Bundling financial and non-financial services

International and Indonesian experiences

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Outline

1. The International Labour Organisation and financial inclusion

2. Linking financial and non financial services: How can it achieve Decent Work and Social Performance
   2.1 International experience: MF4DW
   2.2 Indonesian experience: Promise impacts
Outline

1. The International Labour Organisation and financial inclusion
• The ILO
  → UN specialized agency founded in 1919
  → Tripartite constituents: Government, employers and workers
  → Promoting decent work
  → 4 pillars: ILS, Employment, Social protection, Social dialogue

• The ILO and social finance
  → Innovative finance for social justice
  → Promote financial inclusion at 3 levels: policy, institutional, clients/entrepreneurs
Outline

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2. Linking financial and non financial services: How can it acheive Decent Work and Social Performance
   2.1 International experience : MF4DW
Microfinance for Decent Work in a nutshell…

✓ Action Research Programme
✓ Timeframe: 2008-12
✓ 16 partner-MFIs worldwide

GOAL: to measure the impact of decent work innovations on the welfare of microfinance clients
Microfinance for Decent Work Partners
Research Questions

• What is the most pressing Decent Work challenge for clients of a MFI?

• Can the issue be addressed through microfinance?

• Does it require a modification in service delivery?

• Would the MFI also benefit from the innovation financially?
Experimental Research Design

“...is used for the controlled testing of causal processes.”

Main idea: Experiment in which all observed variables are held constant for a selected population over time - except for one (=innovation). Changes in the population can then be attributed to the innovation.

- Control and Target groups
  - Only target group has access to the innovation.

- Client selection (random sample / stratification / matching)
  - Research sample stratified to match the general portfolio of each MFI
  - In some cases, a specific type of client was necessary => matching by characteristics of “sub-sample”.

- Panel Data Sets
  - Baseline survey before implementation of innovation
  - One to four follow-up surveys
What did we do: steps completed

Phase I: Selection and diagnosis
- Identification of partner-MFIs worldwide
- Identification of decent work challenges among MFI clients

Phase II: Implementation and testing
- Developed strategy and innovations
- Sampling of target and control group
- Baseline survey
- Implementation of innovations
- Follow-up surveys every 6 months

Phase III: Analysis, documentation & dissemination
- Preliminary analysis (descriptive statistics)
- Impact analysis for each innovation (econometric analysis, difference-in-difference method)
Some remarkable results

- Child labour:
  The coverage of the entire family by a microinsurance product decreased child labour incidence for boys and girls by almost **7 per cent** and lowered the risk of hazardous occupations by **5 to 6 per cent** in Pakistan (NRSP).

- Formalisation:
  Interventions increased the awareness about formalisation by **93 per cent** and formalisation itself by roughly **70 per cent** for clients in India (ESAF).

- Vulnerability:
  Emergency savings reduced taking a loan to repay another loan by **22 per cent**, plus resulted in a **7 per cent** drop in repayment difficulties and a generally lower level of indebtedness of clients in the Philippines (NWTF).
Some remarkable results

- **Business Performance:**
  The package of women entrepreneurship training and start-up loans resulted in increased self-employment and business expansion for female microentrepreneurs in Tajikistan (IMON).

  In India (BASIX), training on productivity and occupational safety and health resulted in an **11 per cent** reduction of work related injuries and enhanced productivity leading to an increase in monthly net income of **USD 37**.
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2 keys efforts piloted by PROMISE IMPACTS

- Build sustainable capacity on financial institution’s management, product diversification and its governance with a focus on social Performance Monitoring both at micro and supervisory level.
- Design and pilot test innovative ‘responsible finance’ services -- integrated financial and non-financial services provided by FSPs fostering their social engagement with their clients.

Through monitoring and research → Business case for FSPs to offer diversified fin services and non fin services

Proven practise and business case research gives regulator better advocacy tools to promote MF+
Social performance management (SPM) is the process of managing an organization to achieve a social mission. It is a management style that puts customers at the center of all strategic and operational decisions.
PROMISE IMPACTS intervention model

FINANCIAL SERVICE PROVIDERS → CLOSING THE GAP → MICRO & SMALL ENTREPRENEURS

FINANCIAL SERVICE INNOVATIONS
SOCIAL PERFORMANCE MANAGEMENT

CLOSING THE GAP

OUTREACH, QUALITY SERVICES, & CLIENT IMPACT
PROMISE IMPACTS

- Sectors and provinces of intervention:
  - Textile industries in West Java
  - Food and beverage industries in East Java

- Duration: 3 years starting from early 2016

- FSPs partners selection (6 and more):
  Based on outcomes of financial mapping done during the inception phase
  - Geographical and sectoral coverage
  - Double bottom line
  - Willingness and capacity to experiment with new products and social performance measurement system
More information...

- [http://www.ilo.org/jakarta/](http://www.ilo.org/jakarta/)
- [www.ilo.org/socialfinance](http://www.ilo.org/socialfinance)

Thank you!

Terima kasih