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)

- 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

<table>
<thead>
<tr>
<th></th>
<th>Bulgaria</th>
<th>Czech Republic</th>
<th>Hungary</th>
<th>Romania</th>
<th>Slovakia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Go to Bed Hungry (%)</td>
<td>44.4</td>
<td>23.5</td>
<td>35.4</td>
<td>56.2</td>
<td>39.9</td>
</tr>
<tr>
<td>Unsafe Economic Situation (%)</td>
<td>61.5</td>
<td>54.0</td>
<td>70.7</td>
<td>67.2</td>
<td>56.2</td>
</tr>
<tr>
<td>Social Assistance (%)</td>
<td>16.6</td>
<td>60.7</td>
<td>59.8</td>
<td>26.8</td>
<td>55.6</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Monthly Disposable Income per Capita:</th>
</tr>
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<tbody>
<tr>
<td>Roma (€)&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
<tr>
<td>General Population (€)&lt;sup&gt;b&lt;/sup&gt;</td>
</tr>
<tr>
<td>Roma Relative to General Population (%)</td>
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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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</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
<td>Male</td>
<td>Female</td>
<td>Male</td>
</tr>
<tr>
<td>Employment rate (%)</td>
<td>43.2</td>
<td>31</td>
<td>43.3</td>
<td>23.4</td>
<td>36.8</td>
</tr>
<tr>
<td>Participation rate (%)</td>
<td>64.1</td>
<td>51.2</td>
<td>65.5</td>
<td>38.9</td>
<td>61.8</td>
</tr>
<tr>
<td>Out of labor force (%)</td>
<td>35.9</td>
<td>48.8</td>
<td>34.5</td>
<td>61.1</td>
<td>38.2</td>
</tr>
<tr>
<td>Unemployment rate (%)</td>
<td>32.6</td>
<td>39.3</td>
<td>33.9</td>
<td>39.8</td>
<td>40.5</td>
</tr>
</tbody>
</table>

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

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

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)
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)
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

- 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
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!

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