



International
Labour
Organization

Bundling financial and non financial services

International and Indonesian experiences

Yusra HAMED - Social Finance Programme

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Innovative Finance for Social Justice



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



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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+

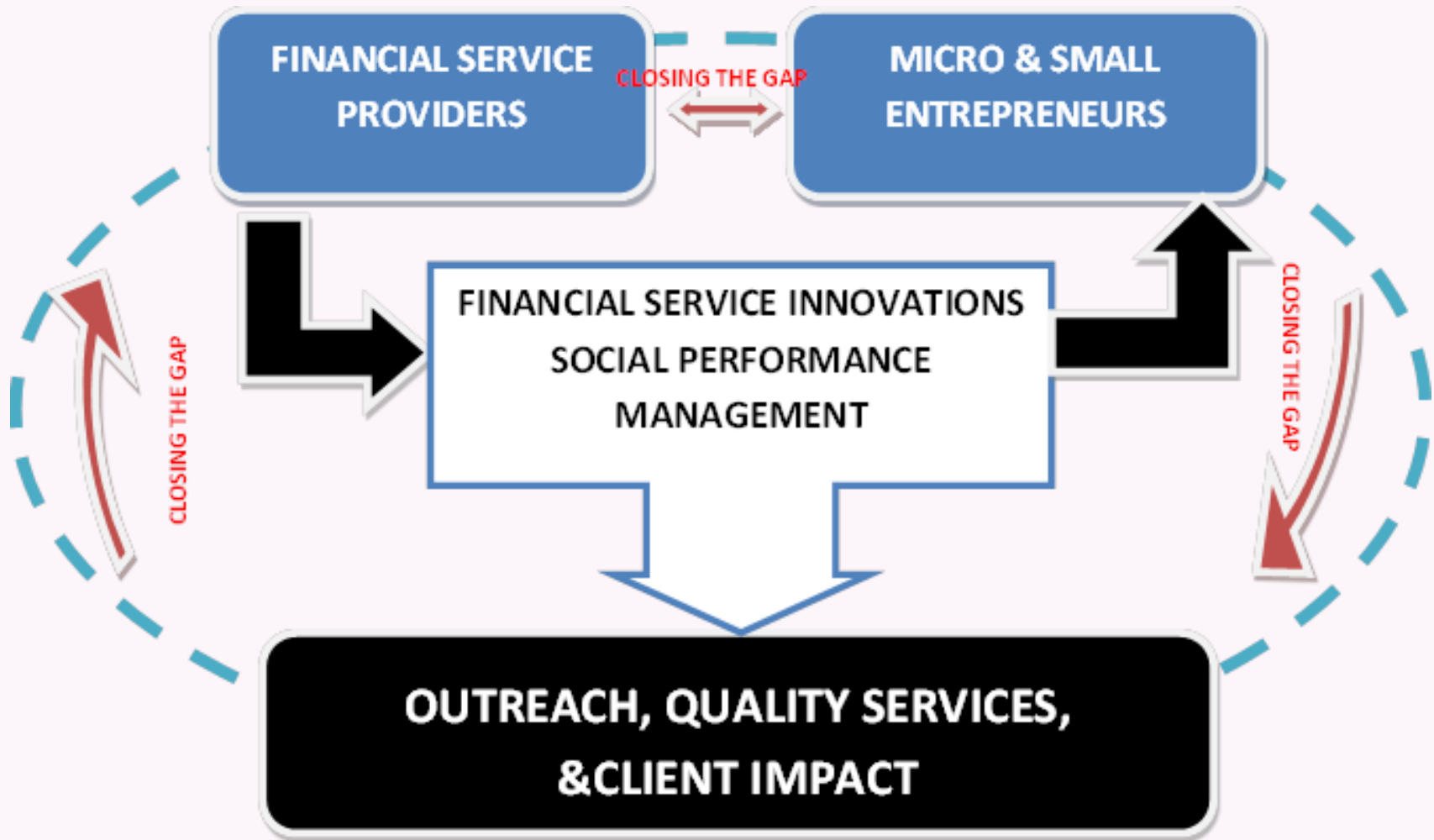


Social performance management (SPM) is the process of managing an organization to achieve a social mission.

It is a management style that puts customers at the center of all strategic and operational decisions

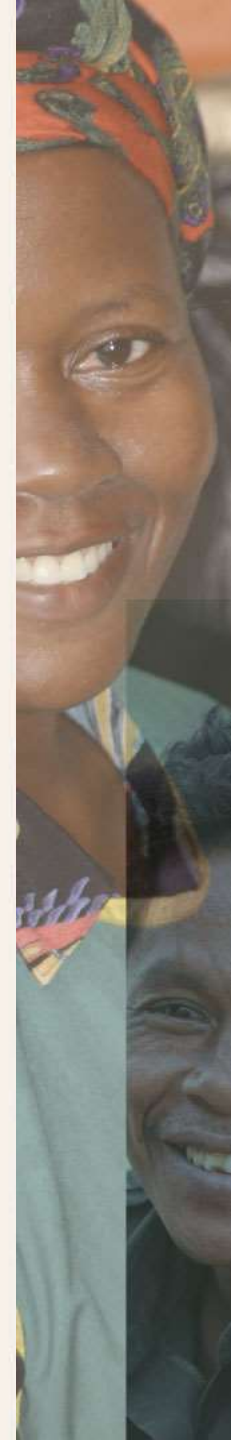


PROMISE IMPACTS intervention model



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 bottem line
 - Willingness and capacity to experiment with new products and social performance measurement system



More information...

- <http://www.ilo.org/jakarta/>
- www.ilo.org/socialfinance

Thank you!

Terima kasih

