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FINANCIAL INCLUSION FOR SUSTAINABLE DEVELOPMENT

Social impacts stimulated by access to microfinance services. A cross-sectional study of the ProMiS program in Sri Lanka

Nina Hansen & Marloes Huis
University of Groningen



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The current project: ProMIS program

<http://www.youtube.com/watch?v=ii05554S3To>



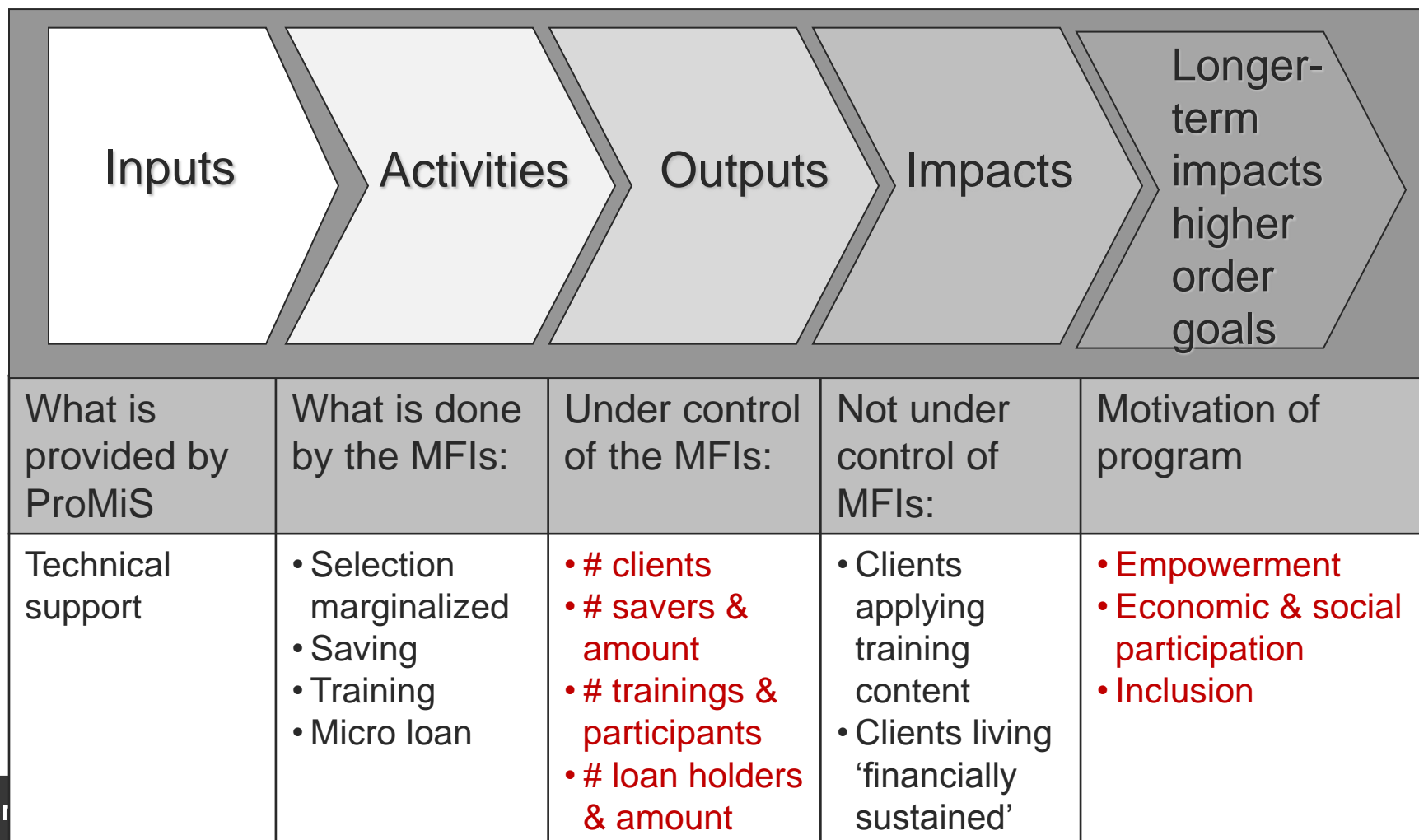
- Implemented by GIZ on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ) together with the Ministry of Finance and Planning of Sri Lanka.
- Since 2009, 20.000 marginalized people have profited from access to microfinance services.
- Three main activities:
 - Saving
 - Training (soft, business, & technical skills)
 - Micro loan



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Result chain of the intervention

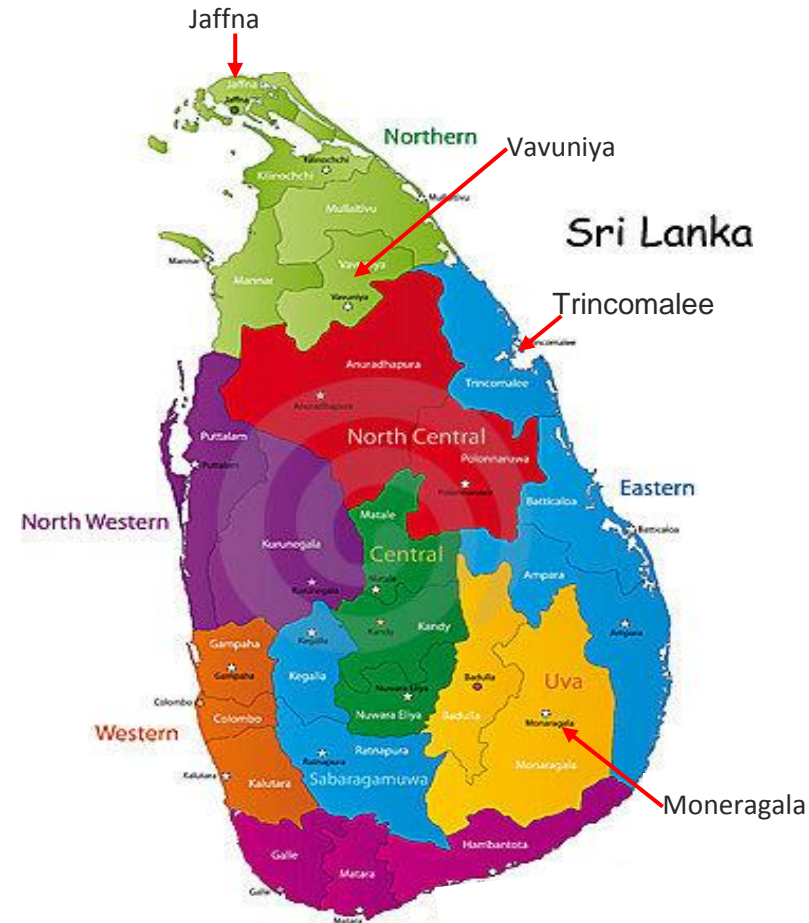


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Design

- Cross-sectional
- 480 marginalized individuals
- 4 regions: (in)directly war-affected; very poor
- 2 comparison groups:
 - 60 treatment group (14-20 months)
 - 60 comparison group
- 3 MFIs
- Measures: outputs of the activities, higher order impacts



1. Activities & *Outputs*

Saving

Training

Micro loan

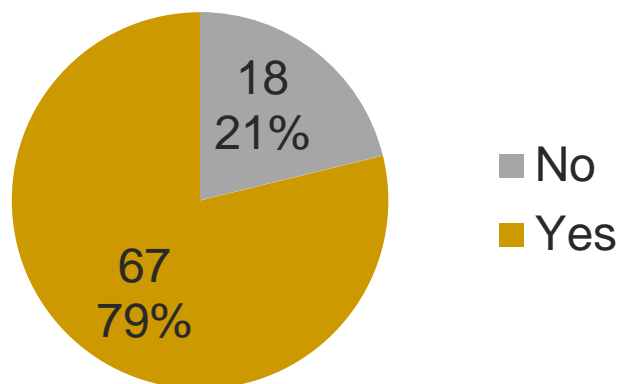


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Savings

Clients saving money



Average amount saved

5.287,42 RS



Outputs

Some clients practiced their financial skills.

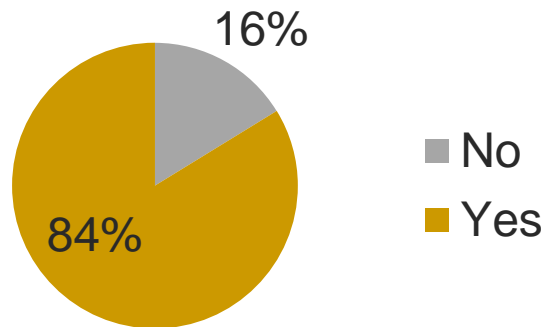


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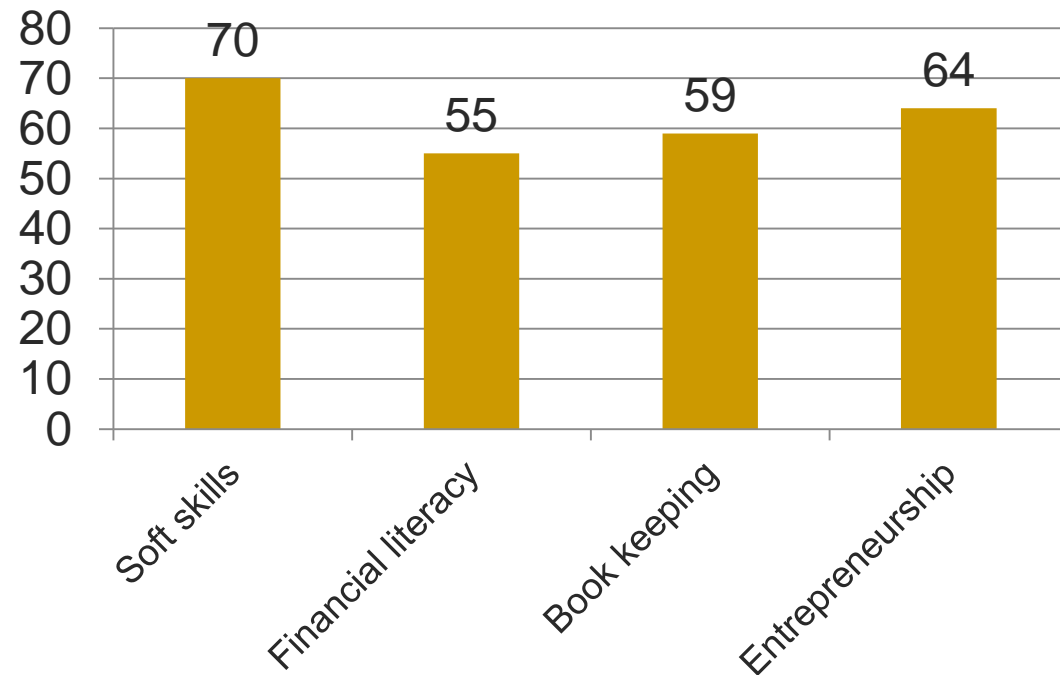
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Trainings

**Clients
participated in
training(s)**



Clients participated in ...



Outputs

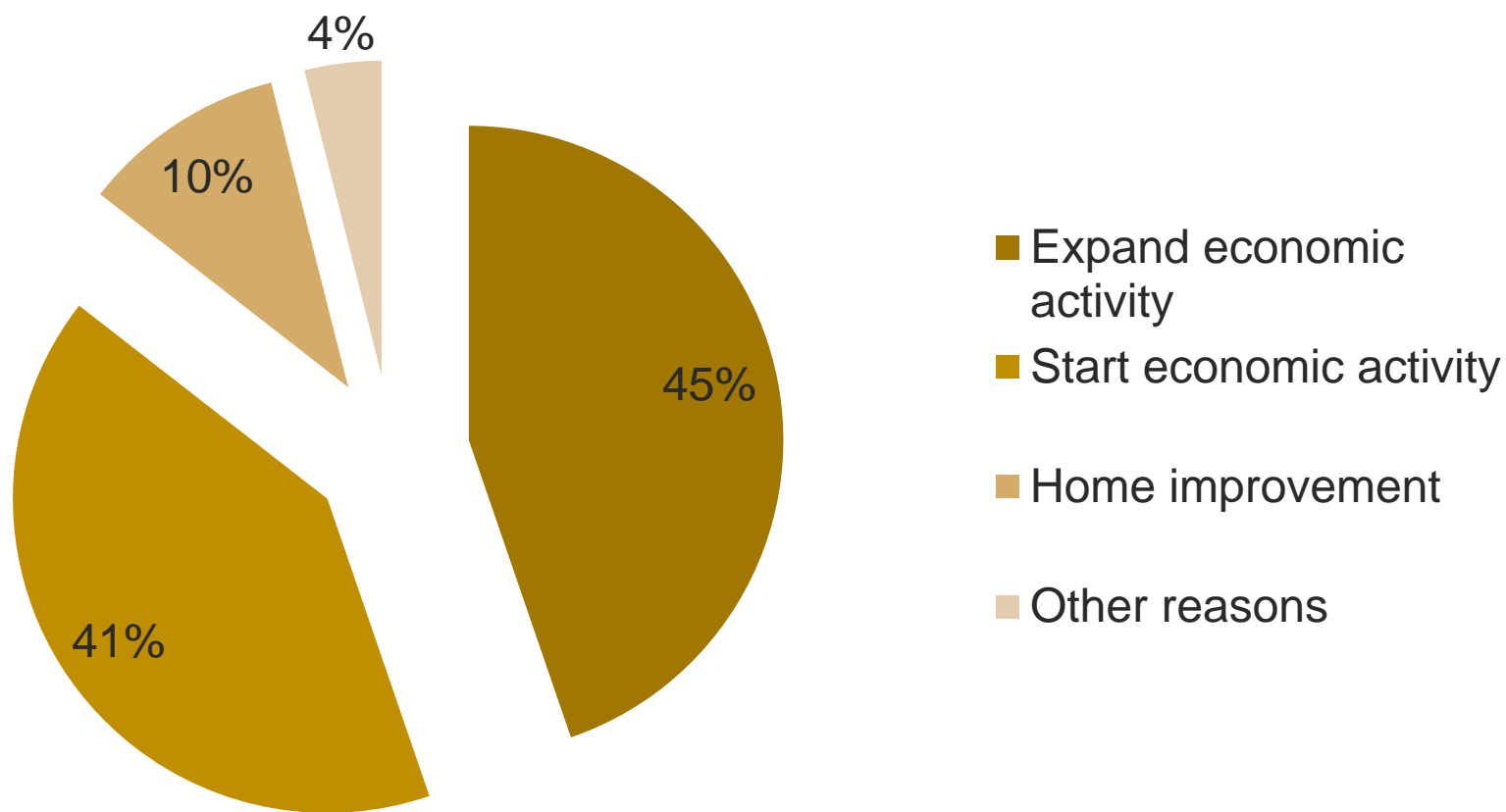
84 % of the clients participated on average in 2.12 trainings.
Trainings were evaluated as useful, $M= 2.42$.



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Purpose of micro loan



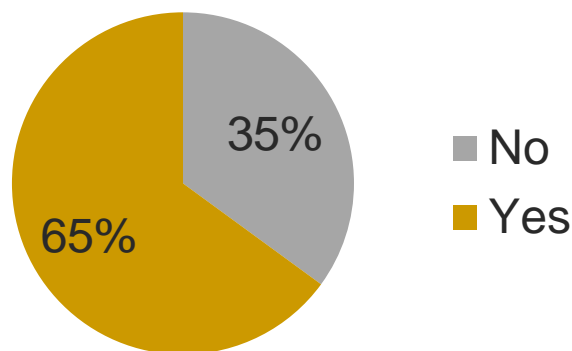


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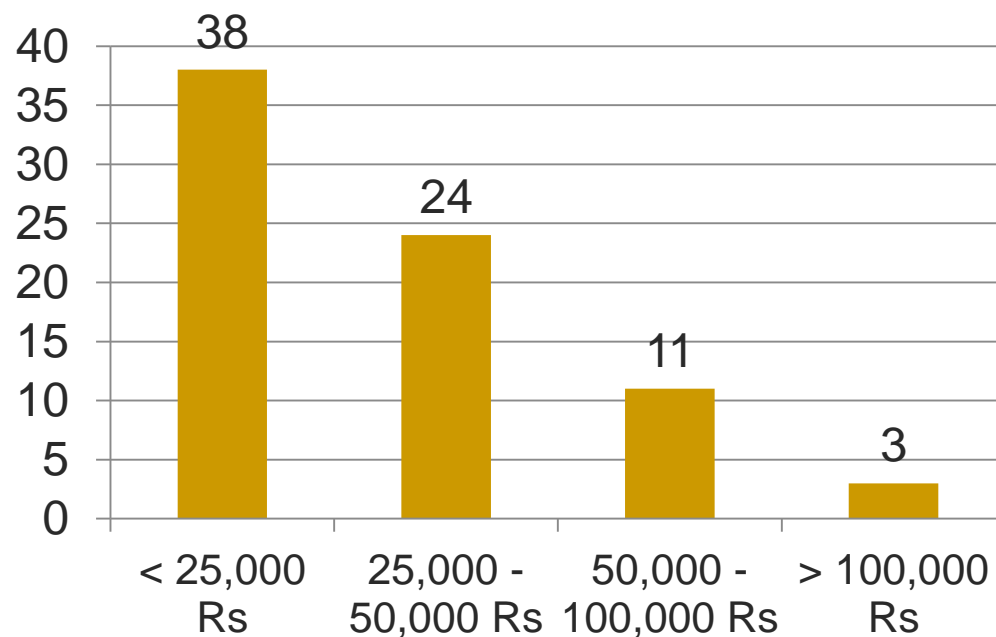
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Micro loan

Clients received micro loan



Size of loan



Outputs

Clients received access to financial services and 65 % received a loan.



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Economic activities

Animal husbandry



Other
4%

10%

Agriculture



43%

Non-farm
self-employment



27%

16%

Trading



2. Impacts

Empowerment, integration, & inclusion

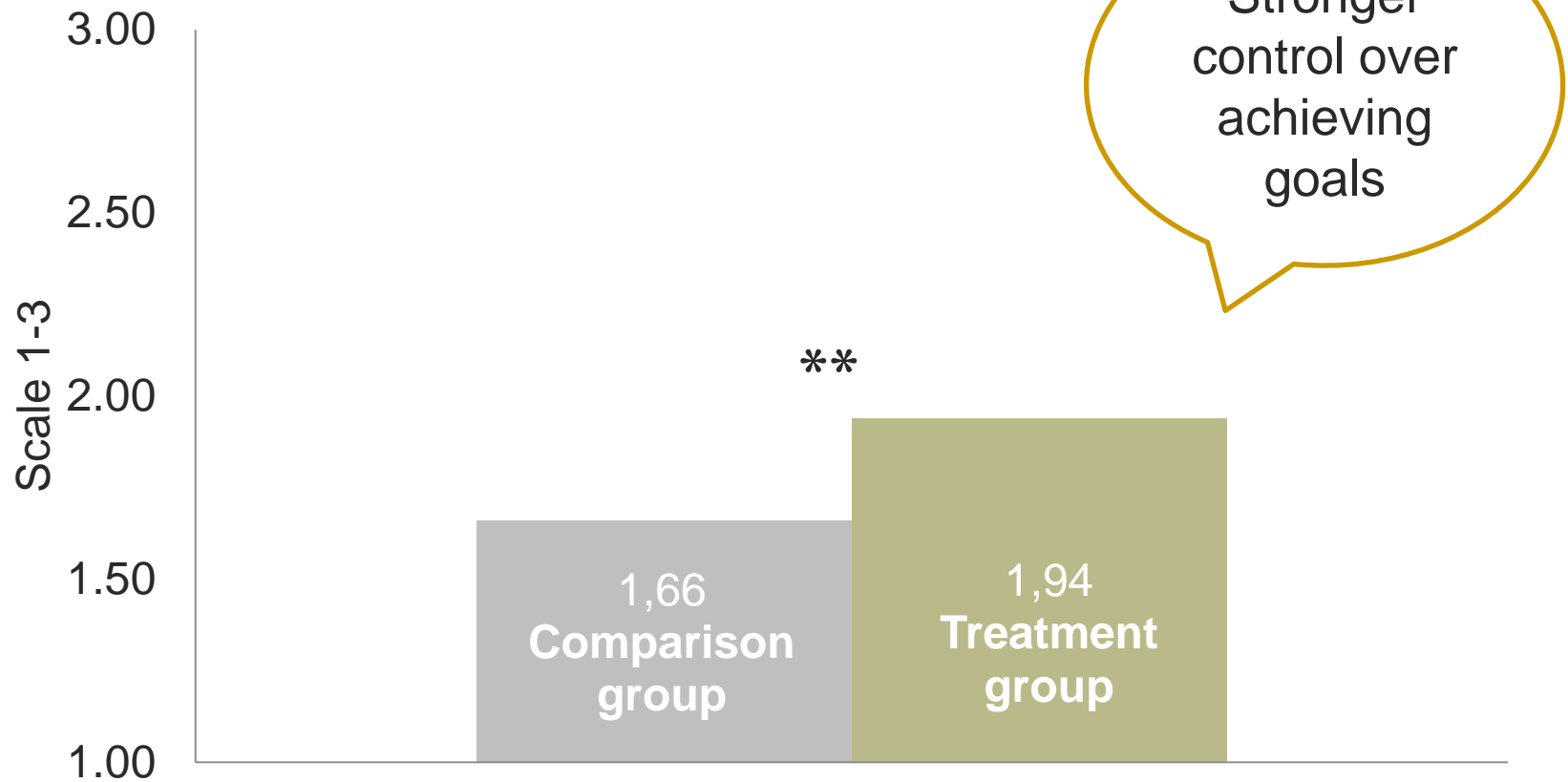




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Personal empowerment





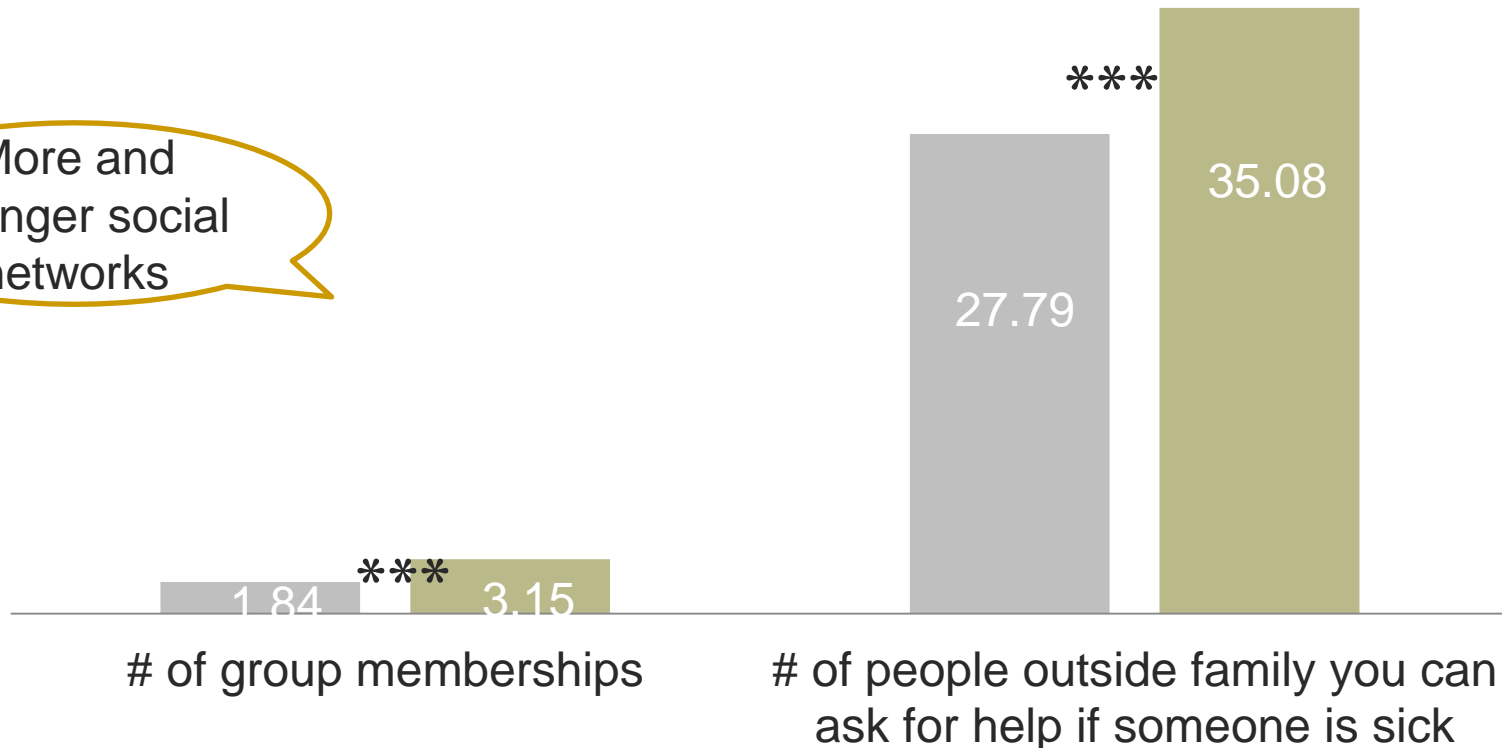
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Social empowerment & participation

■ Comparison group ■ Treatment group

More and stronger social networks

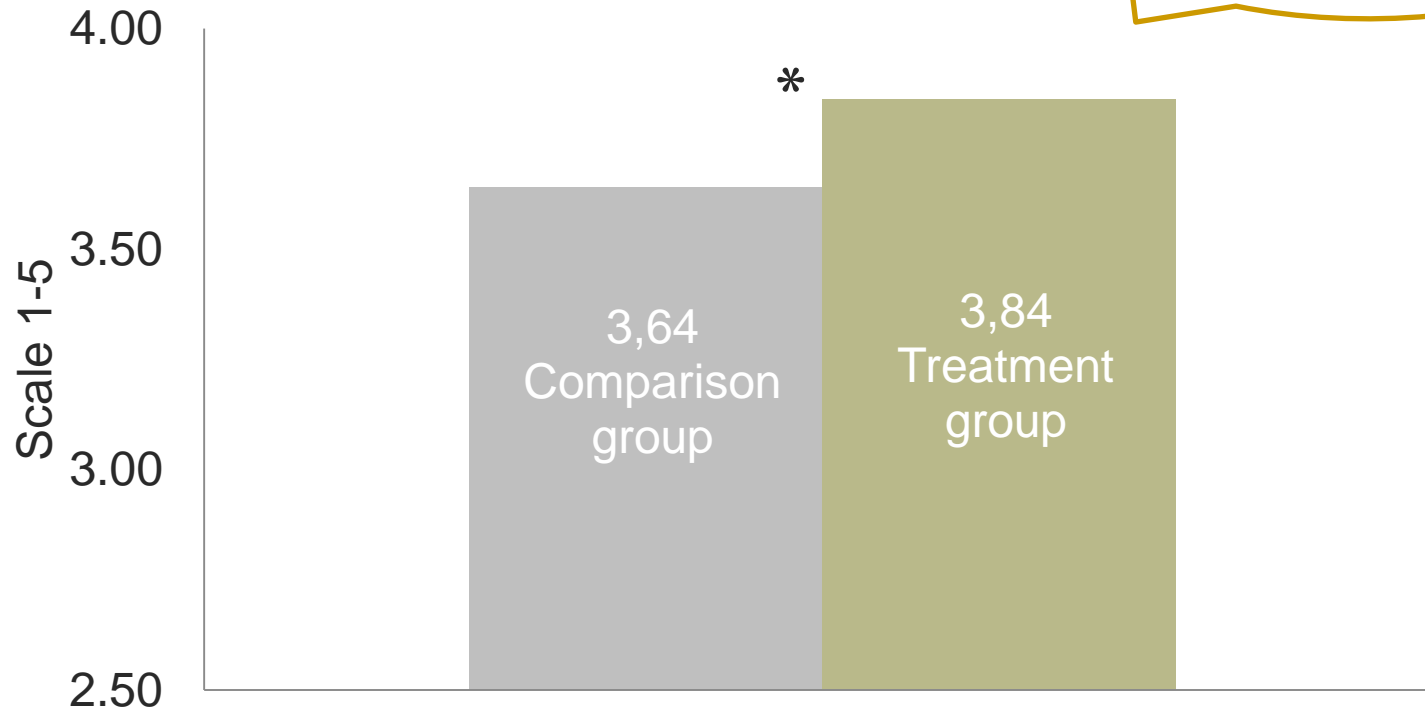




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Inclusion



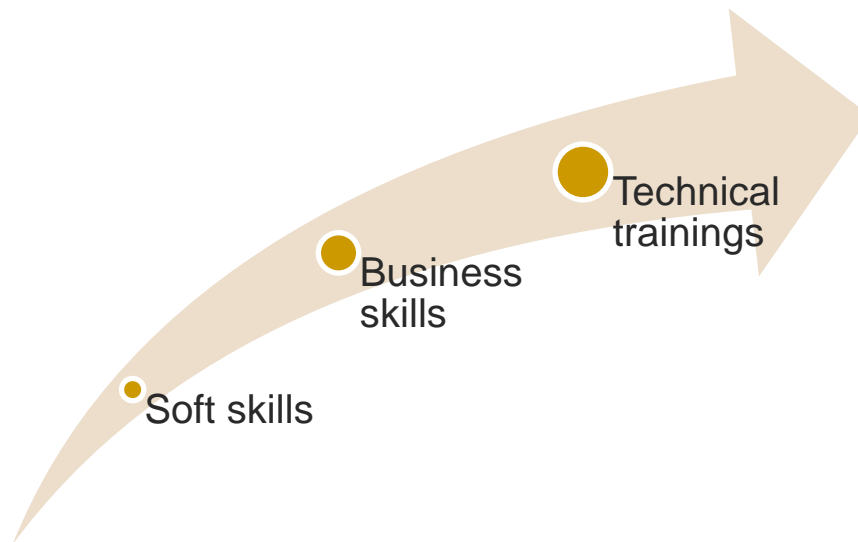
Positive attitudes
towards Sri Lanka's
development as a
united nation



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The power of training

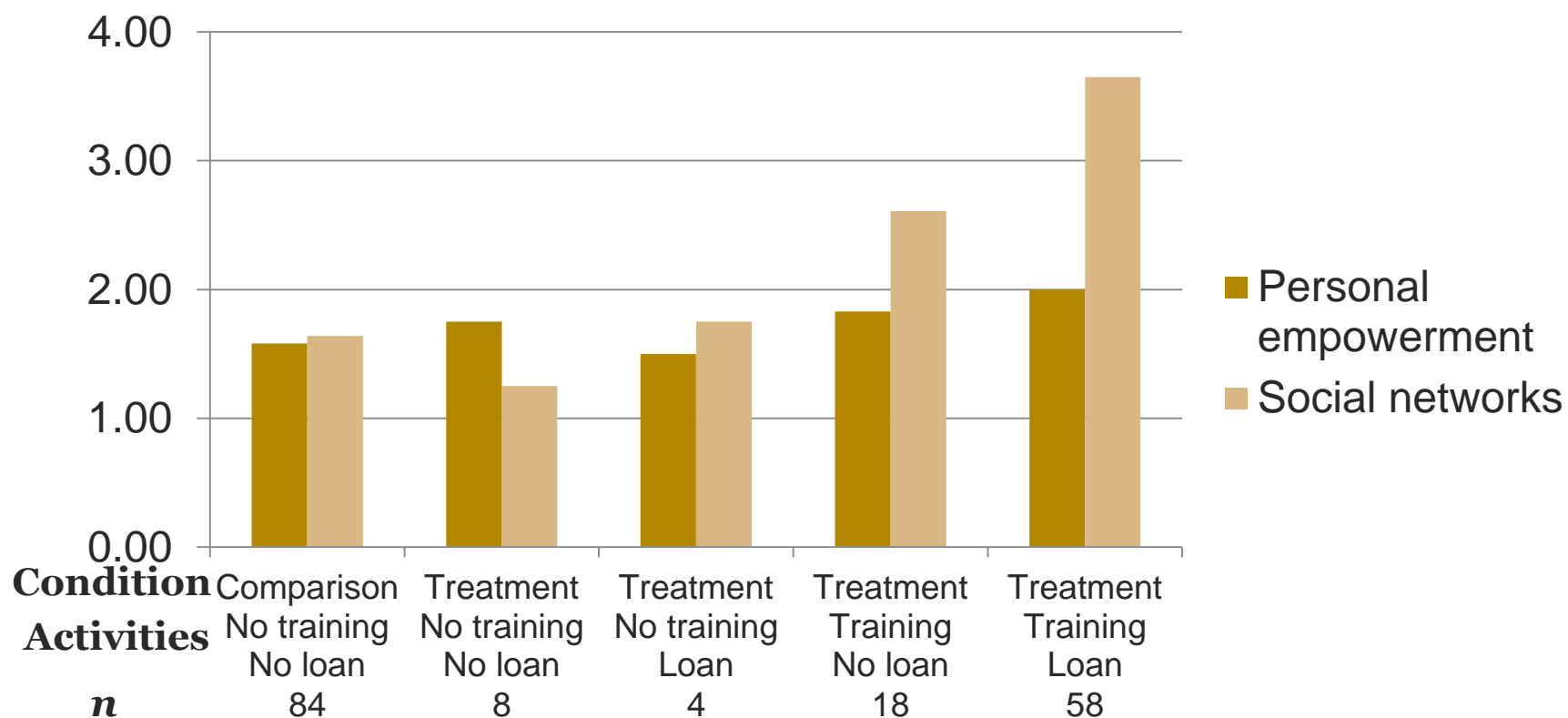




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Impact of different activities



Hansen & Postmes (2013); Hansen (2015)



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Conclusion

- Positive output and impact of MFIs for marginalized people
 - ✓ Empowerment (increased personal control & enlarged social network)
 - ✓ Financial & social integration (receiving services; enlarged social network)
 - ✓ Inclusion (more positive attitudes towards Sri Lanka)
- Training is driving these impacts!



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The importance of training

- Sri Lanka: Focus on the dynamics of the development of gender equality:
 - Qualitative research on relational dynamics including female borrowers and husbands
 - Small experiments to investigate training interventions



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Discussion & practical implications

- To reduce prejudice & improve intergroup relations contact between rivaling ethnic groups is required (Allport, 1954):
 - ⇒ Programmes should include inter-ethnic contact

- Optimal contact conditions (Pettigrew & Tropp, 2000; 2006):
 - Equal status
 - Intergroup collaboration
 - Common goal
 - Authority support
 - ⇒ Develop activities based on the optimal conditions (e.g., set up business networks, offer training across regions, offer funding for cross-regional income generating activities)



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Thanks

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Lena Koch, GIZ SL



For questions: n.hansen@rug.nl or m.a.huis@rug.nl



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Study goals:

1. *Assess outputs:*

1. Saving (participation, amount)
2. Training (number of training, effectiveness)
3. Loan (number received loan, amount)

2. *Assess impacts:*

1. Empowerment (personal control, social networks)
2. Economic (see outputs) & social participation (social networks)
3. Inclusion (attitudes towards Sri Lanka)

3. *Impact of different activities on impacts:*

- Training
- Micro loan



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Training offers access to a new network

- Sample: women from the North (war-affected region)
- *Intervention (n=88) versus comparison group (n=84)*

Condition	Comparison	Treatment	Treatment	Treatment	Treatment
<i>Activities</i>	<i>No training</i>	<i>No training</i>	<i>No training</i>	<i>Training</i>	<i>Training</i>
	<i>No loan</i>	<i>No loan</i>	<i>Loan</i>	<i>No loan</i>	<i>Loan</i>
<i>n</i>	84	8	4	18	58
Control beliefs	1.58 (.84)	1.75 (.46)	1.50 (.58)	1.83 (.51)	2.00 (.62)
Social network	1.64 (1.85)	1.25 (.46)	1.75 (1.50)	2.61 (1.61)	3.65 (1.73)

Hansen & Postmes (2013); Hansen (2015)