

# FINANCIAL INCLUSION: THE ROAD TO (SELF-) EMPLOYMENT?

BULGARIA, CZECH REPUBLIC, HUNGARY, ROMANIA, SLOVAK REPUBLIC

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**Report forthcoming**

# STUDY BASED ON ROMA REGIONAL HOUSEHOLD SURVEY (2011)

2

- Survey Partnership:
  - ▣ DG Regional Policy
  - ▣ United Nations Development Program
  - ▣ World Bank
  
- Sample: approx. 750 Roma and 350 non-Roma households in each country from random sample of communities where Roma are overrepresented
  
- Close coordination with separate survey by:
  - ▣ Fundament Rights Agency

# SAMPLE CHARACTERISTICS: WIDESPREAD POVERTY

3

	Bulgaria	Czech Republic	Hungary	Romania	Slovakia
Go to Bed Hungry (%)	44.4	23.5	35.4	56.2	39.9
Unsafe Economic Situation (%)	61.5	54.0	70.7	67.2	56.2
Social Assistance (%)	16.6	60.7	59.8	26.8	55.6
Monthly Disposable Income per Capita:					
Roma (€) <sup>a</sup>	62	190	102	35	125
General Population (€) <sup>b</sup>	148	398	285	134	291
Roma Relative to General Population (%)	41.9	47.7	35.8	26.1	43.0

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4

## **Report seeks to answer 2 main questions:**

- What is the scope for micro-credit to boost (self-) employment among Roma?
- And, do Roma face financial exclusion broadly? E.g. access to financial services such as bank accounts and savings accounts?

# VERY LOW EMPLOYMENT RATES, WOMEN ESPECIALLY ...

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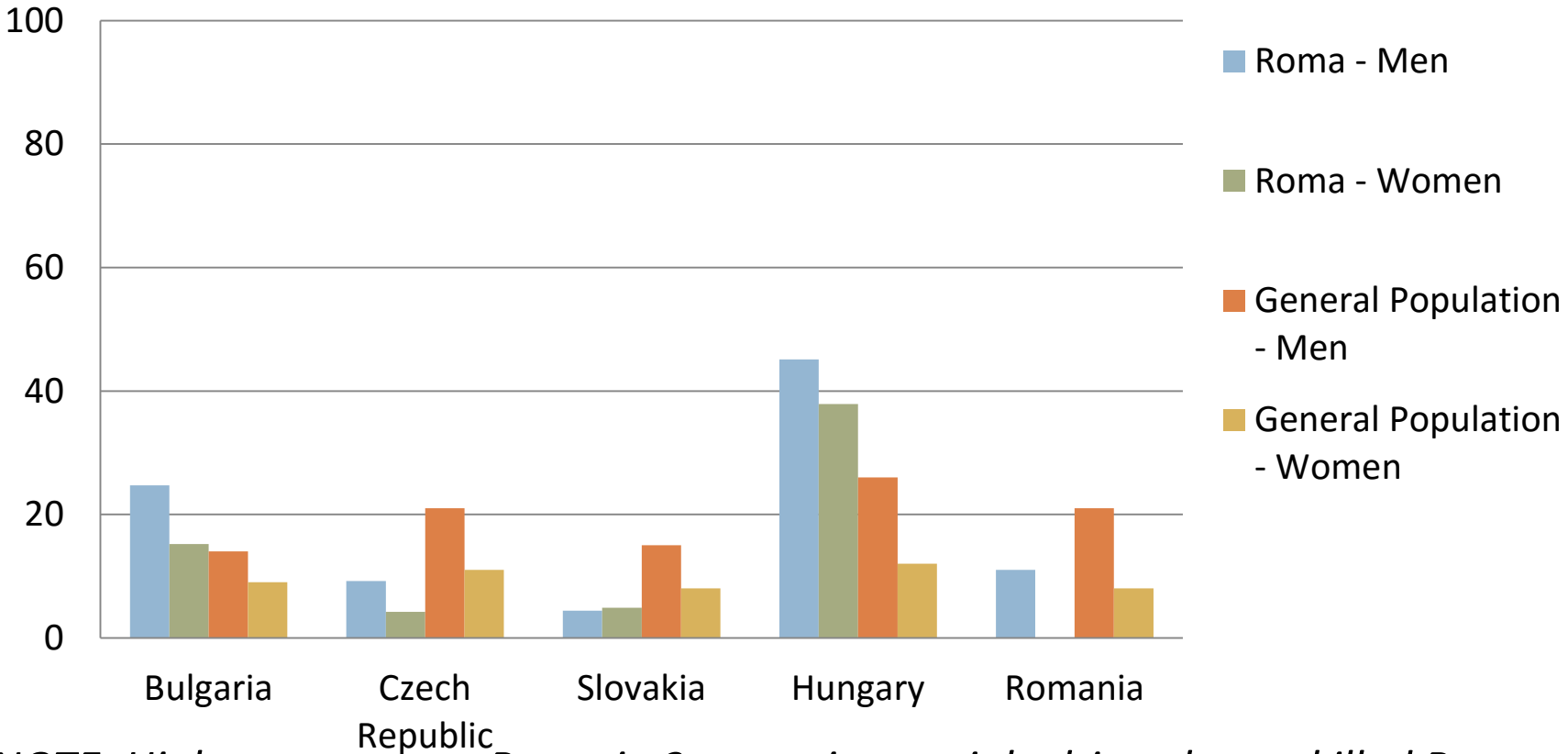
	Bulgaria		Czech Republic		Hungary		Romania		Slovakia	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Employment rate (%)	<b>43.2</b>	<b>31</b>	<b>43.3</b>	<b>23.4</b>	<b>36.8</b>	<b>17.7</b>	<b>44.6</b>	<b>22.2</b>	<b>19.4</b>	<b>12.3</b>
Participation rate (%)	64.1	51.2	65.5	38.9	61.8	36.1	57.4	33.6	67	48.5
Out of labor force (%)	35.9	48.8	34.5	61.1	38.2	63.9	42.6	66.4	33	51.5
Unemployment rate (%)	32.6	39.3	33.9	39.8	40.5	51.0	22.2	34.0	71.1	74.6

Note: includes all types of employment, including informal casual jobs

# AMONG THOSE EMPLOYED, MINORITY IS SELF-EMPLOYED

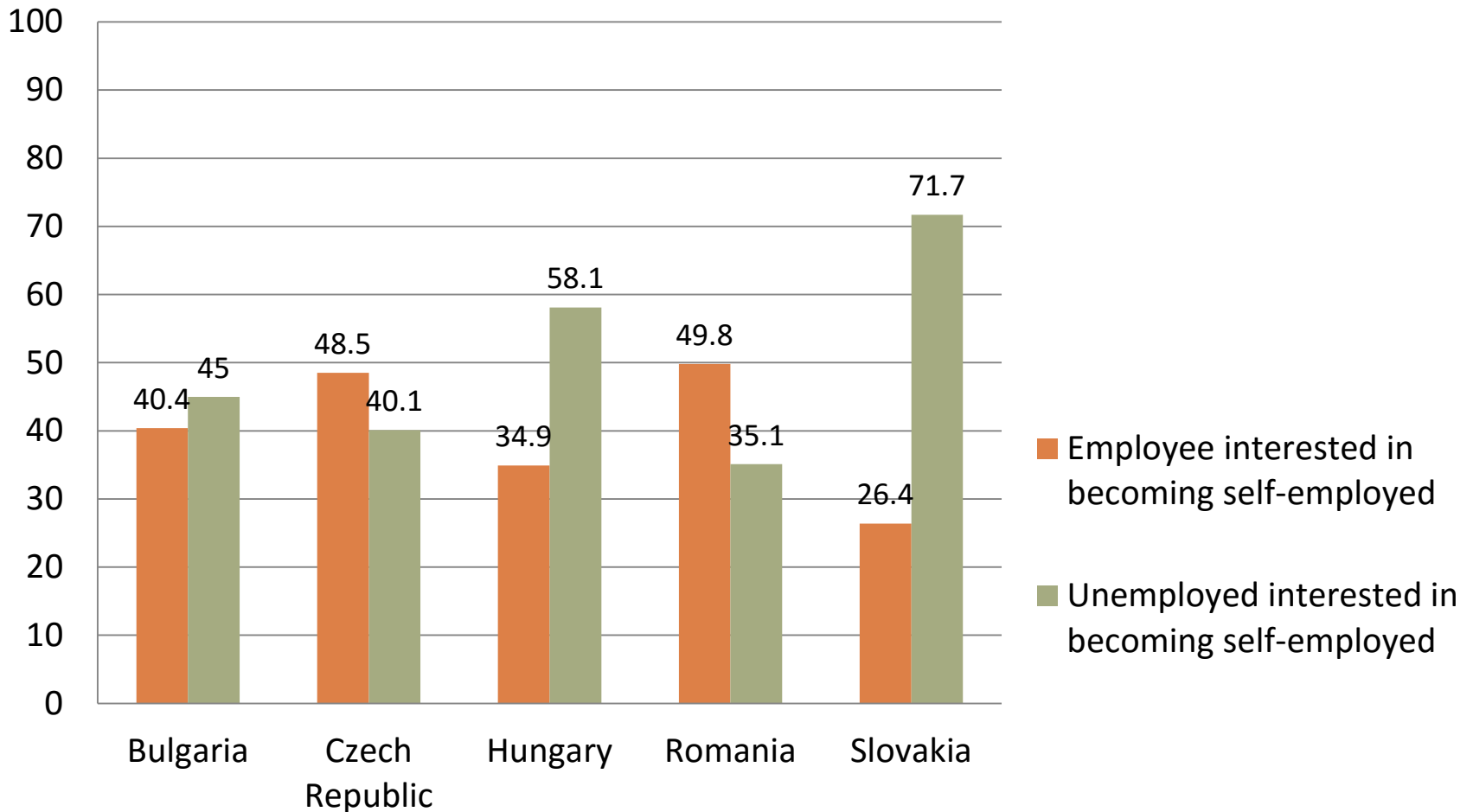
% of those  
Employed

## Self-Employment Rates



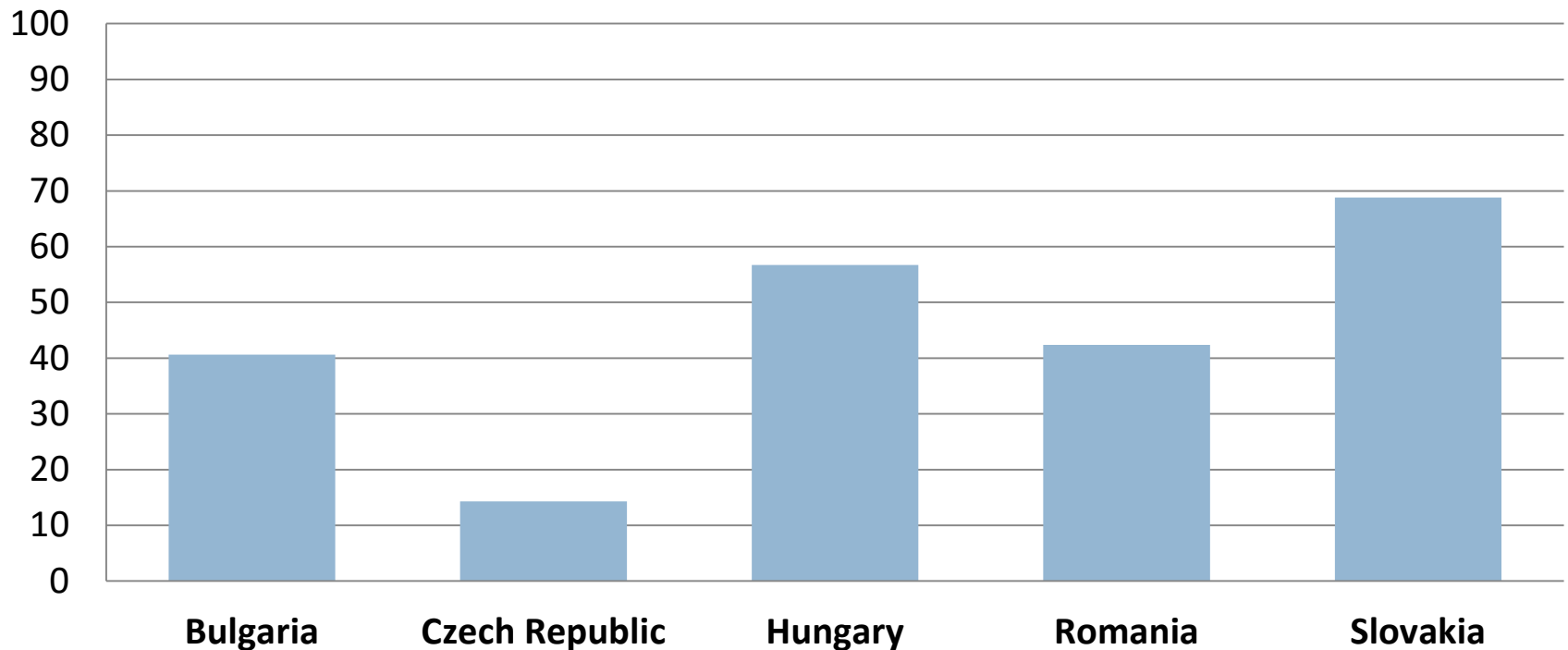
*NOTE: High rates among Roma in 2 countries: mainly driven by unskilled Roma workers with occasional jobs.*

# BUT LARGE INTEREST IN STARTING A BUSINESS AMONG ROMA WORKING AS EMPLOYEES AND THOSE UNEMPLOYED



# MANY EXISTING ENTREPRENEURS REPORT LACK OF FINANCE A KEY OBSTACLE TO STARTING A BUSINESS

% Starting Roma Entrepreneurs Reporting Lack of Finance as a Key Problem





# IS THERE INDEED A LARGE SCOPE FOR MICRO-CREDIT?

9

## **Given that we have seen that:**

- Few Roma have jobs, women especially
- Current self-employment rates are modest
- Many Roma who are currently working as employees or who are unemployed are interested in starting a business
- And lack of finance is reported to be a key obstacle to business start-ups among existing entrepreneurs

# FOCUS ON EXISTING BUSINESSES AND ON START-UPS

10

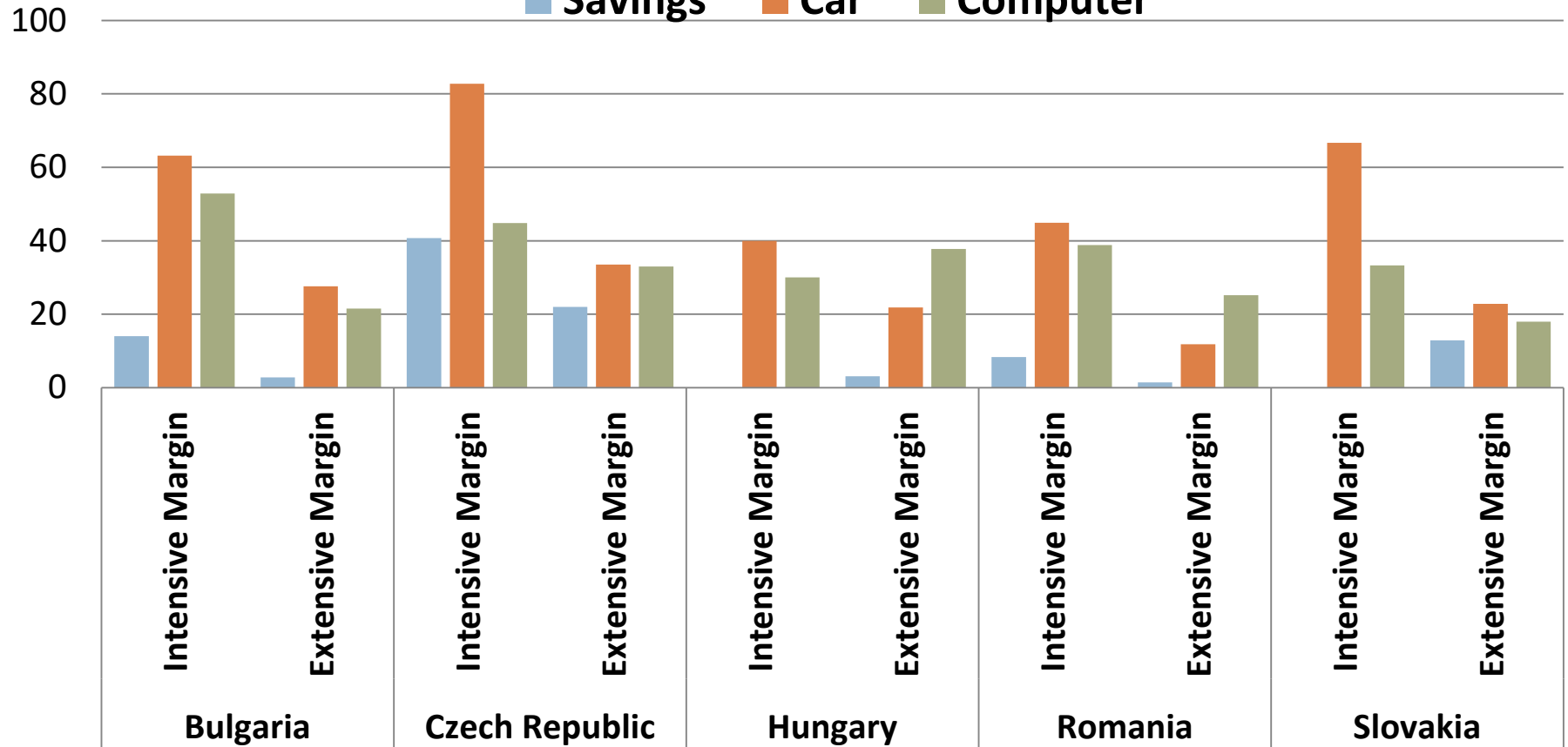
## Distinguish between two potential microcredit borrowers:

- **Existing businesses: “intensive margin”** People identified with existing businesses
- **Start-ups: “extensive margin”** Aged 20-54 years old, interested in becoming self-employed and start a business and (1) working informally as unskilled in periodic jobs without a contract, or (2) currently an employee or unemployed.

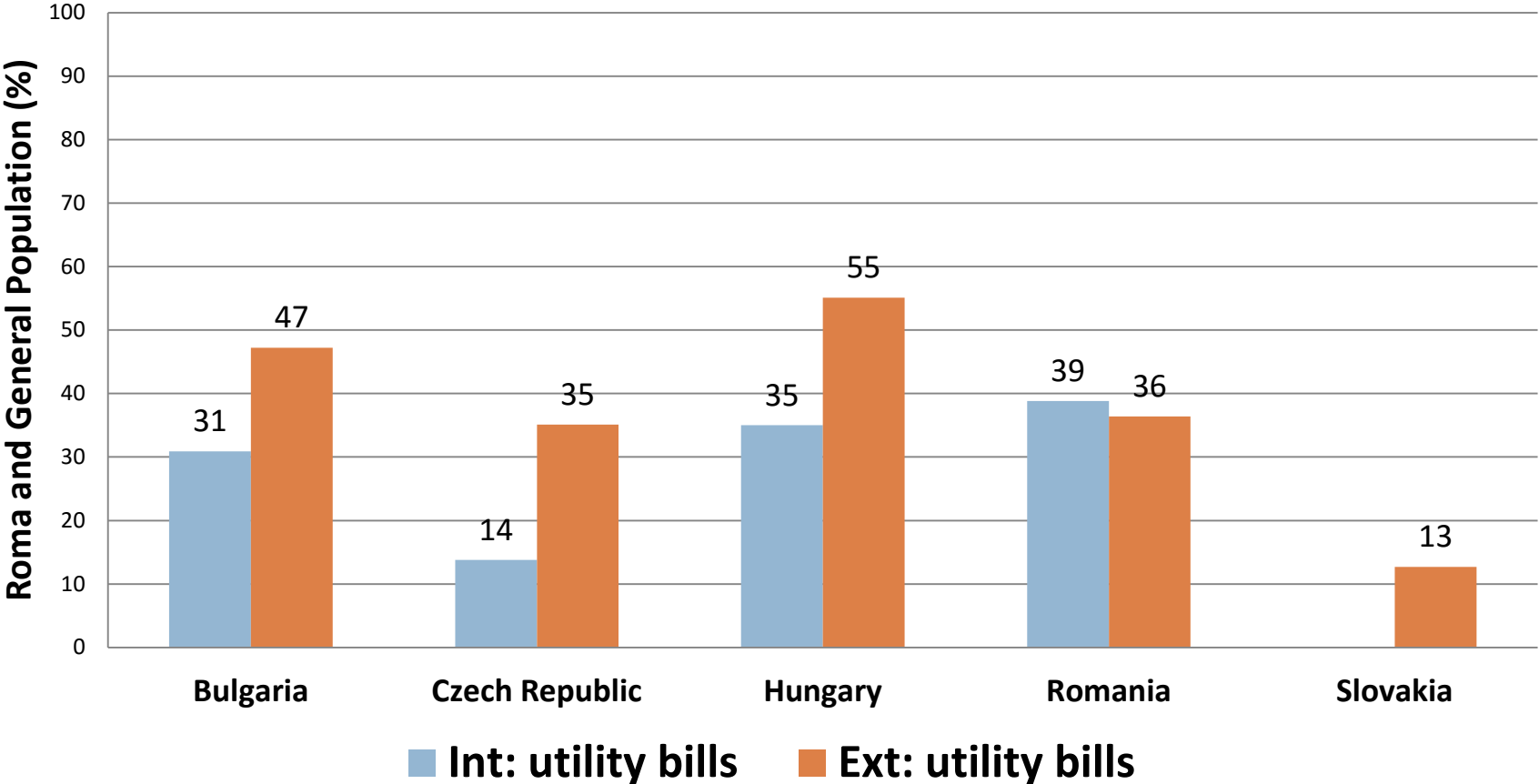
# FEW POTENTIAL ROMA BORROWERS POSSESS COLLATERAL, ESPECIALLY AMONG START-UPS (EXTENSIVE MARGIN)

## Possession of Assets / Collateral

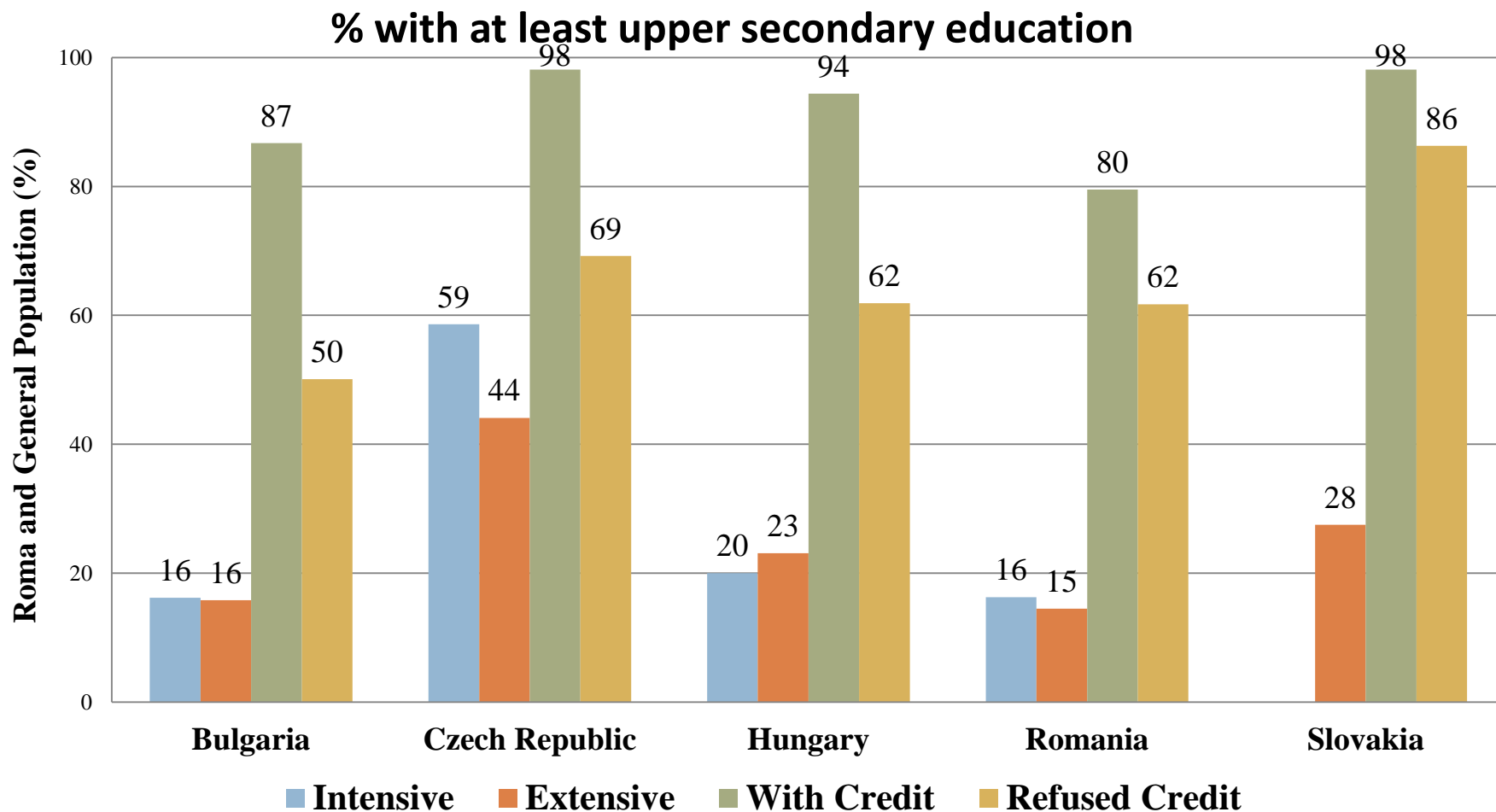
■ Savings ■ Car ■ Computer



# MANY POTENTIAL BORROWERS HAVE OUTSTANDING UTILITY DEBTS, ESPECIALLY AMONG START-UPS (EXTENSIVE MARGIN)



# EDUCATION LEVELS AMONG POTENTIAL ROMA BORROWERS MUCH LOWER THAN MAJORITY POPULATIONS WHO APPLIED BUT WERE REFUSED BANK CREDIT



Note: "with credit" and "refused credit" refers to majority populations (data from EUSILC)

# SCOPE FOR MICRO CREDIT SUPPORTING ROMA ENTREPRENEURS LIMITED DUE TO BARRIERS

14

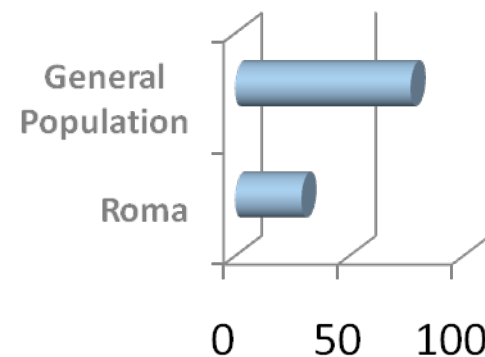
- **Many potential Roma borrowers:**
  - ▣ lack collateral such as savings,
  - ▣ are indebted, and
  - ▣ have much lower education than average person from general population who has been *refused* credit
- **Situation somewhat better for Roma with existing businesses**
- **Findings consistent with field experiences by microcredit providers E.g.: Kiut, Autonomia, Mikrofond**

# WHAT ABOUT FINANCIAL EXCLUSION BROADLY

15

## □ Roma hardly use banking services

*Slovakia – current account usage: 29% of Roma households, vs. 76.8% in the general population*



## □ Roma hardly have savings

*Bulgaria: 4% of Roma households save; less than 1.5% save in the bank*

- Having a savings account makes a Roma household approx. 20% more likely to be able to cope with unexpected expenses

# WHAT CAN BE DONE?

16

## **Main aim: ensure financial inclusion much more broadly**

- ❑ **Banks and other formal providers: serve Roma customers like any other customers**
- ❑ **Social organizations: liaise between households and banks, much like education and health mediators do**
- ❑ **Focus on savings products and financial literacy, for men *and women***
- ❑ **Essential for starting a business *and* an important goal in itself**





# THANK YOU!

17

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