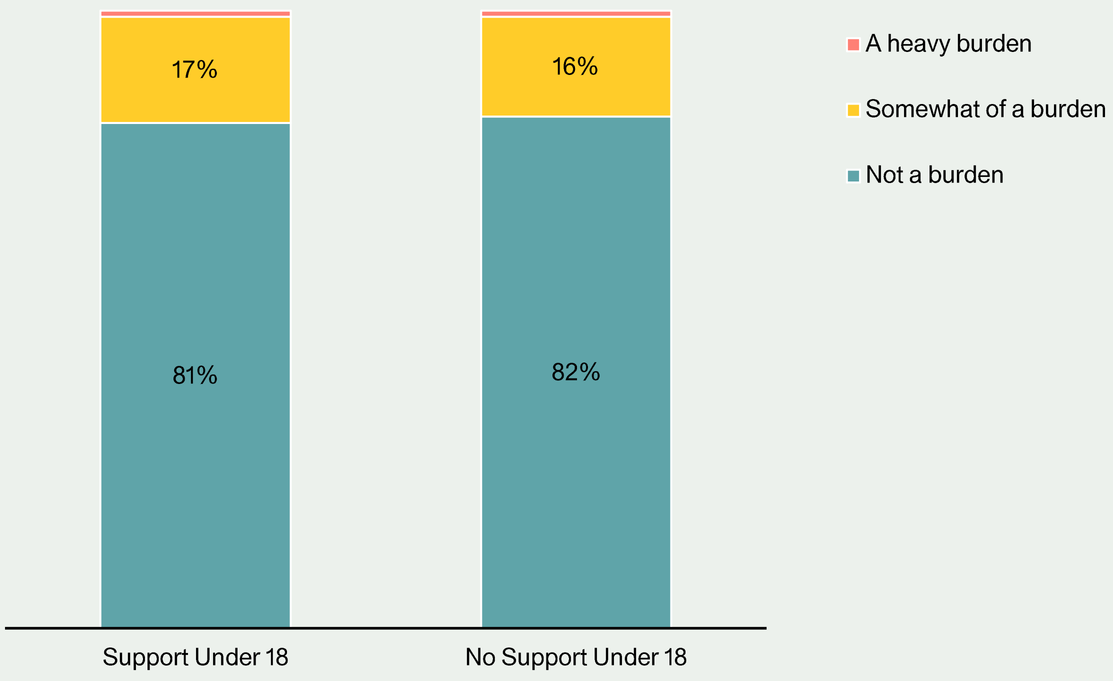
Repayment Burden

Clients with and without business support under 18 report similar levels of repayment burden.

These percentages do vary slightly by MFI however. For those clients who report having business support under 18 MFI 3 (100%), MFI 7 (100%), MFI 4 (96%), and MFL (96%) most often cite their repayments are 'not a problem' compared to MFI 2 (52%), MFI 1 (58%), MFI 6 (75%) and MFI 8 (80%).

Repayment Burden

Q: Thinking about these loan repayments, are they a heavy burden, somewhat of a burden, or not a problem? (n = 1,976)



Consumption Cutback for Repayment

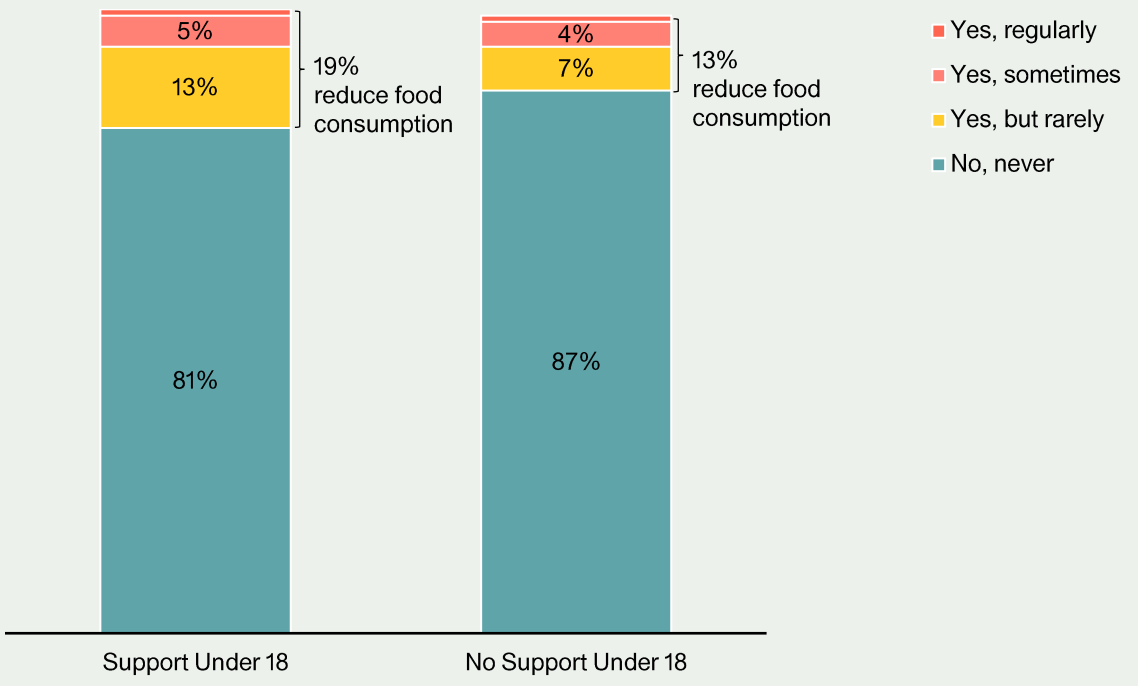
Clients with business support under 18 are more likely to report reducing household food consumption to make loan repayments.

While there is no significant difference between repayment burden and clients who have business support under 18, we do find the one between support under 18 and cutting back household food consumption to make repayments.

19% of clients with business support under 18 report, with varying frequencies, they have reduced household food consumption to make loan repayments compared to 13% of clients without business support under 18. Clients from MFI 1 with support under 18 are most likely to report cutting back consumption for repayments (67% report 'yes').

Consumption Cutback for Repayments

Q: Do you have to reduce your households' food consumption for any family member in order to make loan repayments from [MFI]? (n = 1,976)



Appendix

Loan Usage

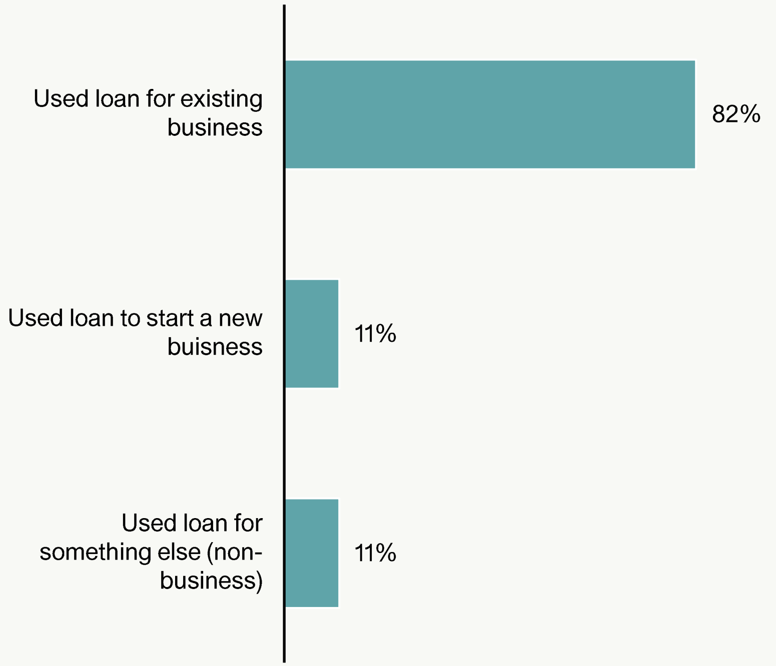
8 in 10 clients use their loan for an existing business purpose, clients who have business support under 18 are more likely to report using their loan for an existing business purpose.

Only 4% of clients with business support under 18 say that they used the loan for a non-business use while 13% of clients who do not have business support under 18 say they used the loan for a non-business use.

Clients with business support under 18 are more likely to report they used the loan for an existing business (88%) compared to those who do not have business support under 18 (80%).

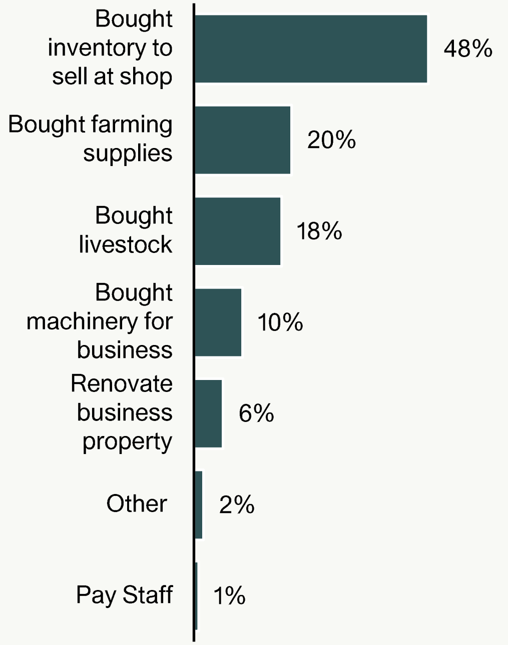
Client Loan Use

Q: What did you use your loan(s) from MFI for? Multiple Select (n = 2,242)



Business Loan Use

Q: What business purposes did you use your loan(s) for? (n = 2,127)



Benchmarks

To contextualize your results and see how your performance compares to other MFIs across these indicators, we have benchmarked your results here. The 60 Decibels Microfinance benchmarks include data across 100+ MFIs. Please note, the data in this report is static and the benchmarks are as of May 2023.

Indicator	Description	Business Support Under 18	No Business Support Under 18	60dB Global MFI Benchmark
Income	% seeing ‘very much increased’ income	41%	30%	23%
Employment	% increasing no. of paid employees	9%	17%	9%
Quality of Life	% ‘very much improved’ quality of life	42%	35%	12%
Education	% ‘very much increased’ household spending on education	30%	20%	13%
Repayment Burden	% saying repayments ‘not a problem’	81%	82%	64%
Consumption Sacrifice	% who ‘never’ cut food consumption to make repayments	81%	87%	80%
Financial Worry	% ‘very much decreased’ time spent worrying about finances	18%	22%	18%

Demographics

Demographic Profile of MFI Clients in Analysis

Data relating to customer characteristics (n = 2,242)

MFI	MFI 1	MFI 2	MFI 3	MFI 4	MFI 5	MFI 6	MFI 7	MFI 8	Total (n) / Average
Sample Size (n)	277	280	284	283	275	278	289	276	**2,242**
Females	77%	35%	34%	11%	100%	54%	86%	77%	**59%**
Age	41	45	44	44	38	42	46	40	**43**
Household Size	4.8	9	6.9	14.0	6.13	6.14	4.93	10.6	**7.7**
Urban (City)	4%	90%	23%	13%	0%	49%	11%	6%	**24%**
Peri-urban (Town)	34%	10%	18%	54%	19%	34%	43%	32%	**32%**
Rural (Village)	61%	0%	60%	33%	71%	16%	45%	63%	**44%**

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