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MICROFINANCE, CHILD LABOR AND RIGHT TO EDUCATION: THE CASE OF JAMII BORA TRUST IN KENYA

Supervisor: Prof. ALBERTO LANZAVECCHIA

Candidate: MARTINA DIONI

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ABSTRACT

Child labor, defined as work that deprives children of their childhood, potential and dignity, often hinders their access to education; this interference occurs when children are denied the opportunity to attend school, either due to being forced to leave school prematurely or being required to combine school attendance with long and heavy work schedules. In many low-income countries, parents are forced to send their children to work or employ them in family businesses due to financial constraints. Unfortunately, such engagement in work opportunities can obstruct children's education, which is a fundamental human right, not a privilege for a few: a household's demand for education is dictated not only by parents' personal preferences, but also by economic necessity. This is where microfinance comes into its own: by providing credit and other financial services to the most marginalized, microfinance offers security, fosters economic growth and empowers individuals to take their future into their own hands.

This research aims to reveal whether microfinance can be an effective tool to tackle the issue of child labor and to enable children to fully enjoy their right to education. After a review of relevant literature on the concepts of child labor, right to education and microfinance, the study delves into the Kenyan case of Jamii Bora Trust, a local microfinance provider dedicated to helping urban street children and the poorest individuals in Nairobi's informal settlements and rural areas to "climb the ladder of poverty themselves". To enrich and expand this investigation, field research was conducted in collaboration with Jamii Bora Trust, and interviews were carried out with active members residing in urban slums and rural communities around Nairobi.

"The key to end poverty is teaching the poor how to fish, instead of giving them fish. It is providing the poor with the ladder of development that they must climb themselves."

– Jamii Bora Trust (n.d.-d)

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ACRONYMS

AFN	Asset Funders Network
ANPPCAN	The African Network for the Prevention and Protection Against Child Abuse and Neglect
ASCA	Accumulating Savings and Credit Association
BDS	Business development service
C138	ILO Minimum Age Convention No. 138
C182	ILO Convention No. 182
CADE	UNESCO Convention against Discrimination in Education
CBC	Competency-Based Curriculum
CBFO	Community-based financial organization
CESCR	Committee on Economic, Social and Cultural Rights
CGAP	Consultative Group to Assist the Poor
CRC	Convention on the Rights of the Child
CSOs	Civil society organizations
CU	Credit Union
CVECA	Caisses Villageoises d'Epargne et de Crédit Autogérées
DTM	Deposit-taking MFI
FIME	Fondo de inversión para el desarrollo de la microempresa
FSA	Financial service association
GDP	Gross domestic product
GEM Report Team	Global Education Monitoring Report Team
GNI	Gross national income
ICESCR	International Covenant on Economic, Social and Cultural Rights
ILO	International Labor Organization
IMF	International Monetary Fund
IPEC	International Program on the Elimination of Child Labor
KIHBS	Kenya Integrated Household Budget Survey
KSh	Kenyan Shilling
LCPS	Low-cost private schools
MDG	Millennium Development Goal
MFI	Microfinance institution
MYSA	Mathare Youth Sport Association

NBFI	Nonbank financial institution
PP1	Pre-Primary 1
PP2	Pre-Primary 2
ROSCA	Rotating Savings and Credit Associations
RTE	Right to Education Initiative
SACCO	Savings and Credit Cooperative
SDG	Sustainable Development Goal
SG	Saving Group
SHG	Self-Help Group
SIDA	Swedish International Development Cooperation Agency
UDHR	Universal Declaration of Human Rights
UIS	UNESCO Institute for Statistics
UN	United Nations
UNDP	UN Development Program
UNESCO	UN Educational, Scientific and Cultural Organization
UNFPA	UN Population Fund
UNHCR	UN High Commissioner for Refugees
VIEW	Visualizing Indicators of Education for the World
WEF 2015	World Education Forum 2015

INTRODUCTION

In recent decades, microfinance has emerged as a powerful tool in the fight against poverty, offering financial services to low-income individuals and communities who lack access to traditional banking systems. Unfortunately, access to traditional financial services is indeed still not for everybody, as the poor and most marginalized are excluded from the formal financial sector and thus remain unbanked, which leads them to being unsafe, as they have no secure place to store their money, unproductive, with no chance to take out a loan for their needs or for their businesses, unpractical, as they have no chance to access their money when needed, and unprepared to cope with emergencies and sudden income shocks.

Amidst the discourse on poverty alleviation through microfinance, an alarming reality persists: the prevalence of child labor, a complex and intricate phenomenon with several root causes and a wide and diverse set of consequences. Despite international efforts to combat child labor, today it remains a persistent and multidimensional issue especially in many impoverished communities where microfinance initiatives operate, depriving millions of children worldwide of their fundamental rights to education, health, and a childhood free from exploitation. Surprisingly, today the largest share of child labor occurs within family businesses. At the heart of this issue lies the crucial intersection with the right to education: despite being widely recognized as a fundamental human right and a key determinant of individual and societal well-being, for millions of children engaged in child labor in family businesses access to even the most basic education remains elusive, perpetuating a vicious cycle of poverty, deprivation and illiteracy. Children may find themselves forced to work during school hours or after school, balancing school attendance with work schedules; in particular, in Kenya, where primary education is free only on paper, millions of children remain out of school, with 11.5% of children aged 7 to 14 combining work and school (Bureau of International Labor Affairs, 2022b). For these reasons, ensuring universal access to quality education and free primary education is essential not only to fulfill children's rights, but also to break the cycle of poverty which often leads parents to resort to the child labor alternative.

In this context, the relationship between microfinance, child labor and right to education warrants closer examination. Child labor and lack of access to education are inextricably related because one is both the cause and the consequence of the other: parents may choose that their children will be employed either in the household or in the labor market as a consequence of lack of quality education, or, simply, because sending them to school has costs that exceed their spending capacity at a specific point in their lives; conversely, children may have no time to be spent on school because they have to work, with work thus interfering with their leisure and schooling time. Likewise, microfinance, and thus the availability of credit and other financial services, can influence households' educational decisions, as the demand for education in a particular household is determined not only by its preferences, but also by its financial situation.

Starting from these considerations, this research reviews the casual chain, conceptually connecting the root causes of child labor with the actions taken by one specific financial service provider in Kenya in order to fight child labor within client households. Specifically, the foundational premises underpinning this study revolve around the following research question:

Is microfinance a valuable and effective tool to prevent, mitigate and deter child labor and promote inclusive education for all children?

By shedding light on this multifaceted issue, this study aims at demonstrating how the financial services provided by Jamii Bora Trust can enhance the educational attainment of children in households served by the organization, increasing access to education and reducing families' reliance on children's incomes, but it also aims to advance further knowledge on how non-financial services, such as business training, can have an indirect impact on parents' decisions about the school or work choice. In particular, the whole research is built around the intuition that microfinance, and Jamii Bora Trust concretely, helps the poor break free from the cycle of poverty not by giving out simple donations, but by "teaching them how to help themselves", meaning how to understand their financial needs, save, repay their loans and adopt a long-term planning mentality, thus offering a more impactful approach to promoting self-sufficiency and addressing long-term economic challenges.

Following this logic, Chapters 1, 2 and 3 are constructed around a broad literature review based on primary sources, such as international conventions and regulations, and secondary sources, such as scientific journals, academic articles, books, working papers, reports and online sources, around the themes of focus of this study, respectively child labor, right to education and microfinance. In particular, the first Chapter is dedicated to exploring the concept of child labor within the bounds of family businesses, along with its motives and consequent effects, as recognized by existing international instruments. Chapter 2 delves into the pivotal role of education in combatting child labor, providing a schematic analysis of human rights obligations on the right to education as compared against the existing gaps in actual educational achievements within national instances. Subsequently, the third Chapter focuses on the notion of microfinance, touching on its role in poverty alleviation and financial inclusion, and directs particular attention to the several ways in which microfinance prevents, deters and mitigates child labor and improves children's access to education.

These three chapters provide the foundational and theoretical framework to comprehend more thoroughly the content of the case study presented in Chapter 4. After opening with a review of the national context in Kenya, the fourth Chapter presents a detailed explanation of the methodology utilized, followed by the presentation of the structural evidence emerged from semi-structured interviews conducted on the ground as part of a field research trip in Nairobi, Kenya's capital city. Subsequently, space is left for a thorough discussion on the research outcomes, which constitute the central focus of this Chapter. The Chapter is the result of a fruitful collaboration initiated with a local microfinance provider, namely Jamii Bora Trust, which delivers financial services to low-income individuals in Nairobi urban slums and other rural areas in Kenya. The story of this organization is one-of-a-kind, as it began as a self-help group born at the initiative of 50 women saving together as little as KSh 50 (about 31 cents) per week, and, today, it stands as a remarkable business model with the transformative potential of elevating street beggars into successful microbusiness entrepreneurs. Overall, this Chapter aims to reveal if Jamii Bora Trust effectively assists its members in coping with the financial burdens associated with education in Kenya, a country where poverty is deeply entrenched in the cultural practices of society, especially in urban slums. By doing so, it aims to assess whether the organization's efforts contribute to discourage parents to resort to the child labor alternative. In this manner, the study will uncover the reality behind governments' promises that public primary education should be provided free of charge, and it will demonstrate whether and how the organization addresses the persistent deficiencies characterizing Kenya's education system, which is one of the most glaring examples of the country's fissures in society between wealthy and impoverished families.

"Poor people are the world's greatest entrepreneurs. Every day, they must innovate to survive. They remain poor because they do not have the opportunities to turn their creativity into sustainable income, but if they are given the chance to unleash their energy, there is no stopping them from developing."

– Muhammad Yunus

CHAPTER 1 – UNDERSTANDING CHILD LABOR: DEFINITION AND FEATURES

1.1 Introduction to children's involvement in family businesses and child labor

Children are often involved in the workplace from a very young age, either along with their parents in family-owned companies, in non-family businesses or even working as business owners themselves; in particular, according to data from the International Labor Organization (ILO) & United Nations Children's Fund (UNICEF) (2021), the global number of working children at the beginning of 2020 was about 160 million, a number that has remained unchanged since 2016[1].

However, what has changed is the involvement of children in family work. As a matter of fact, despite common perceptions of the family as offering a safe work environment, today the largest share of child labor takes place within families, primarily in family farms or in family microenterprises (ILO & UNICEF, 2021, p. 9): as shown in figure 1.1, 72% of all global child labor occurs within family units (p. 43), with an increase in the relative importance of family work for children over the past four years (p. 45).

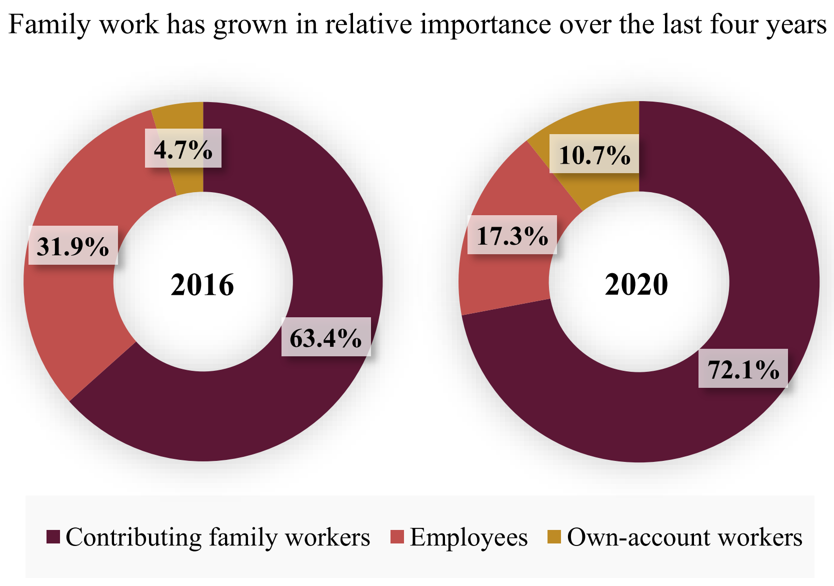


Fig. 1.1 - Percentage distribution of children aged 5 to 17 in child labor, by status at work (ILO & UNICEF, 2021, p. 43)

[1] For the first time since 2000 the world did not make any progress in reducing child labor.

Furthermore, today child labor is frequently hazardous[2], wherever it takes place: in family smallholder farming, for instance, where most child labor occurs[3], common hazards may include "physically strenuous tasks such as carrying heavy loads, long periods of standing and bending, use of dangerous cutting tools, repetitive and forceful movements, exposure to extreme temperatures" (ILO & UNICEF, 2021, p.37). In general, as shown in figure 1.2, "more than one in four children aged 12 to 14 years and nearly half of the children aged 12 to 14 years in family-based child labor are in work likely to harm their health, safety or morals" (p. 9).

A significant share of child labor within the family is hazardous

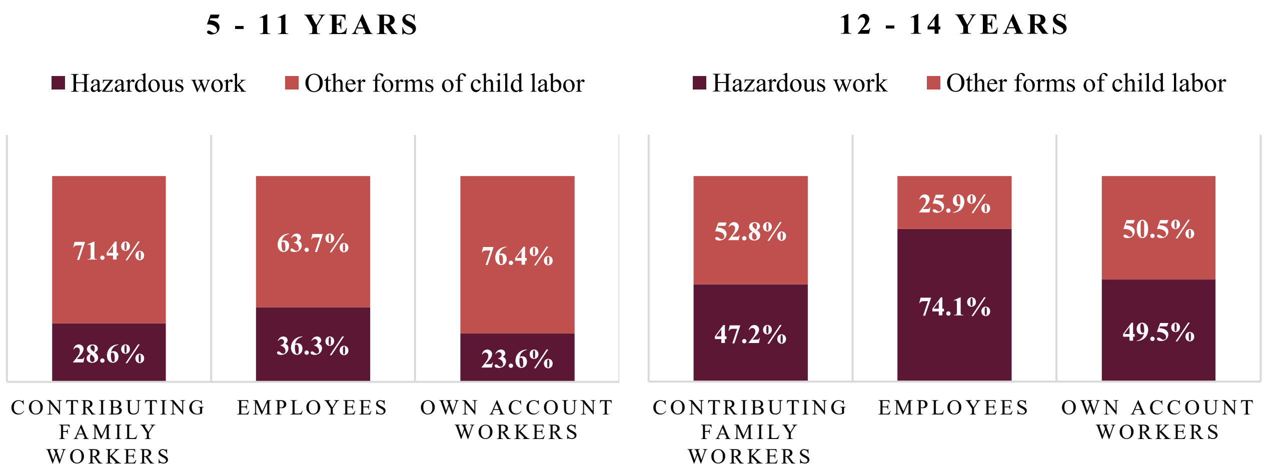


Fig. 1.2 - Percentage distribution of children aged 5 to 14 years in hazardous work and other forms of child labor, by status at work and age (ILO & UNICEF, 2021, p. 44)

Family businesses constitute a significant reality not only in Europe, where more than 60% of the total number of companies are family-owned companies (European Commission, 2023), but they represent "one of the most diffuse models of firm governance worldwide" (Cucculelli, 2012, p. 3), and the one where children considered in child labor are employed the most (see figure 1.1); a wide growth of small and mostly family-run businesses marks especially the emerging economies of low-income countries, with children's involvement in the production and sales of related goods or services being highly common (Cucculelli, 2012, p. 3). What distinguishes this particular category of enterprises is the family's desire to keep the ownership and the management of the business or the largest part of it within the family

[2] More detail about hazardous child labor follow in Section 1.5.
[3] Most child labor indeed is reported to occur in agriculture (ILO & UNICEF, 2021, p. 37-38).

members, who are expected to run the company "in the best interest of all family members" (Sharma & Rao, 2020, p. 316). The firm can belong to or be run by an immediate family, such as mother, father, brother or sister, or extended family, for instance brothers and sisters of one of the parents (Nyaaya, 2022). Similarly, the European Commission (2023) affirms that "the decision-making rights are in the possession of the person who established the firm [...] or in the possession of their spouses, parents, child, or children's direct heirs".

Most often, children's employment in family businesses depends on their parents' decision[4]: in fulfilling their responsibility to choose for the activities of their young sons and daughters, parents decide, for instance, that they must work, or go to school and work at the same time. In so doing, they are expected to weigh off the benefits of sending them to school compared to work against the related costs of education (Huisman & Smits, 2009, p. 179).[5]

Generally, education is regarded by most parents as a highly powerful means to "provide a better future for their children and improve their quality of life" (The Human Journey, n.d.) even by families in developing countries, who recognize the importance of schooling and thus try to place it at the top of their priority areas of spending, in an effort to meet internationally agreed targets for universal education (Lawson & Hedges, 2015; Canadian International Development Agency [CIDA], 2007). However, several factors deter parents from sending their children to school.

First, it should be argued that there is an evident interest on behalf of the firm to employ a family member in the business rather than looking for a workforce in an external labor resource. The reasons behind this choice are numerous: among others, the belief that social values are more important than profits (Leenders and Waarts, 2003), the high sensitivity and responsibility for work that a family member is more likely to take on his shoulders for the firm's sake, as well as, in some cases, his/her increased tendency and interest to improve the quality of work and to recommend prompt solutions for any emerging issue (Theodoropoulou et al., 2007). On the other hand, children's involvement in family businesses may be caused by factors of concern that cannot be ignored, with direct implications for child labor. Crucial elements affecting parents' decisions about their children's occupation, simultaneously representing implicit drivers of child labor, can range from budgetary constraints, low family

[4] Older children such as adolescents might have a certain degree of control on the use of their time and might autonomously choose between school and work (Houshmand et al., 2017).

[5] The costs of education include both the direct costs of books, school fees, uniforms and travel costs, as well as the opportunity costs of children not being able to earn additional money with their work.

revenues and the high costs of education added to the poor conditions of education facilities, to the cost benefit of employing children over adult workers, cultural norms eradicated in society and the family's lack of awareness of the detrimental effects of child labor.

In the following paragraphs, a deeper and more detailed explanation on the above-mentioned causal elements will be provided, as well as an overview of the advantages, disadvantages, positive and negative consequences of employing children in family businesses.

1.2 Background causes of child labor

As mentioned above, children's participation in family businesses can be related to both positive considerations the firm makes and that simply depend on the will of the business to strive and provide survival for the family, such as the importance of social control and of trust among the company's members, and to elements that constitute inherent causes of child labor.

This section articulates the causal elements as divided into the "positive" observations - namely the social control orienting family businesses, the trust and respect among family members, as well as the employee motivation and the promptness to resolve conflicts - and those that represent risky drivers of child labor - household income poverty, cost advantage of employing children instead of adults, lack of access to quality education, the high costs of education, the absence of a correspondence between school offer and the labor market opportunities, and finally the lack of awareness of the detrimental effects of child labor.

Social control

Empirical evidence suggests that one of the key elements that sustains and promotes the maintenance of family businesses is the social control that comes with such activity. The concept of social control refers to the process by which a group regulates itself, which favors the creation of strong bonds between the members of the group and the firm's dominant values and norms, improving the compliance of all members with the group's collective identity (Drew, 2022). In support of this concept, a number of useful criteria have been used to evaluate family businesses internal dynamics by Leenders and Waarts (2003), among which trust, employee motivation and conflict resolution.

Respect and trust among family members

First, family ties and the internal "closeness" among members of the business strongly encourage cooperation and confidence within the firm, and may additionally lead to better performance in terms of internal trust and control (Baines and Wheelock, 1998). Respect and trust between family members and the ability to get along with each other are key elements that parents take into consideration when employing their children in the business, both because of their (most likely) greater interest towards the sake of the firm, directly connected to the family wellbeing, and because they might be desirable successors to the company owners. Traditional family knowledge can indeed be transferred from parents to children in a family business, together with skills and values that parents might want to transmit to the next generation.

Employee motivation

As for employee motivation, it is worth mentioning that working in a family company can give children an insight into the family's responsibility related to the business, and, as Houshmand et al. (2017) affirm in their research, "it can result in children gaining a deeper understanding of the financial situation of their families". This increases their motivation to sustain the business and to directly contribute to it through their personal involvement.

Promptness to conflict resolution

Conflict resolution also constitutes an important factor when it comes to making a choice between employing a family member or an external labor resource: in general, enterprises with a strong family orientation are expected to experience fewer conflicts among family members, especially when there is a harmonious relationship at home (Smyrnios et al., 2003). Without any doubt, conflict in family businesses can arise, for instance, when a family business owner gives preference to business needs and demands over those of the family (Smyrnios et al., 2003, p. 38). Most of the time, however, profit in family businesses may be suboptimal, as declared by Leenders and Waarts (2003), because "keeping a happy family sometimes outweighs creating more value and profits" (p. 689). Family cohesiveness and social support function, in this sense, as "coping resources" for dealing with conflict and stress (Smyrnios et al., 2003, p. 39), and can help maintain a cooperative atmosphere among family members of the business.

However, it has to be argued that conflict resolution might at times be taken as an excuse by parents who consider that employing their children is more convenient because they are usually easier to control in comparison with external laborers, and are generally less inclined to disobey orders from superiors to avoid conflicts with their direct family members.

Household income poverty

Regarding those numerous elements that have direct connections with child labor, household income poverty surely plays a key role as one of the main enhancers of children's entanglement in family businesses (ILO, 2023): many times, family revenues are not sufficient to cover the family's basic needs such as food, water, education or health care, and hiring a child is the only solution that allows for the family's survival and for a supplement to the household income. As two cross-sectional studies conducted by Zahid et al. (2011) and by De Carvalho Filho (2008) demonstrate, and as declared by the NGO World Vision (Reid, 2022) and by the ILO (n.d.-a), children mainly work because of poverty, as parents have no choice but to send them to work instead of school, perceiving income from a child's work as "crucial for his/her survival or for that of the household" (ILO, n.d.-a). The additional income provided by the child is considered to play an important role mostly in the initial growth of family enterprises: at the outset, revenues are insufficient to support the hiring of an adult employee (CIDA, 2007).

Cost advantage of employing children

This leads the discussion to the cost benefit that comes with recruiting children: employing children rather than adults is far more cost-efficient. Children's initial additional labor helps the firm expand to the point where adults can be hired and the necessity for children to work is lessened: when the income of the family, and consequently the general resources of a family, increase, the small additional income of a child becomes less relevant to the overall household well-being (Edmonds, 2016). For this reason, rising incomes can lead to a reduction of child labor. As the ILO (2023) affirms, it remains that child labor can only be eliminated when income poverty itself is eradicated.

Lack of access to quality education and high costs of education

Even though it remains true that poverty and low household incomes are considered among the most important causes of child labor, it is their combination with frequent failures of the educational system that, altogether, lead to situations in which fundamental rights of children, such as education, survival, protection and development, are violated, especially in developing countries (Huisman & Smits, 2008, p. 180; Zahid et al., 2011). As a matter of fact, parents often evaluate whether it makes sense to send their children to school depending on the quantity and quality of local educational facilities, but also the presence and level of education of the teachers. Yet, the quality of available schooling is often underwhelming: according to data collected by Global Citizen from 2019, 130 million children globally in school were not receiving education on basic skills like reading and writing as a result of the fact that many teachers were untrained. Schools often lack qualified personnel, teachers are often absent, insufficiently educated and remunerated with few inadequate financial incentives for good performance to provide good education to children (The World Bank, 2018, p. 132). Regarding educational facilities, their quantity is important for children to be able to acquire education, but also their quality determines to what extent children benefit from going to school; in many developing countries, classrooms are often highly overcrowded, falling apart, or even missing, forcing children to learn outside without basic facilities such as running water or toilets (Global Citizen, 2019), and teachers to struggle teaching at a level that allows children to learn.

Parents may find sending their children to school as an unattractive option also because of the high costs associated with schooling. Costs deriving from non-fee expenditures, such as books, uniforms, and travel costs to reach schools might often be too difficult to pay for, with costs reaching peaks of 40% of the household income of the poorest families in Pakistan, for instance (The Human Journey, n.d.). At times, even when it is free, school is not an option for those parents who take into account the "perceived opportunity cost of the income foregone when a child is at school rather than at work" (ILO, n.d.-a). Additionally, journeys to school are sometimes too long and hazardous.

No correspondence between school offer and labor market opportunities

Children's employment prospects are often not in line with opportunities arising from the local labor market; in some cases, parents mistrust the promise of increased job opportunities that gaining education should allow for, and reach the conclusion that "having more education does not guarantee a higher income", and is therefore not always indispensable to earn a living (Huisman & Smits, 2008, p. 181), especially because in many areas adult labor opportunities remain primarily restricted to subsistence agriculture, which requires little education.

Social norms and cultural biases

Popular cultural norms and perceptions also play a key role in driving children into the workplace. At times, parents choose to have their children work because they conceive work as good for character building and skill development of children, or because they stick to the tradition that "children are expected to follow their parents' footsteps, learning a particular trade from a very early age" (ILO, n.d.-a).

Moreover, discrimination and cultural biases specifically against girls are certainly sociocultural aspects that contribute to child labor (Radfar et al., 2018). In cultures with a vivid and deep-rooted marriage tradition, and where girls are felt to be alleged to their future husbands rather than to their parents (Huisman & Smiths, 2008, p. 181), boys' education is prioritized over girls' education; reasons behind such choice are mainly two: (1) girls are not expected to look after their parents in old age but to take care of their future households, which leads parents to invest in the boys' education and health rather than in their girls' ones, and (2) girl children are requested to spend time at home to take on household tasks, which leads them to be not only relegated to work at home, but even sometimes to be sold into domestic employment or sex work (ILO, n.d-a).

Low intergenerational mobility

Parents' occupation and education are also expected to play a key role in their children's future. As a matter of fact, when considering data about intergenerational mobility in education from the OECD database, a fundamental driver of the educational attainments of children is the family background: if the parents have a poor educational attainment, for instance, the probability that the children attend and stay in school decreases (Opocher, 2022). Children from better educated parents more often end up going to school, while if parents did not have the opportunity to go to school, but for instance worked during their whole childhood, they might not be aware of the benefits of education and are therefore more likely to send their children to work (Herz & Epstein, 2021, p. 3).

Lack of awareness of child labor

Finally, a simple lack of awareness of the harmfulness of child labor may be at the root of it. At times, child labor is indeed chosen over education because it may be so deeply rooted in local customs that parents and children do not realize that it is against the interests of children, other than illegal (ILO, n.d.-a). Parents who have been sent to work at a very young age may indeed see child labor as the social norm (Wahaba, 2006).

1.3 Positive and negative consequences of child labor

Although many argue that the damages outweigh the benefits of children's work, some evolutionary anthropologists have tried to raise awareness of its socioeconomic importance and of the fact that, when motivated by children's best interests, children's work can have several relevant advantages (Lawson & Hedges, 2015; Utpal, 2019).

Skill-acquisition

Children's work offers, for instance, its own great opportunities for skill-acquisition: through work, children can gain an understanding of what a work environment looks and feels like and figure out if a particular kind of job fits their preferences (Houshmand et al., 2017), in addition to acquiring important technical, business and life skills that can be of great value for their future business career (CIDA, 2007). Taking part in family companies can complement children’s knowledge and skills acquired through formal education, contributing to education in its fullest sense[6] by giving children insights into the culture in which they live and of how to relate to people and the environment (CIDA, 2007; Bourdillon, 2017).

Increased self-esteem, independence, greater social contact

Furthermore, benefits may include increased self-confidence and higher self-esteem, especially in children who are otherwise marginalized (Bourdillon, 2017); this can be derived from the independence acquired and the expanded opportunities for greater social contact with other children (Hesketh et al., 2006; CIDA, 2007). Moreover, children’s work fosters prosocial behavior especially in cultures where children are seen as collaborative contributors to their household, in that they spontaneously take actions to help their household (Bourdillon, 2017).

Increased flexibility

According to some schools of thought, children can become “active participants and contributors to their own development” through work (Woodhead, 2001). This is confirmed by data found by CIDA (2007) in four different regions, namely Egypt, Tanzania, India and Bolivia, where children working in family businesses were found to be more flexible due to the combination of schoolwork and work, which encouraged them to keep more control over the scheduling of their work, in order to have time for schoolwork.

Additional income, increased role within family decision making

Finally, the most obvious advantage of children's work in family businesses is economic: they can bring home an additional and independent income, necessary for their survival and, most often, the survival of the family; this may lead them to attain a greater role within family decision-making, since an additional income gives them the idea that they are responsible for taking care of their households (CIDA, 2007; “The Pros and Cons of Child Labor”, 2021). In addition, children can learn to manage their income independently and adequately, living away from parental responsibility. However, special attention must be paid at those circumstances,

[6] Education includes schooling as a major component, but it should not be identified only with formal schooling. The three types of education - formal, non-formal, and informal - complement each other and reinforce one another as part of a lifelong learning process. See Section 2.3 for further details.

because it is precisely when children's work is indispensable for survival that work can become excessive and hazardous (Bourdillon, 2017).

Interference with schooling and leisure time

When determining how detrimental children's work in family businesses is, interference with school attendance is frequently used as a yardstick. When parents realize that their children are a cheaper labor force and that the advantages of sending them to school are heavily outweighed by the benefits of putting them to work for their family firms, it can happen quite easily that school becomes a second priority. In this case, working in a family business can become particularly damaging if children are forced to work during school hours. The amount of hours children spend working, especially in the initial stages of growth of the business, surely represents one negative aspect of children’s work in family enterprises, because it can often interfere with their schooling and leisure time (CIDA, 2007); as a consequence, children have to integrate school attendance with too long and heavy work schedules and often struggle to balance the demands of school and work, which leads them to lag behind their peers in learning achievement (European Commission, n.d.-a), or, in the worst case scenario, to drop out of school prematurely. According to data from ILO & UNICEF (2021), significant shares of children involved in child labor are out of school (see figure 1.3): of the total number of children who find themselves under conditions of child labor, over one third are reported to be out of school (p. 48), with the highest peaks in Eastern and South-Eastern Asia at 37.2%.

Across all regions, significant shares of children in child labor are out of school

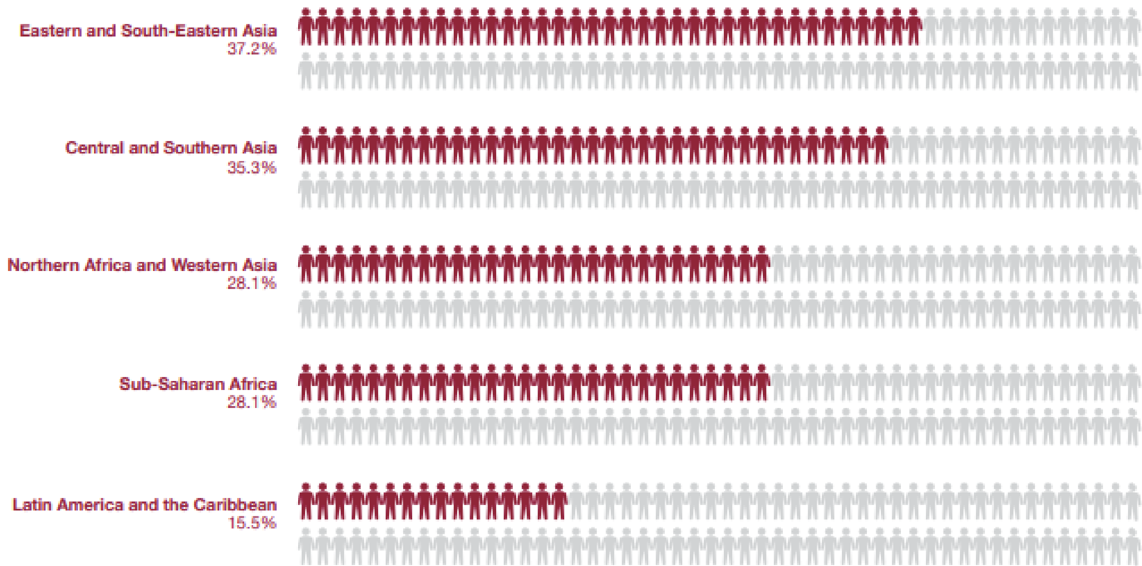
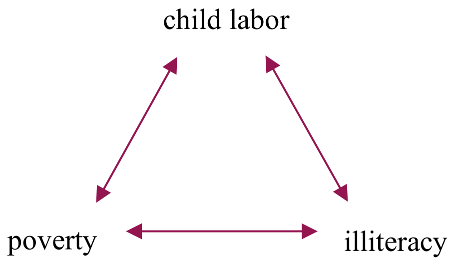


Fig. 1.3 - Percentage of children aged 5 to 14 years in child labor not attending school, by region

School dropout, barrier to poverty reduction

In the case of school dropout, children's work prevents children from getting the education they need to "break the cycle of poverty": child labor constitutes indeed a huge barrier to poverty reduction (Reid, 2022; Hesketh et al., 2006), as well as to the achievement of universal standards of education[7]. As the Nobel Peace Prize for children's rights advocacy Kailash Satyarthi claimed during an interview, there exists a triangular relationship between child labor, poverty and illiteracy, because child labor creates and perpetuates poverty: "if children are deprived of education, then they are bound to remain poor for the whole of their life" (GPE Secretariat, 2017).



Exploited children who receive little to no basic education are likely to become illiterate adults with little chance of escaping the cycle of poverty into which they were born, and of contributing to the long-term advancement of society (ILO, 2011-a). This often results in generations of poverty, exacerbated by low wages, unskilled work and lack of education (Human Rights Watch, 2005).

Inconsistencies between pay-offs for parents and children

Children may work against their own interests in particular when pay-offs for parents and children differ, and parents might therefore accept costs for their children in the face of the overall sake of the firm (Lawson & Hedges, 2015). In this case, parents may sometimes be encouraged to underpay or even avoid paying children, especially when household incomes are extremely low, on the theory that the business will one day belong to them (Harland, n.d.) or simply implying that they can be paid less because they are younger. This risk is attributable to their susceptibility to adult authority (International Program on the Elimination of Child Labor [IPEC], 2003, p. 52). From a study conducted by CIDA, children working in family enterprises were found to believe that "the length of time spent working was more significant than whether they were paid for their work" (CIDA, 2007, p. 12).

[7] Sustainable Development Goal 4 (SDG 4) aims to "ensure inclusive and equitable quality education and promote lifelong learning opportunities for all". See Section 2.1.4.

Likelihood of work hazards

In relation to the risks generally suffered by children in the workplace, it is important to note that child laborers are likely to be more affected by the work hazards that also affect adult workers (IPEC, 2011, p. 14; ILO, 2011-b): the consequences of a lack of safety or health protection, for instance, can often be more detrimental for children on the long term, as they are still growing and therefore present specific characteristics that must be taken into account by the work provider in order to avoid the rise of diseases or long-term disability, or damages to their behavioral development and emotional growth[8]. To mention some examples, compared with adults, children have deeper and more frequent breathing, and are thus liable to breathe in more substances that are hazardous to their health, they require more hours of sleep for proper development, they can be hit by spinal injury or other musculoskeletal problems more easily if subject to physical strain and repetitive movements (IPEC, 2011, p. 13), and have clear deformed perceptions of the risks they might face, lacking work experience and not able to make well-informed judgements (p. 14).

For all these reasons, those business owners that wish to employ their children in their family firm are required to pay particular attention to a wide series of health and safety conditions, respecting children's needs at their fullest and abiding by a clear set of regulations made available internationally, of which further detail will be provided in the following section.

1.4 International instruments for the definition and abolition of child labor

After seeing that children's work is not only extremely common throughout the world, but also beneficial in some cases, one is brought to reflect on the very thin line that lies between a child working safely while benefiting from a wide series of advantages, and him/her becoming a child laborer suffering all kinds of hazards. Here, one question arises naturally: to what extent can children be actively involved in the business for the family to cultivate and maintain a high regard for their kids' working conditions? Where to draw the line between the acceptable and the unacceptable?

Generally, whether or not particular forms of work can be called child labor depends on the child's age, the types of work performed, the condition under which it is performed and the objectives pursued by individual countries. There is an underlying common agreement that

[8] The World Health Organization defines child health as the complete physical, mental and social well-being of a child, not merely the absence of a disease or infirmity.

children must not be harmed through the work that they do; however, some people think that children should not be involved in any kind of work at all, while others limit themselves to the argument that children can work "provided that they are not harmed physically, mentally or morally, and that they are able to continue their education" (CIDA, 2007).

In order to provide more concrete answers, it is necessary to analyze the concept of child labor as defined by internationally established standards thanks to a well-developed map of institutional conventions that protect children from getting involved into child labor.

In particular, measuring the extent of child labor requires the examination of mainly two ILO Conventions regulating this issue: the Minimum Age Convention (1973) No. 138 and the Worst Forms of Child Labor Convention (1999) No. 182.

1.4.1 ILO Minimum Age Convention, 1973 (No. 138)

The ILO Minimum Age Convention No. 138 of 1973 (C138), ratified by 167 countries (Global Education Monitoring Report Team [GEM Report Team][9], 2015, p. 97), recognized the importance of setting the age at which children can legally be employed in order to effectively abolish child labor, which ILO (2011-a) defined as follows:

> Work that deprives children of their childhood, their potential and their dignity and that is mentally, physically, socially and morally dangerous and harmful, **work that interferes with children's schooling** by depriving them of the opportunity to attend school, obliging them to leave school prematurely, or requiring them to attempt to combine school attendance with excessively long and heavy work.

Article 1 of C138 states the purposes of this convention, urging member states to establish (1) a minimum age for entry into employment as well as (2) national policies for the elimination of child labor (ILO, 2018):

> Undertake to pursue national policy designed to ensure the effective abolition of child labor and to raise progressively the minimum age for admission to employment or work to the level consistent with the fullest physical and mental development of young people.

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[9] The GEM Report is the mechanism for monitoring and reporting on SDG 4 and on education in other SDGs, but it also reports on the implementation of national and international strategies; it is the continuation of the former EFA Global Monitoring report, it is prepared by an independent team and hosted and published by UNESCO (UNESCO et al., 2015, p. 65).

The importance of C138 with regard to child labor occurring in family businesses lies first of all in the link drawn by the Convention between the minimum age for work and the age of completion of compulsory schooling; notably, Article 2, paragraphs 3 and 4 state that:

> The minimum age for work **shall not be less than the age of completion of compulsory schooling**, and, in any case, not less than 15 years or 14 years in the case of members whose economy and educational facilities are insufficiently developed.[10]

As a consequence, when hiring their sons and daughters parents have to take into account that children can legally be sent to work only when they have achieved at least a basic education that allows them to develop at their fullest potential and be prepared for work life; in such a way, not only children themselves but also their families can benefit from the increased contribution that they can give to the family business after completing compulsory education (IPEC, 2003, p. 35).

Moreover, it is important to specify that Article 6 recognizes the possibility of children to carry out work as part of their education or training:

> The Convention does not apply to work done by children and young persons in schools for general, vocational or technical education or in other training institutions, or to work done by persons at least 14 years of age in undertakings, where such work is carried out in accordance with conditions prescribed by the competent authority, after consultation with the organizations of employers and workers concerned.

Therefore, if the job children are hired for in the family business is part of a program of a school or training institution, or is an internship approved by government authorities, even boys and girls at least 14 years of age can legally work.

Under the minimum age, C138 allows countries to permit "light work" of children **between 13 and 15**, which, according to Article 7, paragraph 1 is:

> Work that is not harmful to their health or development and does not prejudice their attendance at school [...] or their capacity to benefit from the instruction received.

[10] Out of the 175 member states that have ratified C138, 53 countries have set the minimum working age at 14; children in those countries can thus work legally from the age of 14, provided that they are not performing hazardous work and they have completed compulsory education. (ILO, n.d.-b).

Therefore, parents in those States that have ratified C138 and opted to legalize light work[11] can decide to employ their children respecting the work hours and the circumstances determined by the State in which they live, bearing in mind that children must remain free from heavy schedules and be able to fully benefit from their schooling. It is precisely the light work carried out under such conditions that can be beneficial to children's development as a complementary activity to their education (ILO, 2018).

Regarding "heavier work", Article 3, paragraph 1 of C138 vaguely states that:

> The minimum age for admission to any type of employment or work which by its nature or the circumstances in which it is carried out is likely to jeopardize the health, safety or morals of young persons **shall not be less than 18 years**.

This provision therefore sets 18 years old as the minimum age for hazardous work, without however defining, describing nor giving examples of what kind of work may fall within this category. The ILO adopted the Minimum Age Recommendation No. 146 of 1973 (R146) to supplement C138 from this point of view, establishing in Article 10, paragraph 1 that:

> In determining the types of employment or work to which Article 3 of the Minimum Age Convention, 1973, applies, member states should take into account international labor standards concerning dangerous substances, agents or processes (including ionizing radiations), the lifting of heavy weights and underground work.

The recommendation is, however, a non-binding instrument. The world had to wait until 1999 to see a clear definition and acknowledgement by ILO that certain forms of child labor, the "worst forms", should be prioritized for intervention.

1.4.2 ILO Worst Forms of Child Labor Convention, 1999 (No. 182)

In 1999, the International Labor Organization adopted the Worst Forms of Child Labor Convention No. 182 (C182), which outlines the four worst forms of labor that must be eradicated, requiring signatory states to adopt counteractive measures. C182 was ratified by 179 countries, which is a sign of the significant interest of national governments to the enforcement of education legislation (GEM Report Team, 2015, p. 97). As mentioned

[11] Nearly half of the countries have legalized light work (ILO, 2018).

previously, even when part of a family business, children are often subjected to heavy work under conditions that are harmful to their dignity, morality, health and education, which can undermine the general economic viability and cohesion of society and compromise the nation's longer-term development potential (ILO, 2011-b).

After providing a clear definition of who can be considered a child, namely "all persons under the age of 18" (Article 2), C182 distinguishes the worst forms of child labor into two categories: the "unconditional" and the "hazardous". Besides the importance of the first three forms of unconditional child labor listed in the Convention[12], what is relevant to work carried out in family businesses is the last worst form of child labor as of Article 3 of C182, which defines hazardous work:

> For the purposes of this Convention, the term the worst forms of child labor comprises [...] (d) work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or morals of children.

In order to determine the list of hazardous types of work, C182 stated that "it was to be determined by individual countries after consultation with organizations of employers and workers" (Article 4); however, it would be difficult for states, and even more for individual families, to counter hazards at work while lacking a clear definition of what hazardous practices actually entail. It was the ILO Worst Forms of Child Labor Recommendation of 1999 No. 190 (R190), supplementing C182, which offered more detailed guidance for governments on some hazardous work activities that should be exacerbated in Article 3:

> In determining the types of work referred to under Article 3(d) of C182, and in identifying where they exist, consideration should be given, inter alia, to:
> a. work which exposes children to physical, psychological or sexual abuse;
> b. work underground, under water, at dangerous heights or in confined spaces;

[12] (a) Slavery or similar practices, including the sale and trafficking of children, the use of children in debt bondage and serfdom, and forced or compulsory labor such as forced or compulsory recruitment of children for use in armed conflict;
(b) the use, procuring or offering of a child for prostitution, for the production of pornography or for pornographic performances;
(c) the use, procuring or offering of a child for illicit activities, notably for the production and trafficking of drugs as defined in the international treaties.

c. work with dangerous machinery, equipment and tools, or which involves the manual handling or transport of heavy loads;
d. work in an unhealthy environment which may, for example, expose children to hazardous substances, agents or processes, or to temperatures, noise levels, or vibrations damaging to their health;
e. work under particularly difficult conditions such as work for long hours or during the night or work where the child is unreasonably confined to the premises of the employer.

All in all, following the rhetoric of these main international conventions, the main focus of attention on behalf of those parents that wish to employ under-age persons in their business should not revolve around observations on whether employing their children is correct on grounds of their age, relative vulnerability or immaturity, but rather on efforts to protect them from harmful work and any kind of activity that interferes with their leisure time and education.

In order to wrap up the different concepts around child labor, the current official definitions of child according to ILO are reported in the table below (tab. 1.1).

Tab. 1.1 - Official definitions around children and work

Children's work	A general term covering the entire spectrum of work and related tasks performed by children.
Child labor	Work that deprives children of their childhood, their potential and their dignity and that is mentally, physically, socially and morally dangerous and harmful, work that **interferes with children's schooling** by depriving them of the opportunity to attend school, obliging them to leave school prematurely, or requiring them to attempt to combine school attendance with excessively long and heavy work.
Hazardous child labor	Refers to: (a) physical, psychological or sexual abuse; (b) work that is underground, under water, at dangerous heights or in confined spaces; (c) work with dangerous machinery, equipment and tools, or which involves the manual handling or transport of heavy loads; (d) work in an unhealthy environment which may, for example, expose children to hazardous substances, agents or processes, or to temperatures, noise levels, or vibrations damaging to their health; (e) work under particularly difficult conditions such as work for long hours or during the night or work where the child is unreasonably confined to the premises of the employer.
Unconditional child labor	(a) Slavery or similar practices, including the sale and trafficking of children, the use of children in debt bondage and serfdom, and forced or compulsory labor such as forced or compulsory recruitment of children for use in armed conflict; (b) the use, procuring or offering of a child for prostitution, for the production of pornography or for pornographic performances; (c) the use, procuring or offering of a child for illicit activities, notably for the production and trafficking of drugs as defined in the international treaties.
Light work	Work that is not harmful to children's health or development and does not prejudice their attendance at school [...] or their capacity to benefit from the instruction received. Permitted from the age of 13-15 years old.
Heavy work	Any type of employment or work which, by its nature or the circumstances in which it is carried out, is likely to jeopardize the health, safety or morals of young persons. Permitted from the age of 18 years old.

1.5 Further institutional developments

The two relevant ILO instruments establish an important basis for ratifying states to respect the minimum age for admission to employment and to take concrete action to eliminate the worst forms of child labor. However, the ILO continues to coordinate global actions and programs around the main labor standards, fighting for the eradication of child labor.

1.5.1 International Program on the Elimination of Child Labor (IPEC)

First, in order to strengthen the capacity of signatory states to abolish child labor, in 1992 the ILO additionally established the International Program on the Elimination of Child Labor (IPEC), which was born with the aim of employing internationally recognized labor standards and technical cooperation projects to achieve the eradication of child labor (International Labor Office, n.d.). Today IPEC has grown to become the biggest dedicated child labor program in the world, and the largest technical cooperation program of the ILO, and has set the worst forms of child labor as priority targets for immediate action as listed in C182 (ILO, n.d.-c). IPEC works mainly through two instruments: country-based programs putting in place concrete measures and building institutional capacity to end child labor, and awareness-raising and mobilization intended to change social attitudes and promote effective implementation of ILO Conventions (ILO, n.d.-d).

1.5.2 ILO's Decent Work Agenda

The work carried out through IPEC to eliminate child labor is an essential component of the wider ILO's Decent Work Agenda, which was formulated by the ILO in 1999 and entered the 2030 Agenda for Sustainable Development[13] during the UN General Assembly in September 2015 (ILO, n.d.-e). The agenda focuses on the elimination of child and forced labor as fundamental principles, calling for a "multifaceted approach to ending child labor" (ILO, n.d.-f, p. 15) which includes legislation, access to education for all children, social protection for families and labor market policies. According to the Decent Work Agenda, children have the full right to participate in a work that is considered decent as any other worker.

Decent work includes work that pays a fair income, guarantees a secure form of employment and safe working conditions, equal opportunities and treatment for all, includes

[13] As a result, Goal 8 of the 2030 Agenda calls for the promotion of sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. More details on Agenda 2030 will be provided in Section 2.1.4.

social protection for the workers and their families, prospects for personal development and encourages social integration and freedom for people to express their concerns (ILO, n.d.-e).

1.5.3 ILO's Social Finance Program

Moreover, in 2003 the ILO established the ILO's Social Finance Program to engage with banks, microfinance institutions, credit unions, insurers, investors and others to test new financial products, approaches and processes and contribute to the ILO's Decent Work Agenda. The aim of the program is, inter alia, to ensure that everyone, regardless of income or social status, "has access to relevant financial services and knows how to use them well": the program indeed encourages financial institutions to "live up to their potential to contribute to decent work" (ILO, n.d.-g). What is relevant to this research is that the ILO's Social Finance Program's ultimate aim is to delve deeper into the financial sector, to understand how this can contribute to decent work conditions and social justice in the world.

The fight against child labor cannot be won easily by merely having governments respect the good practice put forward by the rhetoric of the international conventions. The reality is different: although child labor is prohibited and governments strive to adopt these institutional instruments, challenges and obstacles to the elimination of child labor remain real. The elimination of all child labor is certainly not feasible in most poor countries in the foreseeable future (Hesketh et al., 2006), but an important step while considering solutions to eliminate child labor is looking into how the financial services industry can offer opportunities to positively contribute to such abolition. Stakeholders like microfinance institutions, banks, insurers and investors can actively engage (ILO, n.d.-h).

An investigation into how the financial sector, and particularly microfinance institutions, can contribute to promoting decent work for children, providing sustainable services for them and their families, thus results necessary. Further insights on this matter will be explored in Chapter 3.

CHAPTER 2 – UNIVERSAL ACCESS TO EDUCATION AND ELIMINATION OF CHILD LABOR: TWO INTERLINKED EFFORTS

"Knowledge is power, and education empowers. Education has intrinsic value - extending far beyond the economic - to empower people to determine their own destiny."

– Helen Clark, UNDP Administrator (UNESCO et al., 2015, p. 13)

As it is clear from the analysis of the causes and consequences of child labor, the phenomenon of child labor is inextricably linked to education: the lack of education is often both a triggering element and a consequence of child labor. The availability of education and the enforcement of laws pertaining to education can reduce child labor, giving every person the chance to "taste the fruits of education" and thus reducing poverty (GEM Report Team, 2015, pp. 85 - 97). As Nelson Mandela used to describe it, "education is the most powerful weapon which you can use to change the world" (Ellis, 2019): it operates as a "multiplier, enhancing the enjoyment of all individual rights and freedoms where it is guaranteed, while depriving of the enjoyment of many rights and freedoms where it is denied or violated" (Tomaševski, 2001, p. 10).

On one hand, the lack of quality education and the high costs of education prevent children from attending school regularly, with their parents having no choice but to send them to work, often in dangerous and exploitative conditions. On the other hand, child labor is one of the main obstacles to the achievement of universal education (ILO, n.d.-i): in many cases employers explicitly prohibit children from going to school, while in other cases children may try to work and attend school at the same time, but eventually end up not having enough time to study, being frequently tired in class and falling behind or dropping out.

The paragraphs below provide a comparison between the existing human rights obligations and the reality: first, Section 2.1 explores the right to education as defined by international standards, in order to provide a deeper understanding of what is officially meant by "right to education" and why it is important to safeguard it as a fundamental human right capable of empowering both children and adults, analyzing SDG 4, the current goal which all countries agreed to try to achieve by 2030; secondly, Section 2.2 goes back to a general overview of reality, revealing the shortcomings of national political commitments to free education and the strong need for further actions; finally, Section 2.3 examines the three dimensions of education, namely formal, non-formal and informal education.

2.1 Education as a human right: international instruments

Education is not a privilege. It is a human right.

When states and relevant stakeholders are brought to reflect on the matter of education, they will first need to embrace the concept of education as a human right, rather than a privilege. The right to education occupies a central place in human rights as it is recognized as one of the economic, social and cultural rights[14] and is essential for the exercise of all other human rights and for development: none of the civil, political, economic and social rights can be exercised unless individuals have received a certain minimum education (see General Comment No. 13, Section 2.1.3). The implications of the recognition of education as a human right are mainly three (RTE, 2023):

1) Education is fully recognized and legally guaranteed for all without any discrimination;
2) States have the obligation to protect, respect and fulfill the right to education;
3) States can be held accountable for violations or deprivations of the right to education.

2.1.1 Universal Declaration of Human Rights (UDHR), 1948

The first recognition of the right to education dates back to 1948, when the Universal Declaration of Human Rights (UDHR) was adopted, listing a comprehensive range of civil, cultural, economic, political and social rights in a single international human rights instrument (Office of the High Commissioner for Human Rights, 2008, p. 7). UDHR, Article 26, quotes:

> Everyone has the right to education. **Education shall be free**, at least in the elementary and fundamental stages. Technical and professional education shall be made generally available and higher education shall be equally accessible to all on the basis of merit. (United Nations [UN] General Assembly, 1948)

Additionally, the UDHR recognized the right for parents to choose the kind of education for their children. Ever since then, the right to education has been widely developed as part of the economic, social and cultural rights by a large series of international normative instruments elaborated by the UN, some applying only to specific groups (such as children), others guaranteeing the right to education generally. These instruments include the UN

[14] Economic, social and cultural rights were first encompassed in the Universal Declaration of Human Rights of 1948 and include all those human rights relating to the workplace, social security, family life, participation in cultural life, and access to housing, food, water and sanitation, health care and education (Office of the High Commissioner for Human Rights, 2008, p. 7).

Educational, Scientific and Cultural Organization (UNESCO) Convention against Discrimination in Education of 1960 (CADE), the International Covenant on Economic, Social and Cultural Rights of 1966 (ICESCR), and the Convention on the Rights of the Child of 1989 (CRC). This right has also been recognized in soft law instruments[15], such as general comments and frameworks for action.

2.1.2 UNESCO Convention against Discrimination in Education (CADE), 1960

The CADE is the first instrument in the field of the right to education (UNESCO, 2006) and one of the instruments that guarantee the right to education generally, that is, for all people. It was adopted by UNESCO in 1960, and it provides for the right to education with a focus on the two fundamental principles of non-discrimination and equality of educational opportunities. Together with the ICESCR, the CADE enumerates essential features of the right to education, prohibiting discrimination of any kind.

According to the CADE, the following are key principles that States must follow in implementing the right to education (UNESCO, 1960; UNESCO, 2006):

- Separate educational systems or institutions for the two sexes can be organized if they offer equivalent access to education, and provide a teaching staff with qualifications of the same standard and equipment of the same quality; they can also be organized for religious or linguistic reasons if they apply the same principle of equivalence (Article 2, paragraphs a - b);
- Private educational institutions can be established with the sole objective of providing facilities in addition to those provided by the public authorities, not of securing the exclusion of any group (Article 2, paragraph c);
- There must be no discrimination in the admission of pupils to educational institutions, nor differences of treatment in the matter of school fees and the grant of scholarships except on the basis of merit or need (Article 3, paragraphs b - c);
- Primary education must be made free and compulsory, secondary education must be made generally available and accessible to all, higher education must be made equally accessible to all on the basis of individual capacity (Article 4, paragraph a);
- Training must be provided to teachers without discrimination (Article 4, paragraph d);

[15] Differently from hard law instruments, soft law instruments are those without legally binding force, but which nevertheless embody great political and moral authority.

- Parents and legal guardians have the liberty to choose for their children's institutions when there exist institutions other than those maintained by the public authorities, and they also have the right to ensure the religious and moral education of their children in conformity with their own convictions (Article 5, paragraph b).

2.1.3 International Covenant on Economic, Social and Cultural Rights (ICESCR), 1966

Building on the progress made by the UDHR and the CADE, Article 13 of the ICESCR (International Covenant on Economic, Social and Cultural Rights, 1966) reaffirmed that the right to education includes the following rights and freedoms:

- The right to free and compulsory primary education for all (paragraph 2 (a));
- The right to secondary education in its different forms, including technical and vocational secondary education, made generally available and accessible to all by the progressive introduction of free education (paragraph 2 (b));
- The right to higher education, made equally accessible to all on the basis of capacity by the progressive introduction of free education (paragraph 2 (c));
- The right to fundamental education, intensified or encouraged for those who have not received or completed the whole period of their primary education (paragraph 2 (d));
- The development of a system of schools at all levels and the improvement of material conditions of teaching staff (paragraph 2 (e));
- The freedom for parents and, when applicable, legal guardians, to choose the kind of education and the schools for their children (paragraph 3).

The Committee on Economic, Social and Cultural Rights (CESCR), the body in charge of monitoring the implementation of the ICESCR, has further elaborated on the right to education in its General Comment No. 13, delineating essential features of this right:

> Education is both a human right in itself and an indispensable means of realizing other human rights. It is the primary vehicle by which economically and socially marginalized adults and children can lift themselves out of poverty. Education has a vital role in […] safeguarding children from exploitative and hazardous labor and sexual exploitation. […]
> Increasingly, education is recognized as one of the best financial investments States can make.
> (ECOSOC, CESCR, 1999).

Education is fundamental for human, social, and economic sustainable development. As stated by the Right to Education Initiative (RTE) in the Annual Report 2022, "knowledge gives access to power" (p. 13): education is a powerful tool in ensuring human dignity, lasting peace and achieving individual and collective wellbeing.

In addition, General Comment No. 13, paragraph 6 reports a framework for action that was first conceptualized by Katarina Tomaševski, the first UN Special Rapporteur on the right to education of the United Nations Commission on Human Rights, in her third Right to Education Primer (Tomaševski, 2001b): the 4-A scheme. In a nutshell, the document mentions that, for it to be a meaningful right, education in all its forms and at all levels shall exhibit the following features, known as the 4As:

a) Availability: there must be sufficient functional educational institutions and programs to support the delivery of education;
b) Accessibility: this feature encompasses three overlapping dimensions:
   i) Non-discrimination: educational institutions and programs have to be accessible to everyone, especially the most vulnerable groups in law and in fact, without discrimination;
   ii) Physical accessibility: everyone must be able to reach educational institutions and programs within safe physical reach, either by attendance at convenient geographic location or via modern technology by accessing a "distance learning" program;
   iii) Economic accessibility: education has to be affordable to all, in particular primary education must be made available free to all, while State parties are required to progressively introduce free secondary and higher education;
c) Acceptability: the form and substance of education, including curricula and teaching methods, must be acceptable, meaning relevant, culturally appropriate and of good quality;
d) Adaptability: education must be flexible to adapt to the needs of changing societies and communities, and adapt to the needs of students within their locally specific diverse social and cultural settings.

Tomaševski was the first to be appointed Special Rapporteur on the right to education in August 1998, which, from her standpoint, is a clear sign of how economic, social and cultural rights had been "neglected, if not marginalized" until then (Tomaševski, 2001b, p.10).

2.1.4 Agenda 2030 and SDG 4: quality education

On 25 September 2015, the 193 UN member states reunited at the UN Sustainable Development Summit and decided to embark on the collective journey of taking a transformative step to shift the world onto a sustainable and resilient path: they adopted Agenda 2030, which since 2016 has represented the new global framework of reference for national and international efforts aimed at finding common and sustainable solutions to combat numerous issues hampering development progress, such as extreme poverty, climate change, land degradation and sanitary crises.

The Agenda sets a series of priorities for sustainable development which all states agreed to strive to collectively reach by 2030, and which are represented by the 17 Sustainable Development Goals (SDGs) and their related 169 sub-goals, grouped into 5 core principles known as the 5Ps: people, planet, prosperity, peace, partnership. This agenda is transformative and universal and it attends to the "unfinished business" of the Millennium Development Goals (MDGs), the 8 goals that UN member states had agreed to try to achieve by the year 2015.

It is precisely on this occasion that member states decided to devote special attention to the challenge of making education a possibility for everyone, building upon the common understanding that education is a public good, a human right and a basis of guaranteeing the realization of other rights. This vision is fully captured by the SDG 4 "Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all" and its corresponding targets (UN Department of Economic and Social Affairs, n.d.-b). These targets were set over a period of 15 years and are aimed to ensure, by 2030:

- that all girls and boys complete free, equitable and quality primary and secondary education (target 4.1);
- that they all have access to quality early childhood development, care and pre-primary education so that they are ready for primary education (target 4.2);
- that women and men have equal access to affordable and quality technical, vocational and tertiary education, including university (target 4.3);
- an increase in the number of youth and adults with skills for employment and entrepreneurship (target 4.4);
- the elimination of gender disparities in education (target 4.5);
- that all youth achieve literacy (target 4.6);
- that all learners acquire the knowledge and skills needed to promote sustainable development (target 4.7);

SDG 4 is the successor of MDG 2, "Achieve universal primary education" (UN, 2015), complemented by only one target: ensuring that all children complete a full course of primary education by 2015 (target 2.a). The more detailed and comprehensive formula of the education goal adopted in 2015 suggests that some lessons have been learned: states clearly understood the need to work on all the relevant roots of the problem, touching on the need to prepare children adequately for primary school, university and professional life and to have schools pay more attention to the needs of both sexes avoiding any kind of gender discrimination.

Moreover, as stated by the GEM Report Team (2015), efforts to advance education in the first 15 years of the century had been almost only focused on ensuring that every child was in primary school, thus provoking less attention to other crucial areas such as early childhood care and education, and adult literacy.

2.1.5 Incheon Declaration and Education 2030 Framework of Action

SDG 4 on education is part of the wider Education 2030 Agenda, which additionally includes the Education 2030 Incheon Declaration and the Education 2030 Framework of Action. These last two elements are strongly interlinked to the educational goal, as they enshrine the new vision for education for 15 years until 2030 and provide governments and partners the guidance to turn commitments into action.

Specifically, the Incheon Declaration came out as the result of the World Education Forum 2015 (WEF 2015) which was held in Incheon, Republic of Korea, from 19 to 22 May 2015, and organized by UNESCO together with UNICEF, the World Bank, the UN Population Fund (UNFPA), the UN Development Program (UNDP), UN Women and the UN High Commissioner for Refugees (UNHCR) (RTE, 2015). There were more than 1600 attendants from 160 countries, including heads of agencies and officials of multilateral and bilateral organizations, 120 Ministers, members of delegations, representatives of civil society organizations (CSOs), the teaching, youth and private sector (UNESCO et al., 2015, p. 5). The Incheon Declaration they adopted basically outlines the common vision for education in a universal way and represents the solid commitment of the global education community to a renewed, transformative and universal agenda, based on SDG 4 (p. 7). This new vision is based on the following key concepts and commitments:

- education is a public good, a fundamental human right and a basis for guaranteeing the realization of other rights, it is essential for peace, tolerance, sustainable development, for eradicating poverty and for achieving full employment (p. 7);

- expanding access to education continues to be among the key priorities, therefore the global community will ensure that "12 years of free, publicly funded, equitable quality primary and secondary education, with 9 being compulsory" are provided, and that "the large population of out-of-school children will have access to meaningful education and training opportunities" (p. 7);
- inclusion and equity are the foundational basis of the agenda, therefore "all forms of exclusion, marginalization, disparities and inequalities in access, participation and learning outcomes will be addressed, and focus will be put on the most disadvantaged, ensuring no one is left behind" (p. 7);
- gender equality is fully recognized: the commitment is to mainstream gender issues in training and curricula, eliminate gender-based violence and discrimination in schools, and support gender-sensitive policies, planning and learning environments (p. 8);
- quality education fosters creativity and knowledge and ensures all children acquire the foundational skills of literacy, problem-solving and other social and interpersonal skills, therefore the global community commits to ensuring teachers are empowered, adequately recruited, well-trained, qualified, motivated and supported within well-resourced, efficient and effectively governed systems" (p. 8);
- the community commits to "promoting quality lifelong learning opportunities for all, in all settings and at all levels of education" through "increased access to quality higher education, flexible learning pathways and the recognition, validation and accreditation of the knowledge, skills and competencies acquired through non-formal and informal learning"[16] and by "strengthening science, technology and innovation" (p. 8).

As for the second instrument mentioned above, the Education 2030 Framework of Action contains the roadmap to achieve the educational goal: it provides governments and actors the guidelines on how to effectively translate into practice, at national, regional and global level, the commitment made at Incheon. The Framework of Action was discussed at WEF 2015, and its essential elements were already agreed upon in the Incheon Declaration, but it was finalized and adopted by 184 UNESCO member states during a high-level meeting at UNESCO, Paris on 4 November 2015 (UNESCO et al., 2015, p. 22-23).

The final aim of the Framework is to support country-led action, mobilizing all countries and partners around SDG 4 and its targets: it indeed offers recommendations on how

[16] More information on non-formal and informal education will be provided in Section 2.3.

to implement, coordinate, finance and oversee the Education 2030 Agenda and some indicative strategies which countries can draw upon to create and develop plans that suit their national realities, capacities and levels of development (UNESCO et al., 2015, p. 23). In Chapter III, the document prepared by UNESCO et al. (2015, p. 57-71) tackles the implementation modalities that such Education 2030 Agenda requires, providing a detailed description of the role that governments, CSOs, teachers and educators, the private sector, philanthropic organizations and foundations, the research community and the youth organizations must play in safeguarding and promoting the right to education. Among these, the role of governments is particularly relevant to this research:

> Governments have the primary responsibility to deliver on the right to education, and a central role as custodians of efficient, equitable and effective management and financing of public education.
> (UNESCO et al., 2015, p. 57)

In the role of custodians of the management and financing of public education, governments have to integrate education planning into poverty reduction, sustainable development strategies and humanitarian response, but also improve quality and reduce disparity between regions, communities and schools; they also have to involve all relevant stakeholders in the planning, implementation and monitoring of education policies and strategies, as the educational goal cannot be achieved by governments alone (p. 60). In addition, as domestic resources remain the most important source for funding education, governments must increase public funding for education, both by widening the tax base and preventing tax evasion, and allocating a bigger share of the national budget to education. Even though national contexts are diverse, there are international and regional benchmarks set by the Education 2030 Framework of Action which are crucial reference points for all countries when it comes to devoting public funding to education (p. 67). States must:

- allocate at least 4% to 6% of gross domestic product (GDP) to education, and/or
- allocate at least 15% to 20% of public expenditure to education.

Another important actor when it comes to strengthening public education is, inter alia, the private sector, which can use its experience, business expertise and financial resources to sustain public education by, for instance, providing additional services and activities to reach the most marginalized, in this way increasing inclusive education opportunities (UNESCO et al., 2015, p. 59). Additionally, the private sector has a crucial role in paying fair taxes, which forms part of the private spending in education (see Section 2.2.4), and is capable of mobilizing additional resources for public education, reinforcing education as a public good; this is to be done through contributions and investments that are "transparent, aligned with local and national priorities, do not increase inequality and respect education as a human right" (UNESCO et al., 2015, p. 59, 70).

2.2 The gap between promise and performance

As underlined in the sections above, international law imposes several requirements on States in the area of education, among which the condition that education, and especially primary education, must be free of charge and available to everyone equally. Even though significant progress has been monitored, relevant shortcomings persist, highlighting the need for bolder actions that address the key structural barriers that prevent children from attending school.

From the optimistic point of view, progress in the education matter has accelerated considerably since 2000, especially following the establishment of many national reforms after the member states' decision of striving to make primary education universal (MDG 2), but mostly after member states reunited to adopt, in the context of the 2030 Agenda, SDG 4.

However, forecasts by the UN Department of Economic and Social Affairs are anything but optimistic: the world is far off-track to achieve its education targets (UN Department of Economic and Social Affairs, n.d.-b). Reality reveals that, even though an increasing number of national governments are progressively expanding access to free education, efforts to tackle the problems of quality education, age-appropriate entry and school costs have not matched the existing needs yet; the result is a very slow progress, with persisting issues regarding dropout, progression and completion levels (GEM Report Team, 2015, p. 78) and financial burdens imposed on parents' pockets when it comes to sending their kids to school.

As nations get closer to achieving the objective, it gets harder and harder to achieve significant additional progress without addressing the main structural obstacles that keep children out of school (GEM Report Team, 2015, p. 78).

2.2.1 Out-of-school rate

The out-of-school rate is defined as the proportion of children and young people in the official age group for a given level of education (pre-primary, primary, secondary, or higher levels of education) who are not enrolled in that level (GEM Report Team, 2023, glossary).

Despite the fact that important results in terms of global numbers of out-of-school children had been achieved in 2015, with a decrease by nearly 50%, from 400 million in 2000 to 253 million in 2015 (UNESCO, 2023), the global out-of-school population still lays at critical numbers (see figure 2.1). By comparing estimates drawn with a new methodology combining multiple data sources, developed by the UNESCO Institute for Statistics (UIS)[17] and the Global Education Monitoring (GEM) Report Team, and reported on the Visualizing Indicators of Education for the World (VIEW) website (UNESCO, 2023), very limited progress can be noticed (GEM Report Team, 2023, p. 361). As shown in figure 2.1, according to the estimates reported on the VIEW website (UNESCO, 2023), the number of children and youth missing out on any schooling has decreased by only 3 million since 2015: about 250 million children and youth are out of school today, 6 million more than in 2022[18].

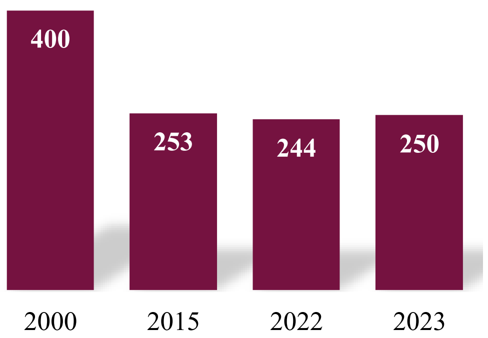

Fig. 2.1 - Number of out-of-school children by year (million) (UNESCO, 2023)

More than half of out-of-school children live in Sub-Saharan Africa (United Nations Regional Information Centre, n.d.), which has the highest rates of education exclusion among the six developing world regions: over one fifth of primary-age children and nearly 60% of youth between 15 and 17 years were out of school as of 2023 (Klapper & Panchamia, 2023). Estimates from 2021 speak loudly: 67 million primary-age children were out of primary school (9%), 57 million were out of lower secondary (14%), and 121 million were out of upper secondary (30%) (GEM Report Team, 2023, p. 361). In 2023, data did not improve much: it actually worsened for out-of-school children in primary, increasing to about 70 million.

[17] The UIS is the official source of cross-nationally comparable data on education; it produces international monitoring indicators based on its annual education survey, and works with partners to develop new indicators, statistical approaches and monitoring tools to assess progress (UNESCO et al., 2015, p. 65)

[18] The increase is partly the result of the mass exclusion of women and girls from education in Afghanistan but can also be attributed to broader stagnation in the provision of education worldwide (UNESCO, 2023).

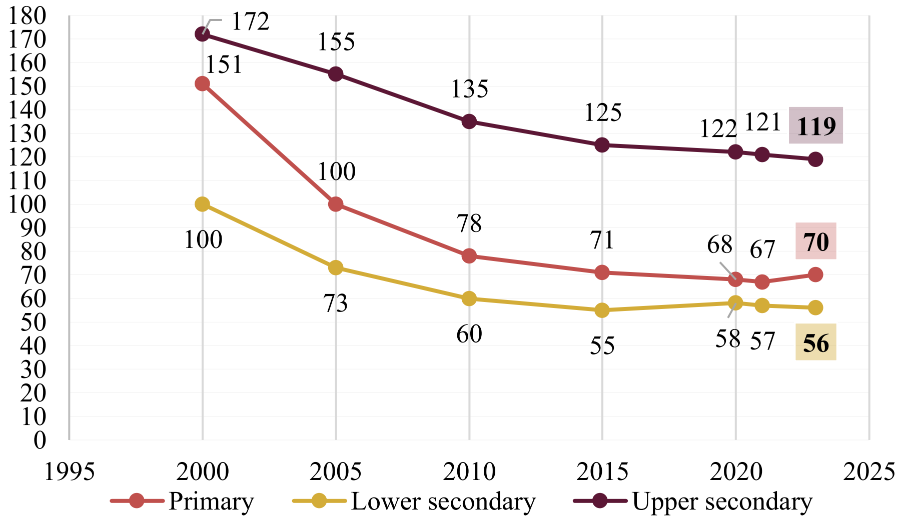

Fig. 2.2 - Number of out-of-school children by year and level of education (million) (UNESCO, 2023; GEM Report Team, 2023, p. 361)

To sum up, the world is already way off-track in terms of enrolment rate: if countries were on track, 58 million more children and adolescents would be in school today (United Nations, 2023); we would need to enroll a child every 2 seconds between now and 2030 to achieve the education targets (UNESCO, 2023).

2.2.2 School completion rate

Before the 2030 Agenda was adopted, countries were focusing their efforts mainly on the number of out-of-school children of primary school age, since it seemed as an easy indicator to calculate and to communicate, other than being powerful in presentation. However, the international community came to understand that this indicator was not sufficient to display the achievements and shortcomings of the MDG 2 in a comprehensive manner, because it encouraged countries to keep children in school without taking into account the fact that children finished each educational level as expected (GEM Report Team, 2023, p. 213). For this reason, the completion rate is today an additional indicator that must be considered when it comes to capturing the full picture of education.

The completion rate is officially defined as the percentage of children aged 3 to 5 years above the official age at which they are supposed to complete a level of education who have completed that level (GEM Report Team, 2023, glossary). For instance, if children are supposed to complete primary school by the age of 11 in one country, the primary completion rate indicates the percentage of 14- to 16-year-olds who have completed the last grade of primary school.

According to the most recent data from 2021 (fig. 2.3), the completion rate increased from 85% in 2015 to 87% in primary education, from 74% to 76% in lower secondary education, and from 54% to 58% in upper secondary education (GEM Report Team, 2023, p. 361): this means that a bigger share of the population today achieves a certain level of education by the time they are at least 3-5 times older than the official age at which they are expected to complete each cycle of education.

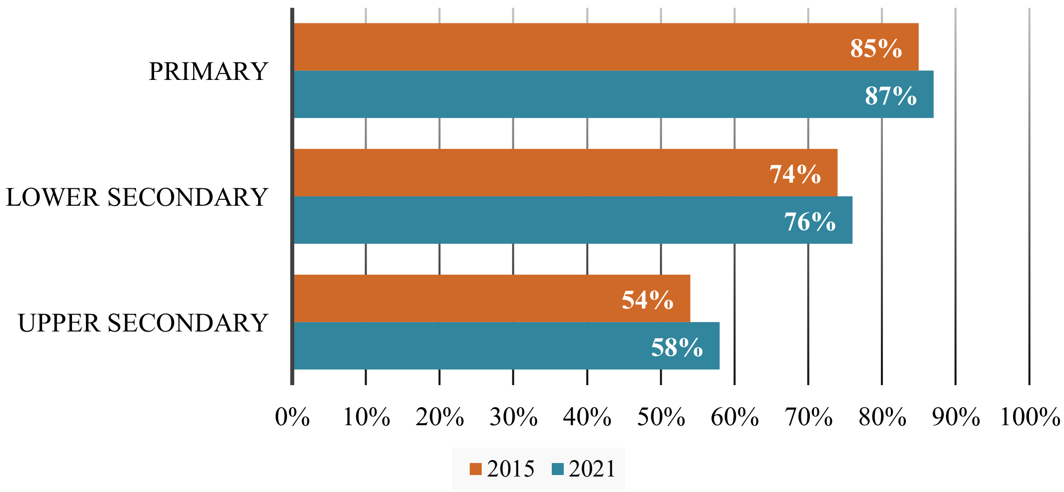

Fig. 2.3 - School completion rate in 2015 and 2021 by level of education (GEM Report Team, 2023, p. 361)

The completion rate does not take into account children and young people who reach the end of each cycle even later, due to repetition of grades or late entry into school: this is the case in low income countries, where a huge portion of children complete primary school very late (GEM Report Team, 2023, p. 217). Moreover, poorer countries have much lower completion rates: from data presented at the 56th session of the UN Commission on Population and Development, the completion rate for low-income countries stands at just over 50% for primary school, and slightly more than 65% for lower-secondary education (United Nations Department of Economic and Social Affairs, Population Division, 2023).

It is even more interesting if we look at the issue from the point of view of the gap between poorest and richest households: as shown in figure 2.4, according to estimates from the UNICEF global database (UNICEF Data, 2022), there is a sharp difference in terms of primary school completion rates among the poorest households and the richest households, especially in low-income countries such as in the region of West and Central Africa, where less than 30% of the children from the poorest households complete primary education.

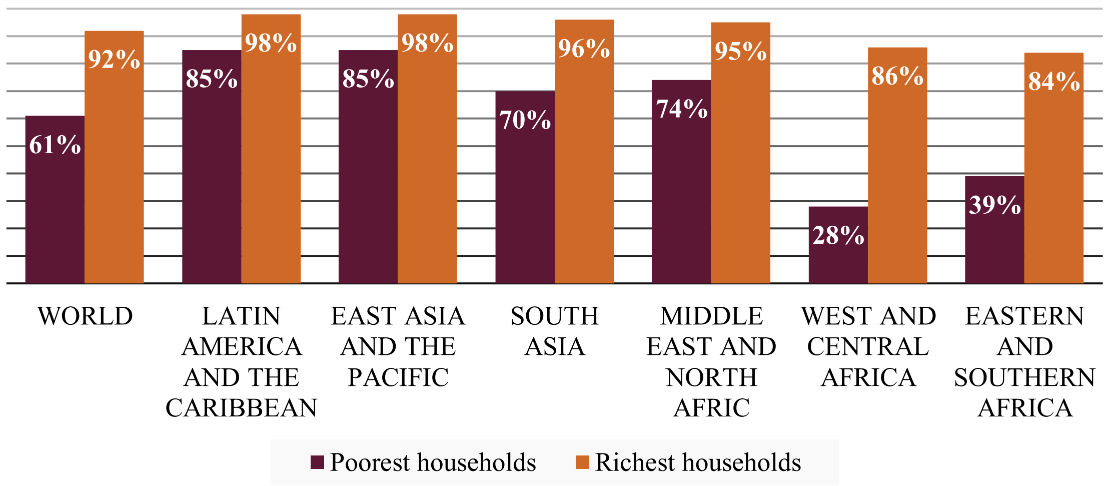

Fig. 2.4 - Primary education completion rates, by region and wealth quintile, 2021 (UNICEF Data, 2022)

Low completion rates indicate low or delayed entry into school, high repetition of grades, late completion, high drop-out, or a combination of these factors.

This discussion suggests that, even though the global numbers of out-of-school children have slightly decreased since 2015, too many children and youth complete education late, thus calling for urgent actions to make education development more efficient through more timely enrollment: achieving SDG 4 by 2030 also requires overcoming the challenges of late entry into school and repetition.

In brief, high enrolment rates do not necessarily translate into high completion rates: a country with a very high enrolment rate might indeed present a low completion rate due to high repetition of grades, school dropout, late completion.

2.2.3 Over-age for grade rate

The over-age for grade rate indicates the percentage of students in each level of education who are 2 years or more older than the intended age for their grade (GEM Report Team, 2023, glossary).

Compulsory schooling age varies according to countries and their educational systems: governments mandate the school-entry age by legislating a school entry date, which is the date by which the child attains the age at which he/she is eligible to start primary education (Dhuey & Koebel, 2022). As figure 2.5 shows, there is considerable variation across countries in the legislation on school-entry ages, but, typically, primary education is designed for children from 6 years of age (UNICEF Data, 2022).

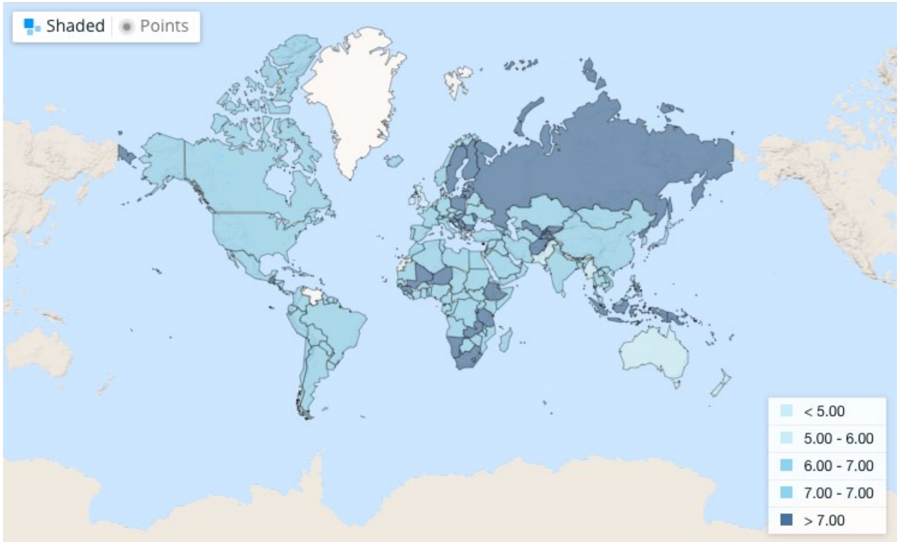

Fig. 2.5 - Legislated children's primary school entry ages, 2023 (World Bank, 2023)

In reality, data from the GEM Report Team (tab. 2.1) indicate that 10% of children in primary school were over-aged in the whole world in 2020, and that the same amount were over-aged in lower secondary (2023, p. 361). Over-aged rates result to be a problem of equity, as they increase when disadvantaged children are considered: in Sub-Saharan Africa, 26% of children were over-aged in primary school in 2020, and 34% were over-aged in lower secondary (GEM Report Team, 2023, p. 361).

Tab. 2.1 - Over-age for grade rate in the world and Sub-Saharan Africa, 2020 (GEM Report Team, 2023, p. 361)

	Primary	**Lower secondary**
World	10%	10%
Sub-Saharan Africa	26%	34%

In general, children might be over-age for a grade as a result of late entry into school, or because they have repeated one or more previous grades. Both late school entry and significant grade repetition are associated with lower levels of student learning achievement (UNESCO Institute for Statistics, n.d.-a): over-age students might face pressure to begin working and generating income, which may influence their learning achievements, and they also might drop out more easily, sometimes allowed by compulsory school-attendance laws (Dhuey & Koebel, 2022). On the contrary, starting school on time reduces the risk of dropping out because it allows a correspondence between the student age and the opportunities, materials and teaching methods offered by the school for that particular age (Menendez & Ome, n.d.).

Moreover, over-age students might create multi-age learning situations that are hard to handle for teachers and for other students, other than detrimental to learning and safety (GEM Report Team, 2015, p. 80; Menendez & Ome, n.d.): if class discussions, materials and teaching speed are targeted at older students, younger students might find it difficult to follow; in turn, materials developed for younger students might frustrate older children. The cognitive and physical development of children varies depending on their ages, reason for which pedagogical approaches, teaching and learning methods should differ according to student's ages.

2.2.4 Education expenditures and fee abolition

Recognizing the special importance of education led a large number of developing countries to make bold investments in policies and programs for free primary schooling in recent years, eliminating a significant financial barrier that disproportionately impacts poor children and other marginalized groups: most countries have adopted legislation abolishing school fees since 2000, some through constitutional guarantees[19] and some through other forms of legislation. As of January 2023, Libya and South Africa were the only two countries that did not have explicit guarantee to tuition-free primary education in the country's constitution,

[19] *Legislative or constitutional guarantee to tuition-free* means that a guarantee to tuition-free primary school is enshrined in the country's legislation or constitution

legislation, or non-legislative policy commitments[20] (World Policy Center, 2023). What motivates countries to implement school fee abolition policies is often domestic politics: user fee abolition is a popular election agenda especially in low-income African countries, where it is perceived by political leaders as a symbolic fresh start from conflict situations, or simply as a way to gain confidence and credit by the population (GEM Report Team, 2015, p. 85).

However, reality reveals that political commitments to free education are simply not enough. Although most countries should, in theory, have schooling free of tuition, only 54% of the world's countries, and 25% of the Sub-Saharan ones, had 12 years of primary-secondary education actually free in 2021 (GEM Report Team, 2023, p. 351).

Tab. 2.2 - Percentage of countries with 12 years of primary-secondary education free of charge, 2021

	Free 12 years of primary-secondary
World	54%
Sub-Saharan Africa	25%

When states adopt such legislations aimed at reducing financial burdens on families, they fully commit to their responsibility of acting as custodians of the financing of public education, and thus to dedicate as much public spending to education as possible.

The term "public spending on education" includes direct government expenditures on educational institutions and educational-related public subsidies given to households and administered by educational institutions (OECD, 2024b).

Nonetheless, governments worldwide struggle to find ways to fund their educational systems every year, and therefore keep on imposing fees to access primary education: estimates from 2021 indicate that, on average, only 14.2% of total government expenditures is devoted to education, a total of merely 4.2% of countries' GDP (GEM Report Team, 2023, p. 352), even though, as already mentioned in Section 2.1.5, all states should allocate at least 15% to 20% of public expenditure to education, and/or at least 4% to 6% of GDP to education (UNESCO et al., 2015, p. 67). In particular, as displayed in figure 2.6, low-income countries (LIC) struggle even more to allocate bigger shares of their national GDP to education: despite

[20] *Policy guarantee to tuition-free* refers to guarantees to tuition-free primary education included in policy documents or non-legislative government commitments. While this can be a valuable policy-making approach, non-legislative guarantees to tuition-free can be more impermanent and reversible than those enshrined in legislation or constitutions.

efforts to increase their public education expenditures, governments' education spending reached an average of 3.6% in 2020, remaining strikingly below the levels of low-middle income countries (LMIC), upper-middle income countries (UMIC) and high-income countries (HIC), where 4.8% of GDP was devoted to education in that same year (The World Bank & UNESCO, 2022, P. 2).

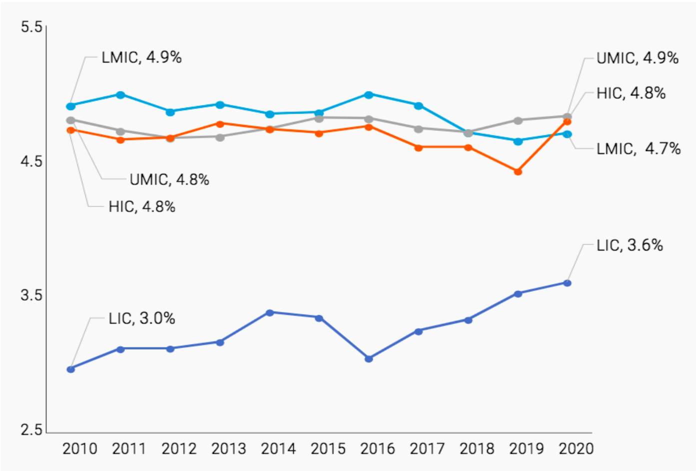

Fig. 2.6 - Government education spending as a share of GDP by income group[21], 2010 - 2020 (The World Bank & UNESCO, 2022, p. 12)

[21] The graph refers to data up to 2020, therefore income grouping follows the 2020 World Bank country income classification; the World Bank Group indeed assigns the world's economies to 4 income groups, based on the gross national income (GNI) per capita (the gross national income divided by midyear population), of the previous calendar year (Serajuddin & Hamadeh, 2020):

- low-income countries: < 1,036 USD
- lower-middle income countries: 1,036 – 4,045 USD
- upper-middle income countries: 4,046 – 12,535 USD
- high-income countries: > 12,535 USD

Classifications are updated each year on July 1st. The classification of countries has changed slightly in 2023 (Hamadeh et al., 2023)

- low-income countries: <= 1,135 USD
- lower-middle income countries: 1,136 – 4,465 USD
- upper-middle income countries: 4,466 – 13,845 USD
- high-income countries: > 13,845 USD

As shown in figure 2.7, while high-income countries increased the prioritization of education in their government budgets in 2022, in low- and lower-middle income countries the share of education lost space in total government budgets in the last 3 years, as it decreased in 2020, rebounded in 2021 but fell again in 2022, remaining below 2019 levels (p. 7).

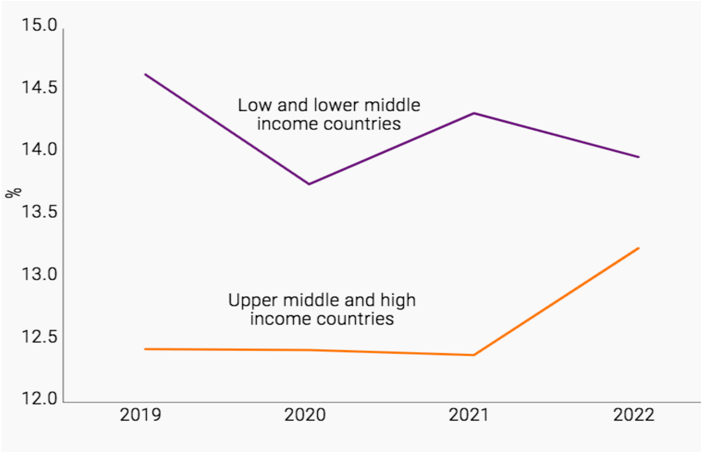

Fig. 2.7 - Measured progress in the share of education in total government budgets, 2019 - 2022 (The World Bank & UNESCO, 2022, p. 7)

The low percentages of public spending on education show the low priority given by governments to education relative to other areas of investment, such as healthcare, social security, defense etc.

A relevant portion of education costs is still borne by private households in low- and lower-middle-income. When referring to the share of education costs which is paid for by households, the technical term in use is "private spending on education", which indicates the expenditures and direct payments funded by private sources, such as households/students and other private entities, to educational institutions (OECD, 2024a). The term "total private expenditure on education" does not include the direct purchase of personal items used in education nor payments made to households in the form of scholarships, grants or loans by other private entities, because, however relieving the latter might be for many poor families, such financial aid is internal to the private sector (UNESCO Institute for Statistics, n.d.-b), which, as mentioned above, is essential and has emerged as a contributor with significant potential to complement resources for education and to increase synergies with the public sector (UNESCO et al., 2015, p. 70).

Current research from the Education Finance Watch (2022) shows that in low-and lower-middle income countries, households cover between 39% and 40% of the total spending in education, while governments provide only about 60% of the total expenditures (The World Bank & UNESCO, 2022, p. 14); this is different from high income countries, where the public spending reaches levels beyond 80%, as shown in figure 2.8. As with public spending, there is considerable variation between regions in the share of household education spending in total education spending: while in Europe and Central Asia households provide only 14% of the total education expenditures and in North America only 23%, in the remaining world regions households continue to bear a significant portion of education expenditures, such as South Asia (42%), Latin America and the Caribbean (38%), Sub-Saharan Africa (37%), the Middle East and North Africa (36%), East Asia and the Pacific (31%) (figure 2.8).

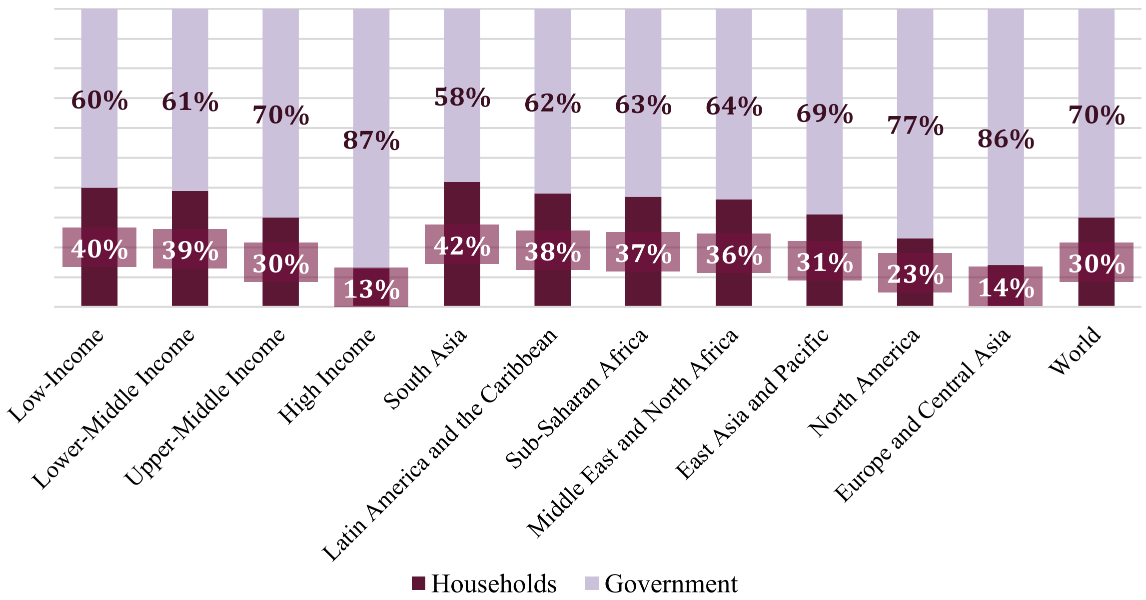

Fig. 2.8 - Share of education expenditure, by source (private/public), region, and income group, 2010s (The World Bank & UNESCO, 2022, p. 15)

Education therefore continues to impose financial burdens that can have devastating consequences for young people: many families in low- and middle-income countries often have to make difficult decisions about how, or if, to pay for school fees, uniforms, food, transportation (Maddison & Micah, 2022), causing financial stress to families who may have to choose who among their kids, and how many children they can send to school. A World Bank report titled Global Findex Database for 2022 states that school fees are one of the most commonly reported financial worry in Sub-Saharan Africa: 54% of adults are very worried about paying school fees, and 29% of them mention school fees as the biggest financial worry, above medical expenses and monthly bills; in a dozen Sub-Saharan countries, including Kenya and Nigeria, school fees are the most-often mentioned financial concern (Klapper & Panchamia, 2022).

In cases like the ones mentioned above, mostly occurring in low- and middle-income countries, a huge portion of household income is devoted to spending on education: The World Bank & UNESCO (2022) in their report mentioned that an analysis of about 100 low- and middle-income countries between 2009 and 2020 found that households allocated on average 3.2% of their total expenditure to education (p. 14).

Not only do families have to pay school tuition and fees to provide their children with an education: even though the term private spending on education does not include the direct purchase of personal items used in education, such as textbooks, student living costs and private tutoring for students, it is important to consider that, in addition to financing their children's education through general taxation and sometimes paying expensive school fees (Tomaševski, 2001a, p. 20), parents sustain the cost of books, transportation, school meals and uniforms, which hinders the ability of low-income families to afford educational costs.

In 2021, the Institute for Health Metrics and Evaluation conducted research on data from household surveys in 19 low- and middle-income African countries from 2010 to 2019, and found that almost half of the expenditures sustained by the households was to be attributed to costs outside of school fees, as displayed in figure 2.9.

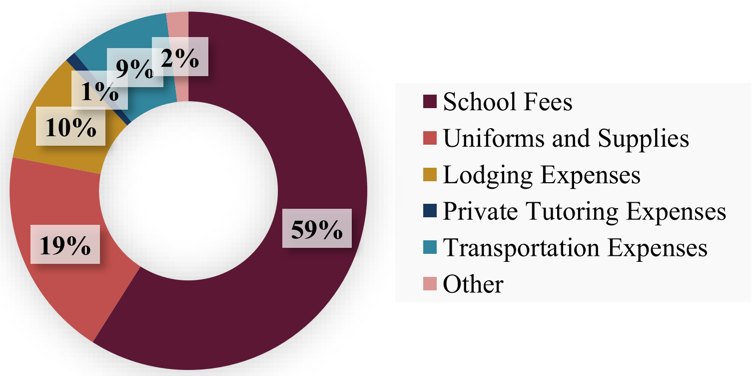

Fig. 2.9 - Distribution of Household Education Spending in 19 African Countries (Maddison & Micah, 2022)

2.3 Primary distinction: the three dimensions of education

If we examine the literature around the different types of education, we will first come across the basic distinction among formal, informal and non-formal learning. Education indeed goes beyond what children learn in school, because they additionally get their education from social experiences in places such as youth organizations or sports clubs, but also from interactions with friends, family or work colleagues.

This primary distinction was first conceptualized in the late 1960s, when a common concern started to emerge: people started to realize that economic growth and educational growth were not in step, as formal educational systems had adapted too slowly to the socio-economic changes, and that jobs did not necessarily emerge directly as a result of educational inputs. Even as much as curricula seemed unsuitable for the needs of societies, expanding formal education was politically and economically difficult for many countries at that time.

At the same time, UNESCO made important improvements in the understanding of education and learning, moving towards the concept of "lifelong learning" and "learning society", which culminated in the report entitled "Learning to Be: the world of education today and tomorrow" (Faure et al., 1972) prepared by the International Commission on the Development of Education established by UNESCO at the beginning of 1971 and chaired by the French politician and historian Edgar Faure. In this report, also known as "the Faure Report" (Smith, 2022) the Commission tried to address the issue of the development of education in a changing society, providing key solution-ideas focused on the master concept of lifelong learning:

> It is out of the question for education to be confined, as in the past, to training the leaders of tomorrow's society in accordance with some predetermined scheme of structures, needs and ideas. [...] Education is no longer the privilege of an elite or the concomitant of a particular age: to an increasing extent, it is reaching out to embrace the whole of society and the entire lifespan of the individual. It seems that what is needed in an age of unprecedented demands for education is not a system but an "un-system". [...] In this light, tomorrow's education must form a coordinated totality in which all sectors of society are structurally integrated. It will be universalized and continual. (Faure et al., 1972, p. 160-163)

It was evident in the report that the traditional understanding of education was about to change. It was in those years that economists and planners in the World Bank began to theorize the tripartite categorization of learning systems (Smith, 2002), with formal, non-formal and informal education representing complementary and mutually reinforcing features of a lifelong learning process.

2.3.1 Formal learning

Formal education or formal learning is the hierarchically structured, chronologically graded education system, usually taking place in the premises of the schools, starting from primary schools - and in some countries from nursery (Council of Europe, n.d.-a), continuing with secondary school and running through post-secondary (or higher) education, which is associated with college or university (Smith, 2022; Passion In Education, 2019). It additionally includes other training institutions such as a variety of specialized programs and institutes for technical and professional training (Smith, 2022); all the institutions are organized from the point of view of their management and their physical location (Passion In Education, 2019).

Formal learning is a systematic type of learning process, as it is subject-oriented, planned and it has a proper syllabus which includes different subjects and up-to-date course contents, which have to be completed within a specific time frame by the teachers (Passion In Education, 2019). It is provided by trained and professional teachers who are specially qualified in the art of instruction, who teach the students basic, academic or trade skills. This type of education is typically linked with learning in a classroom, undertaking intermediate and final assessments, receiving school grades and formally recognized certificates that ensure all students can advance to the next learning step (Passion In Education, 2019).

In formal educational systems, many times scheduled fees are to be paid regularly. As compared to other forms of learning, this dimension of education is rather costly and rigid, as strict discipline is often observed, but it is an organized educational model which is structured to provide easy access to jobs (Passion In Education, 2019).

2.3.2 Non-formal learning

Non-formal education or non-formal learning refers to any planned, structured educational programs, processes and activities designed for young people's social and personal development which are intended to serve identifiable educational objectives and to work on a variety of skills outside of the formal educational system (Council of Europe, n.d.-a; Smith, 2022). Hence, non-formal learning takes place outside formal learning environments but still within some kind of organizational framework, typically in community settings: youth organizations, sports clubs, churches, drama and community groups, reading groups, debating groups, orchestras etc. (Council of Europe, n.d.-a; Council of Europe, n.d.-b). This type of learning involves both individual and group learning with a collective approach; being organized and implemented for a homogeneous group of people with the same interests, it serves the needs of the identified group by remaining imprinted on a participatory method with no age or time limit (Passion In Education, n.d.; Council of Europe, n.d.-a)

The difference between non-formal and formal learning is that the second one is the product of intentional effort: instead of adhering to a formal syllabus designed for all people in that age level, it arises from the learner's deliberate choice to become proficient in a specific skill, activity or field of knowledge, and it therefore has no age limit, it remains flexible in the design of the curriculum, as well as in the scheme of evaluation (Council of Europe, n.d.-b; Passion In Education, n.d.). As a result, both the syllabus and the timetable are adjustable and organized according to the needs of the participants (Passion in Education, n.d.).

Non-formal education is completely voluntary and it is based on personal experience and action, representing a practical place apart from the school system where participants can learn life skills, professional and job skills (Passion In Education, n.d.).

It is not subject to external accreditation or evaluation, because people gather to undertake projects together, go camping, play games, discuss, or make music as a result of their pure desires; for this reason, non-formal education achievements are usually hard to certify, but, despite this fact, their social recognition is increasing (Council of Europe, n.d.-a). Sometimes, certain non-formal learning arrangements become more formal as learners gain proficiency; graded exams in music and other performing arts constitute one example of this (Council of Europe, n.d.-b).

Unlike formal educational settings, there are no rules on the qualifications of the teachers, who might not be professionals or specifically trained. Fees or certificates may sometimes but not always be necessary; regular exams are not compulsory, and neither are diplomas, certificates and awards (Passion In Education, n.d.).

2.3.3 Informal learning

The definition of non-formal learning shall not be confused with the one of informal learning. Informal education covers all activities which are not undertaken with a learning purpose in mind, and which take place outside schools and non-formal learning environments: the term refers to the truly lifelong learning process through which individuals acquire attitudes, values, skills and knowledge in a natural way from daily life experiences and from the educational influences of the resources in their environment, including for instance family, friends, neighbors, coworkers, the mass media[22], books, the marketplace, sports teammates, etc. (Council of Europe, n.d.-a; Smith, 2022).

Differently from formal and non-formal learning, informal learning is spontaneous, involuntary, exclusively incidental and an inescapable part of daily life with no specific time span, reason for which is sometimes referred to as “experiential learning” (Council of Europe, n.d.-b). Learning in this way is also most often unplanned and unstructured: there is no particular learning method nor conscious effort made by the individual to acquire knowledge, because learners get an informal education by looking at their parents riding a bike or preparing a meal, by reading a book or attending a show or an art exhibition, by listening and repeating words learning a mother tongue, by simply living in a society surrounded by a cultural setting that inevitably influences one’s learning (Passion in Education, n.d.).

Unlike formal education, informal education is not imparted by an institution and it has no fixed timetable nor schedule, no syllabus, no certificates, and it requires no fees at all (Passion In Education, n.d.).

In order to sum up the various technical terms found in this Chapter, the following table reports an exhaustive list of definitions.

[22] The mass media plays a huge role in the informal education of children and youth, for instance through movies, televised debates, music, songs, documentaries. It is also true that information acquired from the internet, social media or TV may lead to disinformation.

Tab. 2.3 - Official definitions around education

Out-of-school rate	Proportion of children and young people in the official age group for a given level of education (pre-primary, primary, secondary, or higher levels of education) who are not enrolled in that level.
School completion rate	Percentage of children aged 3 to 5 years above the official age at which they are supposed to complete a level of education who have actually completed that level.
Over-age for grade rate	Percentage of students in each level of education who are 2 years or more older than the intended age for their grade.
Public spending on education	Direct government expenditures on educational institutions and educational-related public subsidies given to households and administered by educational institutions.
Private spending on education	The expenditures and direct payments funded by private sources, such as households/students and other private entities, to educational institutions.
Formal learning	The hierarchically structured, chronologically graded education system, taking place in the premises of the schools, running from primary, to secondary and post-secondary or higher education (college or university).
Non-formal learning	Planned and structured educational programs and activities designed for young people's social and personal development outside of the formal educational system but still in organizational frameworks, usually community settings such as youth organizations, sports clubs, drama and community groups, reading groups, debating groups, orchestras etc.
Informal learning	The truly lifelong learning process through which individuals acquire attitudes, values, skills and knowledge from daily life experiences and from the educational influences of the resources in their environment, including for instance family, friends, neighbors, coworkers, the mass media, books, the marketplace, sports teammates, etc.

CHAPTER 3 – MICROFINANCE CONTRIBUTION FOR CHILD LABOR AND CHILDREN'S EDUCATIONAL ATTAINMENT

3.1 Microfinance: purpose and definition

"This is not charity. This is business: business with a social objective, which is to help people get out of poverty by enabling them to step on the ladder of development."

– Muhammad Yunus (Bateman, 2014, p. 2)

In the past two decades the financial sector agenda has become more and more multifaceted: an emphasis on financial sector issues has been stressed especially in developing countries, and access to financial services for the underprivileged has recently gained more attention. In particular, there has been a growth in empirical research assessing the impact of microfinance to decrease the barriers to accessing formal financial services (Beck, 2015, p. 1). As a matter of fact, access to microcredit is today especially useful for households and micro-enterprises that are excluded from traditional commercial financial banking services (FINCA, n.d.; Devinck, J., 2013, p. 3): microfinance institutions offer poor people credit and other services to lift themselves out of poverty, and additionally conduct various vocational and marketing training programs, as well as literacy and life skills training programs[23] which contribute to income and employment generation in rural areas for the underprivileged (Bhuiyan et al., 2020, Henry, 2006, p. 5). Theory predicts that access to financial services allows households to smooth consumption - which means creating a balance between spending and saving -, and to smooth the impact of income shocks - which means taking steps to reduce households' vulnerability to sudden emergencies and adverse income shocks before they occur; this is possible because households accessing various financial services manage to diversify economic activities and to make more reasoned production and employment decisions (Beck, 2015, p. 4; Morduch, 1995, p. 104). The two main goals of microfinance include poverty alleviation and the advancement of financial inclusion, but the term microfinance is inevitably linked also to sustainable development, income generation and economic justice for all.

Starting from a definition of microfinance, this chapter delves into the concept of microfinance and microcredit, with a reference to poverty alleviation (Section 3.1.2) and

[23] Section 3.3.3 will provide a deep examination of non-financial services such as life skills, literacy and business training.

financial inclusion (Section 3.1.3). Secondly, Section 3.1.4 offers an explanation of the graduation approach, which suggests an interesting lens through which the whole chapter can be read and along which the chapter has been thought, planned and written. Section 3.2 further provides some insights on the existing financial service providers, ranging from the community-based providers to the most formal institutional providers, describing the ones which are relevant to this research. As a third step, Section 3.3 explores how microfinance can play a role in improving access to education and deterring child labor through the provision of various services, among which loans, saving accounts and literacy and business training.

3.1.1 Definition and target market

As Ledgerwood et al. had already stressed back in 2013, conducting a life without access to financial services would be nearly unthinkable: when buying a house, or if happening to get into a car accident, nobody would be able to pay for such needs without asking for help from some kind of financial provider. However globalized today's world may be, access to the formal financial services which we usually take for granted, such as insurance or loans, is still, unfortunately, not for everybody: according to the latest 2021 edition of the Global Findex Database[24] (Demirgüç-Kunt et al., 2022, p. 11), an estimated 1.4 billion working-age adults globally (24%) do not have access to traditional formal financial services. Account ownership, for which data is displayed in figure 3.1, is defined as "ownership of an individual or jointly owned account at a regulated institution, such as a bank, credit union, microfinance institution (MFI), post office or mobile money provider" (Demirgüç-Kunt et al., 2022, p. 15).

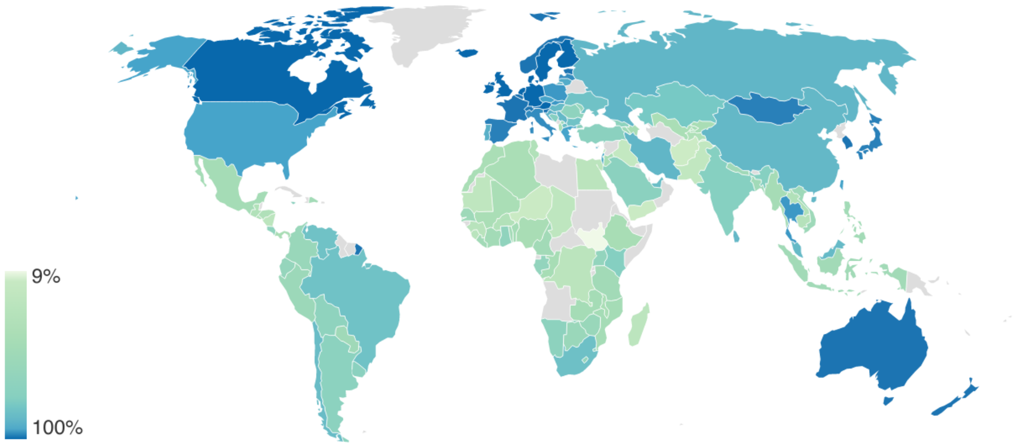

Fig. 3.1 - Global Account Ownership in 2021, percentage of adults aged 15+ with an account at a financial institution or through a mobile money provider (FinDev Gateaway, n.d.)

[24] The Global Findex Database was established in 2011 and, since then, it has been the definitive source of data on global access to financial services from payments to savings and borrowing.

The causes of the still high numbers of population excluded from the formal financial sector - which can be seen in green in the figure above (fig 3.1) - are to be attributed to (1) the lack of bank branches and financial facilities willing to serve the poor, under the belief that the poor are too difficult to reach[25] and uneconomical to serve[26] (FINCA, n.d.), but also to (2) the poor themselves, who are not eager to connect to formal financial services, as they feel like they are "too poor to benefit from them" (Prove, 2021). Banks will grant loans if the customers can offer collaterals, which the poor typically cannot guarantee; in addition, the granting of a loan implies costs for a bank, and, in the case of a very small loan, banks would have to sustain costs for emanating the loan which would be bigger than the loan itself (Paladini, 2008). With no collateral, low-income people have no possibility to store their money in a secure place, no opportunity to take out a loan that could help grow a small business, no ability to access their money when they need it, no chance to save for rainy days or emergencies, or to pay for their children's school tuitions (FINCA, 2018). As a source of financial intermediation, low-income people may resort to age-old and informal mechanisms such as moneylenders for credit who charge high interest rates up to several hundred percent a month, or they buy livestock as a form of savings, or again they pawn their goods in exchange of some money[27], all mechanisms that are often quite expensive and risky (Ledgerwood et al., 2013; Vision Microfinance, n.d.). Therefore, being unbanked often leads to being unsafe, unproductive, unpractical, unprepared, unequal (FINCA, 2018).

This is where microfinance comes into its own: it is by providing micro-entrepreneurs, new businesses or poor people in general with regulated access to money that microfinance offers security, economic growth and the opportunity to "take one's future into one's own hands" (Vision Microfinance, n.d.). Economies with financial intermediation and better access

[25] Usually living in marginalized and often rural areas of the country, poor people find it difficult to physically move and attend to financial services when they need to; therefore, financial services would have to physically move towards them, which is practically unsustainable. Moreover, poor people often do not dispose of ID documents because of the logistical barriers and the ignorance which prevent them from reaching relevant institutions. Serving people with such limitations provides many inconveniences for formal financial services.

[26] The poor require small amounts of money at a time. Delivering small loans is not sustainable for banks and formal financial services, as it implies sustaining higher costs for delivering such loans than the loans itself.

[27] Pawning goods consists in leaving a good, a personal object, with a pawnbroker, who gives the person money for it and allows the person to obtain money to face sudden and unforeseen needs and expenditures; the pawnbroker can sell the good if the person does not return the money before a certain time (Collins, n.d.).

to financial services[28] have been demonstrated to grow faster and have less income inequality (Ledgerwood et al., 2013).

Microfinance is officially defined by the ILO (2005) as follows:

> Microfinance is the provision of financial services to the poor on a sustainable basis. It is addressed to the unbanked and those excluded from market transactions (p. 3).

Regarding the first part of the definition, it is crucial for services to be offered in a way that is sustainable and consistent with ethical lending practices. Sustainability is the ability of a microfinance provider to cover all of its costs, which allows the continued operation of the microfinance provider and the provision of financial services to the poor; reducing transaction costs, providing goods and services that cater to customers' requirements, and coming up with innovative strategies to reach the poor are all approaches to achieve sustainability (Consultative Group to Assist the Poor [CGAP], n.d.-a). Financial sustainability is the only way to reach significant numbers of poor people, and to have an impact that reaches far beyond what donor agencies can fund (CGAP, n.d.-a). Moreover, the concept of microfinance is increasingly linked to the one of "responsible finance": financial services should be delivered in a transparent, inclusive, and equitable fashion (Ledgerwood et al., 2013, p. 2).

Secondly, as the definition cites, microfinance is an umbrella term indicating a category of financial services whose main target is the "unbanked", meaning the ones who have little or no access to traditional bank services (FINCA, n.d.), who are typically low-income, self-employed or informally employed individuals (Beck, 2015, p. 3), or micro or small entrepreneurs who live in remote areas and/or have no sufficient bankable collateral.

The idea of providing loans to that part of society that is kept outside the formal financial services institutions was developed by Mr. Muhammed Yunus, US-educated Bangladeshi economist and professor at the University of Chittagong, founder of the Grameen Bank in Bangladesh and recipient of a Nobel Peace Prize in 2006[29], who is often referred to as the founding father of microfinance (Devinck, 2013, p. 3; Bateman, 2014, p. 2). Fueled by the

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[28] Better in comparison with those economies where people have to resort to those informal and risky age-old mechanisms.
[29] Yunus received the Nobel Peace Prize for founding the Grameen Bank and pioneering the concept of microcredit.

belief that credit is a fundamental human right, Yunus decided to fight poverty and hunger caused by a terrible famine that had hit Bangladesh in 1974 by founding the first bank to lend microloans to the poorest of the poor, starting with lending 27 dollars to 42 families in Bangladesh's Jobra village in 1976 (Valadez & Buskirk, 2009; Paladini, 2008): his objective was to help poor people by providing them with small loans and teaching them some financial principles so that they could help themselves, at a time when no bank was willing to lend money to people who could offer no collateral (The Nobel Prize, 2006). He was convinced that, by providing better access to credit to the poor, microfinance would be able to lift millions out of poverty by "legitimizing self-help and individual entrepreneurship as the way out of poverty" (Bateman, 2014, p. 4). Driven by existing microcredit models he had found in Bangladesh after returning from a period of PhD study and teaching in the USA, Yunus managed to mobilize significant funding from the international development community to operationalize his plans for a real "bank for the poor", founding the now iconic Grameen Bank, officially launched in 1983 (Bateman, 2014, p. 2). It was precisely when Yunus extended this basic idea, which was present in rightwing/neoliberal politics and ideology in the 1970s[30], that microfinance became part of global economic policy and public consciousness with its original term, namely, "microcredit" (Bateman, 2014, p. 4). As originally conceived:

> Microcredit refers specifically to the practice of providing micro-loans to individuals or groups who do not have access to traditional banking services to allow them to establish income-generating activities, thereby facilitating an escape from poverty. (Bateman, 2014, p. 2; Testbook, 2023)

3.1.2 Microfinance and poverty alleviation

Poverty is a pandemic that has attracted many policymakers and researchers to reflect on several channels of poverty alleviation (Chikwira et al., 2022, p. 1). Among the different ways in which poverty can be eradicated, the UN believes microfinance to play a central role in the battle against poverty as it presents numerous advantages, having as its ultimate mission exactly the one to alleviate poverty and to improve the lives of the poor (Bhuiyan et al., 2020; Vision Microfinance, n.d.). Notably, Agenda 2030 mentions microfinance among the targets to reach SDG 1 "End poverty in all its forms everywhere":

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[30] Beginning in the 1970s, neoliberal politics had given rise to local experiments with small-scale finance (Bateman, 2014, p. 4).

Target 1.4: By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance (UN Department of Economic and Social Affairs, n.d.-a).

The World Bank defines poverty as follows:

Poverty refers to deprivation in well-being, and comprises multiple dimensions, including low incomes, the inability to acquire the basic goods and services necessary for survival with dignity, low levels of health and education, poor access to clean water and sanitation, inadequate physical security, lack of voice and insufficient capacity and opportunity to better one's life (Chikwira et al., 2022, p. 1)

Poverty alleviation is a set of measures taken in an economic and humanitarian way to enable the poor to "create wealth for themselves as a conduit of ending poverty forever", and it particularly involves improving the living conditions of already poor people[31] (Chikwira et al., 2022, p. 1-2).

Yunus was not wrong in terms of predictions around the potential of microfinance in alleviating poverty: the microcredit model has evolved in the years thanks to the major boost of the commercialization of the microcredit industry in the 1990s, which led for-profit microcredit institutions to deliver great volumes of microcredit, becoming by the mid-2000s the most generously funded and the supposedly most successful anti-poverty intervention in the international development sector (Bateman, 2014, p. 2-3). Nowadays microfinance enjoys the full support of the international community as it is a very powerful instrument to draw people out of poverty, other than a vehicle through which the poor are empowered.

Poverty alleviation is accompanied by a number of positive impacts, including improved access to food and to income-generating projects, increased health and sanitary conditions, enhanced investments for the future, better abilities to cope with sudden emergencies as well as to plan future expenditures. By providing the poor with microloans and other small-scale services, microfinance indeed helps them increase and diversify household incomes, smooth household expenditures, invest in better nutrition and living conditions as well as in their children's health and education, and it therefore helps reduce households' vulnerability to external shocks and fluctuations. Microfinance further supports entrepreneurial activities by providing poor households with the necessary tools and empowerment to work on

[31] On the other hand, poverty reduction occurs primarily as a result of overall economic growth.

their businesses; it also encourages them to plan for their everyday needs and, at the same time, to move from everyday survival to long-term planning for their future (CGAP, n.d.-a; Chikwira et al., 2022, p. 2). In a few words, offering small scale financial services to the unbanked is essential in poverty alleviation through empowerment, in that, by opening up a world of opportunities to the poor, it leads them to become self-sufficient and improves their economic rewards (Chikwira et al., 2022, p. 2).

As Jeffrey Sachs, an American economist and director of the Earth Institute at Columbia University, will have you believe, “The key to ending extreme poverty is to enable the poorest of the poor to get their foot on the ladder of development” (Bateman, 2014, p. 2). Since the poor are stuck beneath this ladder, microfinance helps give the necessary boost up to the first rung, providing these people with a minimum initial amount of capital necessary to kickstart an enterprise activity which gives them sufficient income to survive and, eventually, to grow out of extreme poverty.

3.1.3 Microfinance and financial inclusion

Over the years, the discourse around microcredit, merely focused on the provision of credit, has evolved into the wider term of microfinance, which encompasses a wider range of micro-financial interventions, including non-credit activities such as savings and insurance (Bateman, 2014, p. 2; Key Differences, n.d.)[32]. Particular attention within the general framework of microfinance has been paid to the widespread concern on how to foster financial inclusion for all, making financial markets work better especially for the poor (Ledgerwood et al., 2013, p. 1). The term microfinance is indeed inextricably linked to the concept of financial inclusion.

The concept of financial inclusion finds its origins in the microcredit movement of the 1970s, and gained popularity in the early 2000s (CGAP, n.d.-b). It originated from the financial needs of poor people, who, just like everyone else, have many and diverse financial needs that can be met by various providers and multiple financial services: according to the circumstances, poor households might indeed need not only credit, but also savings, insurance and cash transfers or other non-financial services (CGAP, n.d.-a); credit is not always the answer for everyone or every situation, because those who have no income or means of repayment for instance may need other forms of support before they can make use of loans, such as

[32] The household term “microfinance” still refers mostly to the provision of small loans, called micro-credit or micro-loans, for micro-entrepreneurs (Vision Microfinance, n.d.; FINCA, n.d.), but most microfinance institutions additionally provide savings accounts, insurance, and money transfer.

employment and training programs or other non-financial services[33]. In order to benefit fully from the advantages of microfinance, including generating income and reducing vulnerability to external risks and shocks, poor households need to access the full range of financial services: robust evidence demonstrates how referring to the appropriate financial service can help to generate small enterprise activity and to improve the welfare of the household (Ledgerwood et al., 2015). Consequently, financial inclusion is fostered by offering this category of society a variety of services including credit, savings, insurance, guarantees, cash transfer payments, remittances and other transactions, but also non-financial services (Ledgerwood et al., 2013, p. 1; ILO, 2005, p. 3).

Financial inclusion therefore refers also but not only to the possibility for people to choose to "access and use the financial services they need, delivered in a responsible fashion" (Ledgerwood et al., 2013):

> Financial inclusion is a multidimensional concept which indicates improved access and effective use of adequate, reasonably priced and responsible financial products and services which meet the needs of the borrower, and it also identifies better-informed and -equipped consumers. (Protium, 2023; Beck, 2015, p. 3; Ledgerwood et al., 2013, p. 17)

The expression "improved access" refers to the fact that, in pursuing financial inclusion, microfinance fosters, for the unbanked, both better geographic access - that is, access in terms of proximity to a financial service provider - and socioeconomic access - that is access with no prohibitive fees, abusive prices or documentation requirements, which all might prevent poor people from accessing such services (Beck, 2015, p. 3).

As for "better-informed and -equipped consumers", it is crucial that the poor have access to accurate, consistent, and comparable data on the performance of financial institutions serving the underprivileged, in such a way that they can effectively evaluate the risks and returns of choosing one service over the other (CGAP, n.d.-a).

Under such circumstances, financial inclusion can really have a transformative impact for poor households, which, by accessing inexpensive products and services tailored on the basis of their needs, can improve their ability to capture economic opportunities from which they would otherwise remain excluded (CGAP, n.d.-b).

[33] Further insights on non-financial services are provided in Section 3.3.3.

In order to narrow down to a set of objectives, inclusive financial services can be argued to play a meaningful long-lasting impact in three main categories of objectives (CGAP, n.d.-b; Protium, 2023):

1. *create income-generation opportunities*: being empowered to access and use appropriate and responsible financial services, poor households manage to create or boost their own micro-enterprises, which may become income-generating activities with the potential of sustaining entire households;
2. *increasing access to essential services:* by disposing of diverse financial services which are inclusive and mindful of their needs, households can afford expenses to ensure their general well-being, increasing access to electricity, clean water, healthcare and education on affordable and predictable terms;
3. *protect basic standards of living and increase resilience and safeguards*: poor households that access inclusive financial services can increase their ability to cope with emergencies, conflicts, disasters or external shocks, such as pandemics, floods, health crises or climate change, thanks to the flexibility of the solutions provided; inclusive financial services can indeed stem from falling into vicious debt cycles by arranging funds in times of emergencies.

Nowadays, a wide spectrum of actors see financial inclusion as an enabler of growth in several fields ranging from agriculture to education and again to humanitarian responses, making it an important component of the 2030 agenda: even though it is not identified among the SDGs as an independent objective, it is explicitly mentioned in seven of the SDGs, and four financial inclusion indicators to track progress (CGAP, n.d.-b). Moreover, it is a common objective of many national and international standard-setting organizations, and it is becoming more and more recognized as a means of accomplishing policy objectives outside of the financial industry (CGAP, n.d.-b). The World Bank considers financial inclusion as a key enabler to reduce extreme poverty and boost prosperity for all (The World Bank, 2022).

Significant progress has been made over the years toward universal financial inclusion, which has brought more and more people to own an account with a regulated institution: as shown below in figure 3.2, today 76% of the global adult population owns an account with a regulated financial institution, either with a bank, credit union, post office, or with a mobile money service provider or MFI, compared to an average of 51% reported in 2011 (Demirgüç-Kunt et al., 2022, p. 16). In developing economies, 71% of the global adult population has access to the formal financial sector, a considerable growth from 2011, when the account ownership rate was only 42%. In many high-income economies, despite near-universal account ownership already back in 2011, progress has been monitored in the account ownership rate, from 88% in 2011 to 96% in 2021.

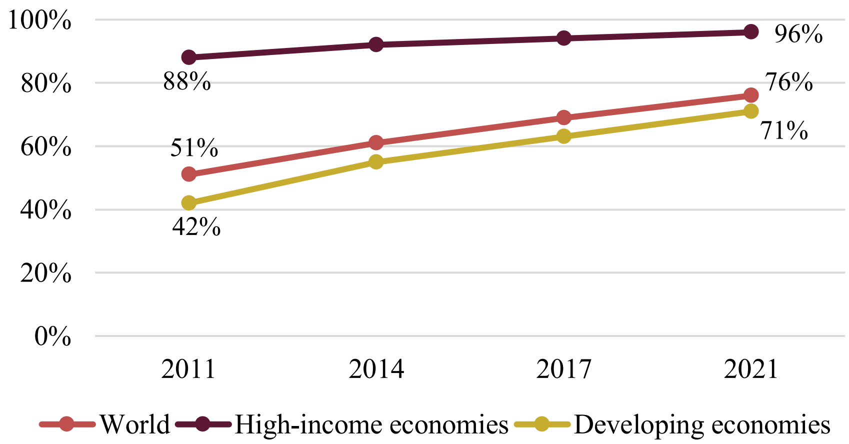


Fig. 3.2 - Percentage of adults with an account, 2011 - 2021 (Demirgüç-Kunt et al., 2022, p. 17)

In addition to closing the wide gap of population excluded from the traditional financial sector, the effort of the financial sector in general must be the one of deepening the impact of financial services thereby reaching the most marginalized sectors of society by ensuring people and businesses can access the full range of financial services (CGAP, n.d.-b). A thorough explanation of the variety of existing financial service providers, chosen from those that are pertinent to the purposes of this research, is provided in Section 3.2.

3.1.4 The Graduation Approach

"It is called the Graduation Approach because the idea is to graduate people from poverty, not just treat its symptoms."

– Nicholas Kristof (Kristof, 2019)

Poverty alleviation and financial inclusion are both constitutive elements of an initiative developed by the NGO BRAC[34], a leading international development organization founded in Bangladesh in 1972 to empower people and communities find their way out of poverty, illiteracy, disease and social injustice (BRAC International, n.d.); the initiative was specifically established in order to address the key factors preventing poor people from breaking the poverty trap for the long term (Poverty Alleviation Coalition, n.d.). Reducing inequality in the long run requires comprehensive and targeted programs which go beyond simple donations and cash handouts: these can trap the extreme poor in transgenerational poverty, a condition in which the poor survive but are unable to defeat poverty, and transmit it over generations. A "big push" is needed to lift themselves out of poverty and build resilience to avoid sliding back into the same trap. This is why this section is dedicated to BRAC Graduation Approach, one well proven poverty alleviation solution.

"When we want to help the poor, we usually offer them charity. Most often we use charity to avoid recognizing the problem and finding the solution for it. Charity becomes a way to shrug off our responsibility. But charity is no solution to poverty. Charity only perpetuates poverty by taking the initiative away from the poor. Charity allows us to go ahead with our own lives without worrying about the lives of the poor." – Muhammad Yunus

The Graduation Approach is an innovative, holistic and proven approach devised by BRAC to help ultra-poor people living in vulnerable conditions attain the capacity and confidence necessary to independently generate a sustainable source of income and subsequently move out of their extreme poverty status. The program is designed as a multifaceted set of interventions to tackle the complex nature of extreme poverty and guides step-by-step single households to achieve self-reliance (BRAC, 2021). During the program, which can have a duration of 18-36 months per household, households are provided with seed

[34] BRAC is no longer an acronym; it was founded as the Bangladesh Rehabilitation Assistance Committee and later known as the Bangladesh Rural Advancement Committee, but its operations have grown globally and the organization has worked internationally since 2001, changing to be known simply as BRAC (BRAC USA, n.d.).

asset/cash transfers, technical training, capacity building, financial education, social and health awareness and support and life skill coaching (Poverty Alleviation Coalition, n.d.).

Starting from Bangladesh, the approach was, since 2002, applied and tested by governments, NGOs, and multilateral institutions, which have implemented more than 100 graduation-type programs in 50 different countries, reaching nearly 14 million people, with ample evidence of their effectiveness: impacts on graduation households typically include increased assets, incomes, consumption and food security, diversified sources of income, savings, better access to healthcare and good hygiene practices, increased school attendance for children, attendance to social events and enhanced confidence (BRAC, 2021).

The term graduation does not refer to reaching a monetary threshold such as a national or international poverty line, but is always context-specific; in general, it implies reaching a situation where a household has an economically viable livelihood, is food secure, is connected to essential services, has increasing saving capacities and access to financial services, participates to community activities and has a wide range of life skills (Asian Development Bank, n.d.). Households can "graduate" from the program thanks to some key elements of the Graduation Approach which have been continuously refined by BRAC until their last update in May 2021, when four crucial elements have been identified.

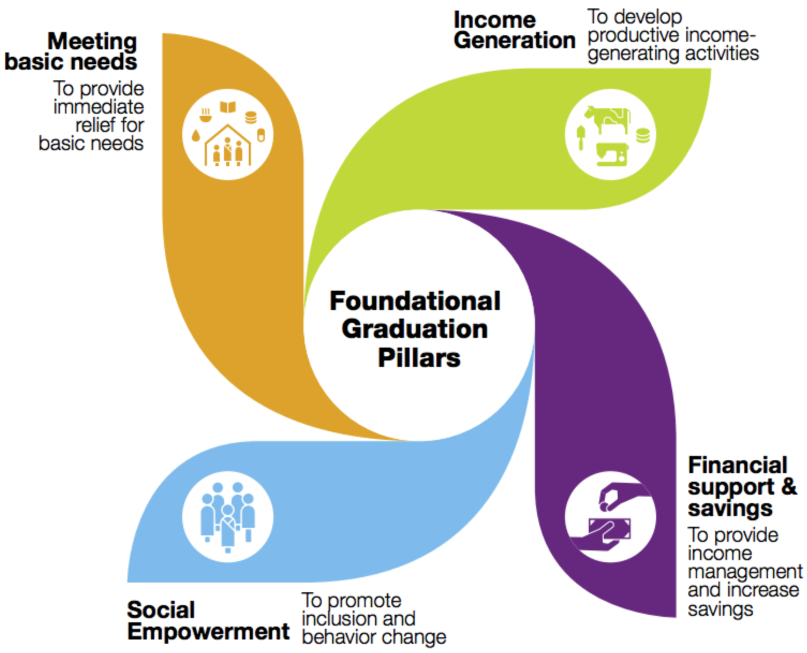


Fig. 3.3 - Key Elements of the Graduation Approach (BRAC, 2021)

The four key Graduation pillars, which can be seen above in figure 3.3, are, respectively:

- *Meeting basic needs:* first, the approach ensures that each program participant is protected for the whole duration of the program with cash transfer, basic food supplies and access to health services, the necessities to survive that the poor often lack. In this way, the household can achieve food security and access to basic services;
- *Income generation:* second, participants are enabled to earn an income that can sustain and exceed household expenditures, as the organization implementing the program provides them with training to find a formal job, or a productive asset to start a microbusiness;
- *Financial support and savings:* third, the organizations applying the Graduation Approach help households in accessing convenient formal or informal savings facilities and financial services, but also numeracy education, financial literacy training and participation in saving groups, in such a way that households can learn how to save, plan for the future, and borrow responsibly;
- *Social empowerment*: coaching, mentorship, or peer-to-peer learning are delivered as part of the program in order to empower participants to increase their confidence, integrate into their community and develop a range of life skills.

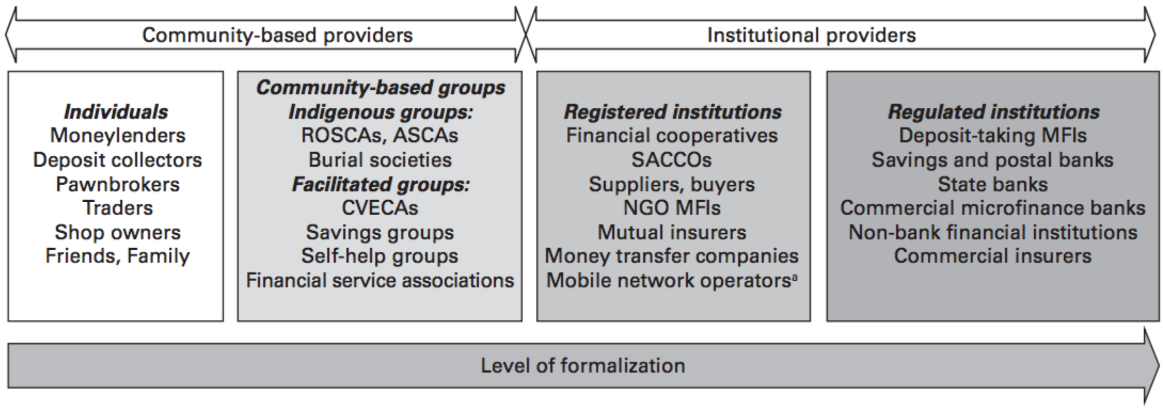
It is only by working as a synergetic continuum that these interdependent elements lead to strong outcomes in terms of poverty reduction: households undergoing these programs have proven to achieve improved assets, food security, savings, financial inclusion, health outcomes, social integration and productive skills (BRAC, 2021). The combination of the financial and non-financial services described in each of the four paragraphs above is the paradigm that should shape best practice standards for financial providers; all of the following sections should be read in light of this well-proven and successful approach.

3.2 Financial service providers

"There are many devices for turning small savings into usefully large lump sums - the main money management task of the poor. Most of it is done in the informal sector."

– Stuart Rutherford (Ledgerwood et al., 2013, p. 149)

Since the beginning of the microcredit movement in the 1970s, when the small existing microfinance community was still focusing on the term "microcredit", the industry has experienced incredible growth: from a few million clients in the 1980s, microfinance reached about 140 million borrowers in 2018 (Convergences, n.d., p. 2). Alongside a growth in the size of the market, there has also been a growth in the types of providers operating through a variety of financial services. Today, financial services are delivered to low-income populations by organizations that exist along a continuum from formal and decentralized to informal and more centralized services: the two figures below (fig. 3.4 and fig. 3.5) show that financial service providers are mainly divided into two types, ranging from community-based providers, which are less formalized and regulated, to institutional providers, which have a governance structure, and can be subject to government regulation. The table provided in Appendix 1 provides a schematic comparison between the two financial providers, useful to capture the main features and characteristics of the informal and formal financial sector.



Note: ROSCAs = rotating savings and credit associations; ASCAs = accumulating savings and credit associations; CVECAs = *caisses villageoises d'épargne et de crédit autogérées*; SACCOs = savings and credit cooperatives.
a. Mobile network operators are regulated as communication companies; most are not licensed to provide financial services.

Fig. 3.4 - The full range of Financial Service Providers (Ledgerwood et al., 2013, p. 150)

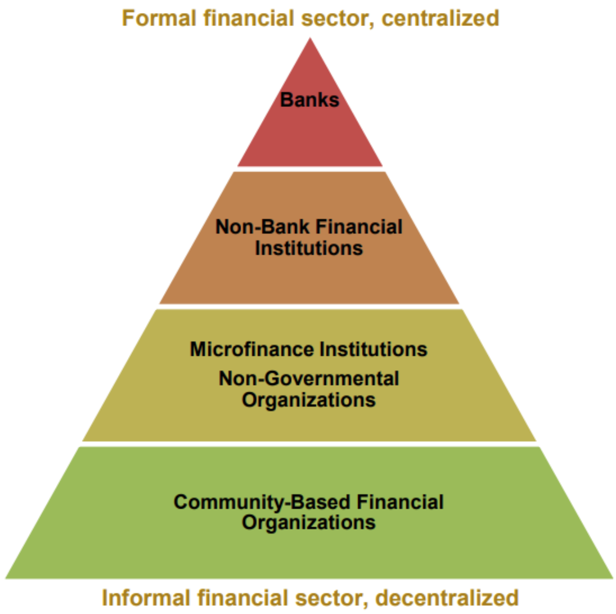


Fig. 3.5 - Financial Service Providers within the financial sector (Hamp et al., 2014, p. 1)

3.2.1 Community-based providers

The term "community-based financial organization" (CBFO) covers a variety of informal providers of financial products and services serving a small target market in a limited geographic zone. CBFOs are autonomous individuals or organizations owned and managed by members of a particular community (Hamp et al., 2014, p. 1; Ritchie, 2007, p. 2); they play a meaningful role in fighting extreme poverty and in enabling households to access the necessary tools to empower themselves, and, among their beneficial consequences, lead marginalized families to make investments for their future, including in their children's schooling.

It is precisely because of their main characteristics that community-based providers are highly advantageous for the poor in comparison with formal providers: they are usually located close to where the poor live, in remote areas that lack access to the formal financial services, they are convenient, they tend to be flexible in accommodating uncertain cash flows, and they are generally easily accessible because they have product features which suit the needs of the poor, such as no collateral requirements, low transaction costs or minimal administrative procedures (Ledgerwood et al., 2013, p. 149; Hamp et al., 2014, p. 1). Most CBFOs often operate without government regulation and oversight, they are self-governing, they rely partially or wholly on volunteers and they mobilize funds for their members, usually being primarily savings-driven and therefore able to avoid reliance on temporary sources of external funding (Hamp et al., 2014, p. 1). They may be informal, registered as associations or cooperatives, or part of a larger village organization, such as a company or women's organization, and their membership can vary from small groups with 5 members to bodies with hundreds or thousands of members (Ritcher, 2007, p. 3). The key advantageous features of these entities are their financial and institutional independence, mobilization and management of their resources (Ritcher, 2007, p. 3). On the other hand, CBFOs do have disadvantages, which lay in the fact that they can be more vulnerable to collapse or fraud in comparison to institutional providers, sometimes because of lack of discipline or collective shocks (e.g. natural disasters); moreover, they can often be associated with loss of dignity or stigma - for instance when borrowing from friends or family, especially if the borrower becomes dependent on them or over-indebted (Ledgerwood et al., 2013, p. 150).

The success factors that lead community-based providers to be considered highly useful in meeting the needs of the poor can be summarized as follows (Ritchie, 2007; Hamp et al., 2014, p. 7, 8; (Germidis et al., 1991):

- *Greater outreach*: being established close to their members, with a self-managing logic and able to operate with low membership, they can achieve considerable outreach in remote areas with low population density at a relatively low cost;
- *Local ownership and empowerment:* they emanate from local environments and thus have a local character; they originated from the needs of the community and are based on personal relationships among fellow villagers - which encourages a strong sense of ownership among the members, increasing the repayment rate and the trust among them. Members might even use the group to become involved in community initiatives;
- *Encourage a savings culture*: by mobilizing small member savings which are sometimes compulsory[35], borrowers develop financial discipline and literacy around the potential of savings of being converted into loans; in so doing, CBFOs promote long-term sustainability and help individuals with long-term planning;
- *Appropriate loan policies and processes*: they provide small loans that the poor are able to repay, without imposing burdens caused by over-indebtedness; often, in many formal financial services, loans are indeed not appropriate for the poorest, and increase their vulnerability rather than reducing it;
- *Simplified systems*: they dispose of simplified systems with no literacy requirements which can be managed by local people, who have no suitable skills in managing

[35] In some community-based providers such as Rotating savings and credit associations, Credit Unions, Savings and Credit Cooperatives, savings can be a requirement to be part of the group.

financial systems; as they emanate from local cultures and customs, administrative procedures are very simple and straightforward, easily understood by the population. On the contrary, formal providers are characterized by complex administrative procedures which are beyond the understanding of the rural masses and small savers;

- *Appropriate and high-quality capacity building*: in the case of facilitated providers, appropriate and high-quality capacity building is provided by support organizations such as NGOs or other external actors;
- *Possibility to link with the formal financial sector:* in the case of the most regulated CBFOs, they can even have links with the formal financial sector (banks or MFIs), and can thus offer a more diverse range of financial services for their members than the ones they provide. In such cases, CBFOs are "building blocks of financial intermediation" in areas where more formal financial institutions find it difficult to operate profitably.

These types of providers are therefore crucial for the poor, who lack access to formal financial services. By offering financial services to members, many of whom have very limited access to savings and loans, community-based financial services support financial inclusion.

There is a wide range of modalities within the CBFO subsector: CBFOs can span from being highly decentralized, unsophisticated, "informal" entities, to bodies with slightly more varied products and functions, possibly with bank linkages, such as self-help groups and financial service associations (Hamp et al., 2014, p. 2). The poor use an array of informal financial products and access a set of informal providers of financial services which spans from moneylenders, deposit collectors, stores providing credit, pawn shops, traders and friends and family (Beck, 2015, p.3), but community-based saving methods such as savings clubs are also widely common in Sub-Saharan Africa (Ledgerwood et al., 2013, p. 149). Two main categories can be identified within the broader group of CBFOs: indigenous and facilitated providers.

Indigenous providers can be individuals or groups, but they both operate with the main goal of combining small sums into bigger ones - i.e. to save money, which is compulsory to be part of the group - without any external intervention, training or support (Hamp et al., 2014, p. 2; Ledgerwood et al., 2013, p. 150). There exist:

- *Individuals:* funded by their own capitals, individual providers in the informal sector provide basic credit and savings services which are accessible and convenient due to proximity - they often operate inside the community - and familiarity - all transactions take place on a personal basis usually right in the village (Ledgerwood et al., 2013, p. 152). Individuals include *moneylenders*[36], *deposit collectors*[37], *pawnbrokers*[38], *traders*[39], *shop owners*[40], *family and friends*; the latter, particularly, are the most common providers of financial services in the informal sector in all developing-economy regions, especially in Sub-Saharan Africa, and can sometimes be the only source of loans (Ledgerwood et al., 2013, p. 151).

- *Community-based indigenous groups*: groups can have specific purposes, which are decided by the group itself, together with the rules that every member needs to follow and respect. They include for instance *Rotating Savings and Credit Associations (ROSCAs)*, which are typically composed of 5 to 30 members and collect savings by making compulsory regular contributions - during weekly or monthly meetings - which fund the loans made available to each member. The loans are distributed only once to each member in turn, with all members receiving the same amount; no interest is paid on savings nor on loans. These groups are time-bound, which implies that, once everyone has had their turn to receive and repay a loan, they are either dissolved or they may start a new cycle with the same or new members. The cycle often lasts more than 1 year (Hamp et al., 2014, p. 2, 3). Moreover, among community-based indigenous providers we can find *Accumulating Savings and Credit Associations (ASCAs)*, which, differently from ROSCAs, have unlimited life and can continue to take deposits and give credit for as long as they exist, and they are more flexible in terms of time and size of the contributions and of the withdrawals of savings (Hamp et al., 2014, p. 4).

[36] As part of the community, moneylenders have personal relationships with many borrowers, which makes them easily accessible, allows fast transactions in convenient locations for the client and increases their capacity to evaluate the borrower's repayment capacity; using their own funds, they provide basic credit services to the poor, but can be very expensive: they can charge extortionate interest rates, usually imposing the "⁵⁄₆ loan" principle - for every 5 units borrowed, 6 must be repaid (Ledgerwood et al., 2013, p. 151);

[37] Deposit collectors are people who store savings by traveling door to door to their clients for a fee which is charged as a percentage of the amount deposited or as a flat fee per deposit; after a specified period of time the depositor's savings are returned net of fees. Deposit collectors are a convenient way to put cash safely out of reach without having to spend money and time on travel, but savings cannot always be accessed when needed, and the collector may disappear with clients' savings (Ledgerwood et al., 2013, p. 152).

[38] Pawnbrokers offer loans to people by taking physical possession of items of personal property as collaterals; loans are normally smaller in value than the collateral pledged, given that the processing, valuing and storing of collateral have high transaction costs. Goods can be sold to recover loans: most pawnbrokers own a retail store to sell goods when people find it hard to recollect them (Ledgerwood et al., 2013, p. 152).

[39] Traders are those who buy and sell assets in any financial market to gain a profit; they can be useful in areas which are dependent on agriculture since they can provide credit to farmers with the promise that the farmers will buy raw materials and sell the end product back to the trader (Ledgerwood et al., 2013, p. 152).

[40] Shop owners have an important role in storing cash for people who want it out of the house, and provide credit to trusted clients who take goods "on credit" and pay for them later (Ledgerwood et al., 2013, p. 152).

Finally, there are *Burial societies*[41], and *Stretcher clubs*[42], for which information is displayed in the notes.

On the other hand, facilitated financial service providers are only groups that receive external training or capacity-building support, usually provided by NGOs or other external agencies, to develop and implement a process for saving and lending (Ledgerwood et al., 2014, p. 150, 156). In so doing, they promote democratic participation by introducing governance systems designed to ensure effective self-management (p. 158). Once the group demonstrates its ability to run organized, the facilitating agency diminishes its interventions (p. 159).

The first important form of facilitated financial providers are *Savings groups (SGs): SGs* were born in the 1990s in Niger to improve on traditional ROSCAs. They are composed of 15 to 25 self-selected individuals and are facilitated by international and local NGOs, which offer their support for a limited time in supervising their operations and training their members intensively at the beginning: they are trainers, not service providers. Driven by their own rules for meeting frequency (usually weekly, but also monthly), savings requirements and loan terms, members can save the same amount, or they can save through the purchase of shares whose price is decided by the group. Savings fund the loans that are distributed to members according to a formula chosen by the group at the end of each cycle, which lasts 9 to 12 months; after each cycle, members can leave and new ones can join, and changes on the share's price or others can be made (Ledgerwood et al., 2013, p. 158, 159).

Secondly, *Self-Help Groups (SHGs): SHGs* are composed mainly of 10 to 30 members, usually women and marginal farmers or landless agricultural laborers from similar socio-economic backgrounds. They are informal groups of people who come together to address their common problems, in this case saving and borrowing together; they function by making regular contributions to the pooled savings on fixed amounts, which fund the loans distributed to other members. Other than withdrawing credit from the SHG, people save here to eventually access bank loans. Even though they are managed by their members autonomously, these groups are

[41] Burial societies are microinsurance providers managed at the community level made of a few households/several thousand people from different neighborhoods in a large city who decide rules for operations, contributions, participation and benefits policies; members make monthly/weekly contributions and, in the event of death, the society pays benefits to the member's family to cover funeral costs (Ledgerwood et al., 2013, p. 156);

[42] Stretcher clubs were born to address health emergencies and are often found in rural areas; as for burial societies, members contribute small amounts weekly or monthly and, in the case of a health disease, the costs of transport and other fees associated with medical care are covered by the club. The group itself, guided by some leaders, determines formation, rules, contributions and benefits (Ledgerwood et al., 2013, p. 156).

often trained on management skills by individuals or external organizations including NGOs, farmers clubs, government agencies and even banks - referred to as "self-help promotional institutions" (Ledgerwood et al, 2013, p. 162), and they are often part-funded by the government. They are additionally regulated by the national financial institution. Interest rates are charged on loans, but they are lower than in the informal market, the reason for which such groups usually have social aims beyond providing financial services, such as reducing poverty, building awareness, increasing literacy, catalyzing political participation or family planning (Ledgerwood et al, 2013, p. 157, 162; Hamp et al., 2014, p. 5).
In addition, facilitated providers include *Caisses Villageoises d'Epargne et de Crédit Autogérées (CVECAs)*[43] and *Financial service associations (FSAs)*[44].

3.2.2 Institutional providers

Formal institutional providers are those which generally incur operating expenses, generate revenue, maintain financial accounts and are registered and often regulated (Ledgerwood et al., 2014, p. 171). Even though many of these institutions provide services with a focus on the low-end of the market (see Appendix 1), trying to develop different techniques to reach this clientele and service it in a commercially sustainable manner (Beck, 2015, p. 3), they often lack the flexibility, accessibility and proximity of community-based providers.

Among all institutional formal financial providers, there are a few which Hamp et al. (2014) considers as "formal" CBFOs with more sophisticated products and services with respect to the more informal CBFOs, paid staff, and often centralized management and governance structures (p. 2). Among these, we find financial cooperatives, such as *Savings and Credit Cooperatives (SACCOs)*, which are registered institutions with central authority

[43] Also called *Self-Managed Village Savings and Credit Banks,* they are village-based groups normally composed of less than 250 members, with rules included in microfinance regulation laws in some countries, and which are designed to operate in rural areas with clients who are mainly subsistence farmers, supported by technical service providers of technical assistance. They were first developed in Mali in the late 1980s to respond to the unmet need for financial services in poor rural villages, and the model has been replicated in other countries in Africa. Members join the groups by paying a small membership fee, which enable them to become owners of the group, then they can save money in the base unit - the "village caisse" (Ritchie, 2007, p. 9) - and borrow from it, but savings are voluntary, and loan size is not linked to savings. Some of these groups also take on external credit, such as bank loans (Hamp et al., 2014, p. 5; Ritchie, 2007, p. 9);

[44] Born in Benin in 1997, FSAs are composed of 300 to 10000 members spanning from groups and institutions such as schools, churches, health clinics, savings clubs. Members must purchase shares to join the association, which can be sold to other members if the member can find a buyer, but not withdrawn. Each member has voting rights that are proportional to the number of shares owned, with a maximum of 10 votes allowed. Such associations enjoy initial external technical support with the aim of becoming self-reliant. They are regulated entities by the registrar or department of cooperatives in some countries, but they are more often registered by other regulatory authorities (Hamp et al., 2014, p. 6; Ledgerwood et al., 2013, p. 167; Ritchie, 2007, p. 9).

composed of 50 to a few hundred members and owned by their members; they may be registered under the cooperatives or credit union laws, sometimes as a non-bank financial institution of the country, depending on the law and on the size and sophistication of the SACCO, or, alternatively, they can be supervised by a regional or national cooperative council. Members must purchase one or more shares, which enables them to be the only owners - there are no external shareholders - and to have the right to one vote. Members can deposit money with the SACCO and borrow from it. There are both voluntary and compulsory savings, as there are set rules for savings withdrawals but savings can be withdrawn at short notice. Loans are typically individual loans (Ledgerwood et al., 2013, p. 173, 175; Hamp et al., 2014, p. 5). Another common type of financial cooperatives is *Credit Unions (CUs)*[45].

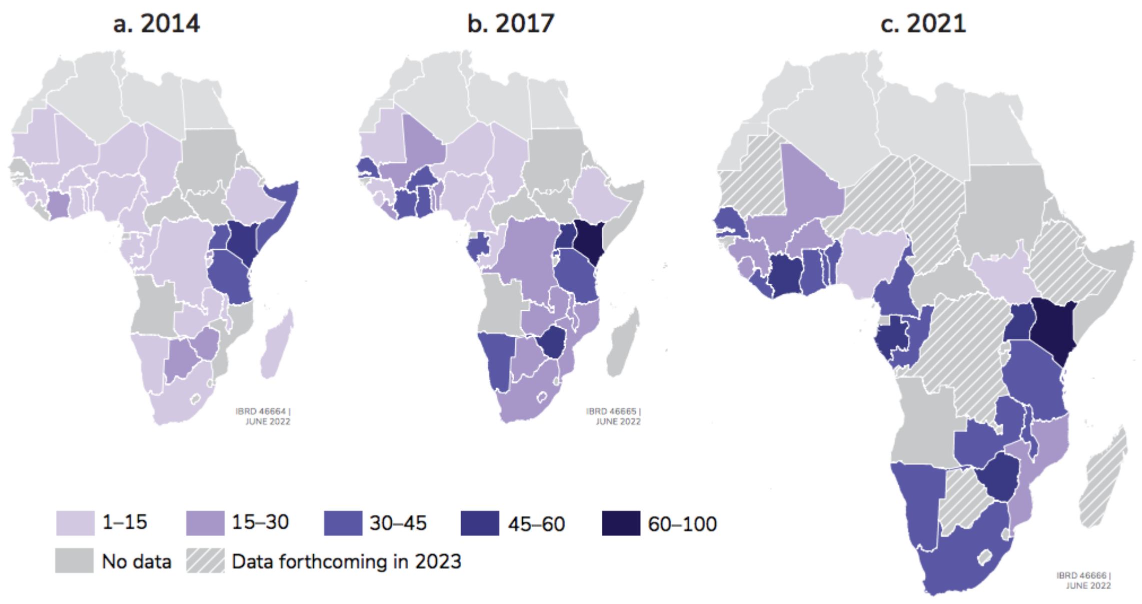
The vast array of formal financial institutions also includes *banks* and *nonbank financial institutions.* While there are significant differences between *commercial banks* - regulated and supervised by either central bank or a separate regulatory authority - and the other formal financial institutions - usually subject to fewer regulatory rules and constraints - there are also a variety of formal and semi-formal *non-bank financial institutions (NBFIs)*[46] that can be distinguished, from credit-only financing and leasing companies, to postal savings banks, and again to SACCOs (Beck, 2015, p. 3). *Microfinance institutions (MFIs)* are included in the formal sector, officially defined as formal organizations which have developed delivery techniques and products that differ from conventional banking, and designed specifically to overcome the obstacles that prevent conventional banks from catering to the low-end of the market (Beck, 2015, p. 3). Such techniques, developed to make and manage tiny uncollateralized loans, include group lending, savings requirements that test the clients' willingness to make regular payments, graduated loan sizes, and an implicit guarantee of quick

[45] CUs are financial cooperatives of 50 to a few hundred members regulated by the central bank or a registrar of credit unions or cooperatives, supervised by regional or national cooperative councils. Savers and borrowers are usually affiliated by a common bond, such as belonging to the same community or place of employment. Members own the CU by buying shares, each member has one vote in board elections, regardless of their amount of savings or shares in the credit union. Members can save money and borrow from the CU; their savings and shares finance their own loan, sometimes supplemented by external funds, even though the aim of CUs is to retain a high ratio of internally generated funds for the loans. CUs offer not only loans but also insurance and remittances, depending on their size (Hamp et al., 2014, p. 6).

[46] NBFIs are entities that provide certain bank-like financial services, but do not hold a banking license and are not as regulated as banks; they include insurance companies, DTMs, leasing companies, specialist credit companies such as finance companies and consumer credit companies (Ledgerwood et al., 2013, p. 178).

access to future loans if present loans are repaid promptly (Christen et al., 2008, p. 385; Gonzalez & Rosenberg, 2006). MFIs include *NGO MFIs*[47] and *deposit-taking MFIs (DTMs)*[48].

Mobile network operators are important services which have to be recognized as having particular merit in the growth of account ownership especially in Sub-Saharan Africa. They are regulated as communication companies (Ledgerwood et al., 2013, p. 150) and offer, together with other entities that may partner with them, a financial service called mobile money, always independent of the traditional banking network (International Monetary Fund [IMF], n.d.). The only prerequisite to use mobile money services is a basic mobile phone (IMF, n.d.), a bank account is not necessary. While only 10% of adults globally possess an account with a mobile money service, in 2021 33% of the adult age population in Sub Saharan Africa had one. Figure 3.6 shows that mobile money accounts spread across Africa from 2014 to 2021: data from 2014 reveals that in 2014 12% of adults in Sub-Saharan Africa had a mobile money account.



Source: Global Findex Database 2021.

Fig. 3.6 - Percentage of adults with a mobile money account in Sub-Saharan Africa, 2014 - 2021 (Demirgüç-Kunt et al., 2022, p. 21)

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47 NGOs include, among their social and economics services, also microcredit operations: they can provide credit, offering a standard microenterprise loan to individuals or groups. The difference from financial cooperatives and CBFOs is that NGO MFIs are not owned and managed by their members, but have founders - equivalent in functions to the shareholders - who belong to the boards and oversee the collective activities of the NGO. NGO MFIs are typically registered under national laws (Ledgerwood et al., 2013, p. 177).

48 DTMs are structured to accept deposits, sums of money, offering a secure place to save to their clients; they may be licensed and regulated as banks and offer some services usually offered by banks but to low-income populations, but they have requirements on minimum capital to be stored and cannot provide all services banks can. DTMs can be transformed from NGO MFIs to DTMs, where accepting deposits is, other than a valued service, a way to increase the amount of funds available to the institution for lending (Ledgerwood et al., 2014, p. 178).

3.3 The role of microfinance in improving access to education and deterring child labor

As seen above, microfinance has been operating in many low-income countries for more than three decades, establishing itself as a recognized and widely practiced means of eradicating extreme poverty. By assisting families in gaining access to loans and other financial services, either to meet the costs of education and other daily expenses or to profitably use these resources within productive microenterprises, many community-based and institutional financial services help poor households start the process of escaping poverty (CIDA, 2007).

The growth of microfinance and of the great variety of financial services and products in developing countries has given rise to the idea that financial services can be a successful instrument in tackling the issue of child labor. The following sections aim to assess the role of microfinance as an instrument to fight child labor and boost children's educational attendance and attainments. They are articulated as follows: first, Section 3.1.1 explains how microfinance can increase the income of households living in communities particularly hit by extreme poverty, with no funds to be dedicated to education, and proceeds with an analysis on how the provision of credit and other financial resources can boost family microenterprises and improve the lives of children, who are also members of families owning the enterprises; thirdly, the discourse in Section 3.3.2 is shifted on whether and how microfinance helps families deal with the high costs of education, which is a crucial factor that perpetuates high out-of-school rates, by providing targeted tools to meet such costs; finally, Section 3.3.3 examines the importance of financial literacy, business training and the provision of non-financial services as part of integrated microfinance programs.

3.3.1 Microfinance for income-generation and investments: provision of credit to family microenterprises

There should be broad awareness, at this point in this work, that income poverty is one of the root causes of child labor: in poor countries, children are often considered useful income-earning assets and are therefore often put at work[49]. In the absence of inclusive and developed financial markets that serve the poor, households may resort to child labor to cope with income variability (Gatti & Dehejia, 2013). In most of these cases, fortunately MFIs and many other financial operators intervene by providing impoverished individuals and households in child-labor affected communities with services and products that offer the opportunity to

[49] The possibility for children to be put at work distorts fertility decisions upward and induces many families to have increasing amounts of children (Baland & Robinson, 2000); considering children as income-earning assets many times incentives procreation (Dasgupta, 1995, p. 1895).

significantly improve clients' income status in areas where child labor is often the easiest and most convenient option for many families (Blume & Breyer, 2011, p. 11). In particular, financial providers offer the unbanked access to credit products in exchange of an agreement to repay the funds with interest and/or fees in time. Loans can vary in sizes[50], terms[51] and repayment terms[52] (Ledgerwood et al., 2013, p. 213). Microloans can be delivered to cover urgent consumption needs, helping smooth households' cash flows; these loans are intended to help clients cover a range of basic necessities including children's school expenses, medical care, house repairs, or a death in the family (Ledgerwood et al., 2013, p. 213; Blume & Breyer, 2011, p. 23); loans for consumption needs may be just as important as loans for investment purposes, which, in the case of family businesses, can be highly useful for the successful management of the microenterprise in terms of productivity.

There is a thick body of research which have demonstrated that access to credit positively affect income-generation, leading many people to earn a sustainable income, and thus impact livelihood transformation in terms of poverty reduction (Hasan et al., 2022; Mahmood et al., 2016; Bhuiya et al., 2016; Blume & Breyer, 2011; Sivachithappa, 2013).

In general, the effectiveness of microloans for income-generation depends on the way the credit is delivered and employed: certain loan sizes and terms might be suitable for economic activities such as trading, but other businesses such as manufacturing might require different features and terms. A general rule is that a microloan will generate revenues if the borrower uses it to buy productive assets that will yield returns, in combination with the business skills and knowledge necessary to operate in the market, other than the labor needed (Blume & Breyer, 2011, p. 13)[53]. To provide an example of an effective microfinance intervention which produced impacting results on income-generation and on child labor reduction, the microfinance integrated program carried out by ILO IPEC in partnership with World Vision, an independent humanitarian organization that has been striving to fight against the root causes of poverty for over 70 years, and Fondo de inversión para el desarrollo de la microempresa (FIME) in the Dominican Republic, is a good one. The three organizations partnered to tackle the issue of dangerous child labor in agriculture in the country and provided

[50] Loans can vary from 5 USD to 20000 USD for a business or a housing loan (Ledgerwood et al., p. 213).
[51] Loan term refers to the length of time the loan is intended to be outstanding; most microfinance loan terms go from 3 months to 1 year, but they can be up to three years or longer (Ledgerwood et al., 2013, p. 213)
[52] Repayment is usually done in periodic installments over the loan term or at the end, and the frequency of the payments vary depending on the needs and possibilities of the client (Ledgerwood et al., 2013, p. 214)
[53] The combination of financial, human and social capital is the successful recipe for financial providers to achieve good results in terms of income-generation. See section 3.3.3 for further explanations.

facilitated access to financial services for families of working children to help them develop income-generating alternatives; by combining this provision with business development support and sensitization campaigns about the negative impacts of child labor, the three managed to obtain an incredibly high demand for loans among families with former working children and a high amount of them repaying loans on time, for 98% of cases, which suggests that microloans delivered to these families had positive results on the increase of household income. Such additional income did not have negative effects on child labor demand thanks to the collective approach used by the three organizations, which strived to withdraw children from work and to establish educational alternatives (Blume & Breyer, 2011).

On the other hand, as the study conducted by Hasan et al. (2022) confirms, microfinance can have a considerable impact not only on income-generation, but also on entrepreneurship: in addition to improving their income, by delivering financial services to the poor, microfinance can boost small businesses and lead impoverished families to successfully develop, grow and manage a micro- or small- enterprise. Financial institutions help borrowers apply credit to their microenterprises, managing to lift those credit constraints with which many micro and small enterprises especially in low-income and rural areas are presented. As members of households with increased income owning a microenterprise, children are some of the protagonists in benefiting from such efforts of microfinance initiatives.

In particular, the impact of microloans on child labor in micro-enterprises varies depending on several factors, including the initial employment status of children, the labor market conditions and the type of business considered. For instance, certain studies which analyzed the impact of small loans on children employed in microenterprises demonstrated positive effects on children's schooling; Littlefield et al. (2003) and Maldonado et al. (2003) conducted impact assessments proving that microfinance led to higher schooling and to a reduction in child labor among the families of microfinance clients. Littlefield et al. additionally found that a great amount of additional income gained through microloans was spent on schooling (Blume & Breyer, 2011, p. 14). There is a whole set of literature demonstrating that access to financial sources, and in particular credit, can significantly reduce child labor (Balls, 2002; Gatti & Dehejia, 2013, Guarcello et al., 2010), and that, as the availability of credit increases, the prevalence of child labor decreases: when credit is widely available, families decide not to send their children to work as a way to cope with possible income shocks, interrupting their schooling or leisure time, but rather to borrow microloans to smooth possible income shocks (Balls, 2002).

However, other research found empirical evidence of cases with negative correlation between microloans and schooling. For instance, there are instances when microloans leading to additional incomes might generate additional labor demand, and thus increase the workload for children, such as in the case where adult labor is not available, where parents do not find - or do not want to find - external laborers, or where children have to spend time with household chores while their parents spend more time working (Blume & Breyer, 2011). Studying two rural towns in Guatemala, Wydick (1999) found that microloans delivered to family enterprises producing skill-demanding traditional cloth, such as tailoring shops or retail businesses, have negative effects on schooling: in such cases, parents believe that employing their children instead of external laborers is a human capital investment, and they prefer to do so in order to transfer family knowledge and skills and to avoid the costs and the time required for teaching non-household members the skills demanded in such sector (Blume & Breyer, 2011, p. 10, 14). Likewise, when Menon (2005) investigated the impact of microloans on home-based non-farm enterprises in Pakistan, she found that family businesses accessing microloans were more likely to decrease the schooling of those children who were already working part-time in the business before the loan was taken; nevertheless, she also found that, with easier access to credit, children who were not employed in a family enterprise were more likely to keep attending school even when the family received a microloan (Blume & Breyer, 2011, p. 14).

In a few words, microloans leading to increases in incomes most often have positive effects on the reduction of child labor, but might not always do so. While delivering credit, MFIs and other financial providers therefore must remember that microloans might have important different results on child labor, depending on factors including the type of business, how the loan is invested, and/or the initial employment status of children. The very delicate but crucial task of MFIs and financial operators when delivering financial services to family microenterprises is to pay special attention to their clients' needs and try to offer them the most suitable type of product that can enable growth and well-being for the whole family. Informal financial providers, MFIs but also certain kinds of formal providers with loan officers being members of the institution as all the other clients, such as SACCOs, are uniquely positioned in keeping an eye on their clients' businesses, and therefore monitoring their situation and necessities: loan officers maintain stable weekly, if not daily, contact with their clients, either by visiting their microenterprises on the ground or by receiving them at their offices. In cases where children are employed in the micro-enterprise supported by microcredit, the monitoring of the involvement of children in work should always be part of microfinance programming while officers visit family microenterprises (CIDA, 2007).

In addition, one important way in which financial institutions can help prevent households choosing the child labor alternative is by integrating into their microfinance programs also non-financial services, without which microfinance can often fail in its mission to serve the poorest of the poor including children[54].

Inclusive and mindful financial institutions stocked with officers who maintain consistent positive and supportive relationships with business owners and are watchful of their specific needs therefore have the special potential for providing the means to change and improve both business operations and the status of their clients and children, enhancing households' prosperity and reducing the chances the family resorts to child labor.

3.3.2 Microfinance to meet the costs of education: school fees loans and savings accounts

Microfinance can also serve the purpose of making school a more attractive alternative to child labor and encouraging parents to send their children to school instead of work. This is done through the provision of specific kinds of loans called educational loans or school fees loans, which are loans provided by many financial institutions that households can employ for educational expenses ranging from school fees to other smaller expenses such as schoolbooks, uniforms or transportation costs; these provisions help households reduce their inability to afford investments in schooling.

In some cases, financial providers deliver their educational loans to the poor in small amounts, on a short-term basis and with short repayment periods, in order to encourage households to repay on time and to reduce risks connected with failures in repayment. As a matter of fact, sending children to school has future returns that can be deeply uncertain in terms of income for both parents and financial providers[55], which encourages financial providers to opt for initial small short-term microloans to increase the chances of repayment; additionally, most of the time, these clients have no bankable collateral and no history of taking and repaying loans, which leads financial providers to hesitate to take on the risk of extending a long-term educational loan. Such small loans are highly useful for households to meet the costs of small expenses, which are to be paid at the beginning of each school year, such as books, transportation costs or uniforms (p. 19). However, after taking a small loan and having successfully repaid it, clients are entitled to access a larger, subsequent loan, which helps

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[54] Further insights on non-financial services will be provided in Section 3.3.3.
[55] Nobody, neither parents nor financial providers, can foresee if and how education will lead the child to achieve a well-paid job with a secure income.

financial providers build trust in their clients and incentivizes households to repay the first loan on time (Blume & Breyer, 2011, p. 18). Bigger educational loans can be used for school fees, which can sometimes be incredibly expensive, representing, as seen in Chapter 2, the highest school expense for households (see figure 2.9).

Another useful means against the unaffordability of the school alternative for many low-income families is the presence of savings accounts, which are deposit accounts held at a financial institution where people can save even the smallest amount of money in order to achieve a degree of financial security over time and pursue their financial goals, including paying for their children's schooling. As a matter of fact, without prior savings, even the smallest lump sum payment, such as for schoolbooks or transportation, can easily exceed the payment capacity of a household at the required point of time, and therefore lead the household to exclude the kid from school (Blume & Breyer, 2011, p. 24). The advantages that poor and unbanked clients find in saving their money in secure places are numerous: even when saving very modest amounts, savings accounts offer the possibility to access, whenever it comes necessary, larger sums in the short, medium or long term, and in so doing they can cover expenses to cope with emergencies or encourage people with limited means to build their assets; additionally, they are secure places where depositing cash safely, and they can instill saving discipline when saving is to be made regularly - daily, weekly, biweekly or monthly (Ledgerwood et al., 2013, p. 199, 201). In some financial organizations, such as ROSCAs, ASCAs and SHGs, savings are compulsory to be part of the group, as they are an important source of funds that such financial institutions use for loans made available to each member; the compulsory criterion helps encourage a savings culture and supports and promotes long-term sustainability of the financial institution as well as of the household's management of resources (Hamp et al., 2014, p. 4, 8).

Saving accounts and school fees loans thus serve the same purpose by assisting families in covering expenses associated with education, but follow a different chronological criterion: if loans must be repaid after such expenses have been sustained, saving products encourage consumers to consistently save tiny sums of money in order to accumulate the required amount for certain expenses before these are due.

3.3.3 Microfinance in combination with awareness-raising and financial literacy: the importance of business training

The previous sections have examined the role of microfinance in improving access to education and deterring child labor through the provision of various financial services. However, in addition to that, microfinance can also be a vehicle for education and sensitization. As a matter of fact, one needs to be very careful in defining microfinance just as a small size of finance, because it is much more than that: microfinance does not merely consist in delivering capital and financial products, but also in providing opportunities, among which the tools that enable clients to choose the correct financial product to use and the correct provider to refer to. Microfinance is first of all aimed at "helping people help themselves", by encouraging them to understand their financial needs: only if people are aware of their necessities, they can choose among a vast array of financial providers. As Susan Henry, Community Economic Development Specialist, affirmed in 2006 after working for 10 years in the microfinance field, "it takes more than a loan to help a micro-entrepreneur grow himself/herself out of poverty" (p. 3), the same concept used by the NGO BRAC while ideating the Graduation Approach back in 2002, program which implies delivering far more than mere financial products (see Section 3.1.4). Even well-planned and designed microfinance programs do not achieve a great impact on the lives of the unbanked unless they are complemented by social and business development services.

For this reason, a growing amount of financial providers have been integrating into their microfinance programs for micro-entrepreneurs a number of business development services (BDS), which are non-financial services including business and life skills trainings, financial education programs, as well as vocational and marketing training (Henry, 2006, p. 5); the goal of such non-financial services is to foster financial literacy of the poor and building the human capital of microcredit beneficiaries (Karlan & Valdivia, 2011, p. 510; Dalla Pellegrina et al., 2021, p. 1050). In combination with financial services, non-financial services have indeed the potential of maximizing profit and success of loan recipients' small businesses, by building entrepreneurs' self-confidence, increasing their income and productivity and facilitating their personal growth (Henry, 2006, p. 4). Henry (2006) was not wrong when she argued that it is only "the combination of financial credit and operational support" which makes MFIs successful actors in helping entrepreneurial clients gain the skills needed to operate their businesses, "regardless of the location where the micro-entrepreneur is competing" (p. 3)[56].

BDS must be aimed at improving basic and general business practices such as taxes, accounting, strategic planning and pricing, thereby equipping microenterprise owners with the assets needed to compete in the marketplace; the trainings include topics such as client relations, use and management of profits, product selection, separation of household and business finances, use of sales and discounts, business advice about risks and possibilities of managing a microenterprise, help with written business plans, assistance with legal compliance and licensing for specific businesses (Karlan & Valdivia, 2011, p. 512; Schreiner, 2004, p. 4). Non-financial products that complement financial services are delivered, inter alia, through:

- *financial education programs*: participants learn about good management practices for earning, spending, saving, borrowing and investing, thus acquiring both the knowledge needed to manage capital and use financial services and the ability to demand higher quality products from financial institutions; they are thus enabled and empowered to make better financial choices working towards their financial goals (Henry, 2006, p. 5);
- *business training*: it consists of two types of training - *operational* and *strategic*; in order to maintain a high level of sustainability, financial providers indeed must provide different training at different stages in the entrepreneurial business cycle. Start-up entrepreneurs may need basic *operational business training* in areas such as accounting, marketing, inventory control, costing, pricing and sales forecasting, learning how to move their business forward. At a later stage, mature entrepreneurs might instead need *strategic business training* as they look to expand their business; this is a type of training that is specific to their industry and might include topics such as public speaking or negotiating contracts (Henry, 2006, p. 7,8);

MFIs and the other financial services have a unique potential in delivering such non-financial services. As seen in Section 3.3.1, MFIs, SACCOs and other informal financial providers maintain consistent contact with their clients, visiting them on the ground to monitor their businesses and/or to collect loan repayments and, sometimes, recruiting new clients; in

[56] Any entrepreneur needs a combination of technical, operational and strategic skills. Technical skills come with the commitment, creativity, experience and knowledge entrepreneurs have within their field; operational skills refer to skills in accounting and finance, marketing and human resource management, business planning, health and safety regulations and necessitate operational support; finally, strategic skills are the ones that can boost an enterprise from the start-up phase to the next level in business management (Henry, 2006, p. 3).

the process of building stable relationships with microfinance clients, loan officers may advise borrowers on financial issues and products, basically holding brief informal training sessions on microfinance products which provide capacity-building and empowerment. Training sessions can also be held in a more structured way at the financial institution, in the form of business and financial skills courses. At times, officers can push their interactions further and inform clients on health issues, nutrition and education (Blume & Breyer, 2011, p. 20).

Along these lines, microfinance has a key role in raising awareness, both on the possibilities for growth within the financial sector but also on several important subjects, such as child labor.

Three key areas of concern are presented below as a schematic wrap-up of the different ways in which microfinance as combined with BDS can be a highly successful tool in deterring child labor and increase access to schooling:

- *through income-generation and asset-building*: very simply put, when the business training provided is successful, it manages to boost the microenterprise by increasing business income and reducing debt levels; in so doing, as explained in Section 3.3.1, it is very likely that increased wealth will lead to a growth in schooling, and a decrease in child labor, as families can allocate increased household resources on education expenditures. Moreover, microenterprise programs complemented by BDS help low-income individuals and families build the wealth-building financial[57] assets needed to run their businesses and grow out of poverty (Schreiner, 2004, p. 3). The effect on children is immediate: families will dispose of higher incomes and will be able to orientate their spending decisions in a way that favors their children's educational growth and overall wellbeing. Several impact assessments of microfinance programs demonstrate the importance of integrating BDS into microfinance programs by reporting evidence of significant generation of incomes, with one common finding: microloans lead to high incomes for those micro- and small-entrepreneurs who are excluded from traditional banking services but who, at the same time, have sufficient entrepreneurial skills, capacities and investment opportunities (Blume & Breyer, 2011, p. 13); in a few words, if borrowers receive a loan but do not employ this financial capital to buy productive assets which would yield returns, and at the same time they

[57] Financial assets refer to all the financial services provided, including loans and savings (Schreiner, 2004, p. 3);

have no business skills to operate successfully in the market, they could find themselves in worsened financial conditions;

- *by enabling and promoting financial literacy*: much of the microfinance industry focuses on the provision of financial capital into microenterprises, as if the entrepreneurs already disposed of the necessary human and social assets to function in their market. However, there is evidence that both human and social assets are needed for small entrepreneurs, as they are very useful resources with the potential of driving poor individuals and households towards economic well-being (Asset Funders Network [AFN], n.d.; Karla & Valdivia, 2011, p. 510). Human assets refer to education, experience and entrepreneurship, while social assets include the development of networks and personal support that may help small entrepreneurs develop their business (Schreiner, 2004, p. 3). These products, of which low-income populations dispose in fewer amounts, can make a difference between financial security and economic exclusion, and can help micro-entrepreneurs develop their enterprise in a way that is profitable in the long run. As a result of financial education and trainings on entrepreneurial skills, clients will typically not only dispose of a bolder income, but also acquire human and social assets, learning for instance how to manage their cash flows better and how to use their available resources wisely and save for long-term purposes. Precisely, the knowledge and skills needed to make important financial decisions are referred to as financial literacy (European Commission, n.d.-b). The benefits of financial literacy on child labor are multiple: firstly through the acquisition of financial skills on wise resource-management, clients might be able to repay their loans more easily and fall less into debt, which leads them to dispose of more resources to be spent on education (Karlan & Valdivia, 2011, p. 512). Secondly, the knowledge about the possibilities people may have in the future when making a choice over another empowers microfinance clients to identify the best financial solutions that suit their needs: becoming aware of the existence of multiple financial possibilities, and being increasingly sensitized on financial bases, microentrepreneurs are enabled to make more reasoned decisions about loans, savings or other financial services. As a result, microentrepreneurs might address their attention even to those services suited to be used for their children's schooling;
- *through empowerment and awareness-raising*: the business training may have indirect positive effects on child labor, such as parents being inspired to value education more, and thus to invest more in the schooling of their children (Karlan & Valdivia, 2011, p.

512). Entrepreneurial training indeed generates knowledge about the beneficial results of general long-term investments and long-term planning, which might lead clients to feel encouraged to give their lives a boost and make bolder investments for their future, which inevitably includes their children. To provide an example, research by Karlan & Valdivia (2011) has proved that, after receiving business training, clients report engaging in some of the exact activities being taught in the programs - e.g. separating money between business and household, reinvesting profits in the business, maintaining records of sales and expenses (p. 523) - all activities that foster and promote wise resource management and disincentivize day-by-day planning. This attitude leads families to place higher value on education as a long-term investment capable of providing future returns, and to hesitate before resorting to the child labor alternative. This research reports lower levels of daily hours dedicated to child labor and, accordingly, higher levels in schooling in families running a business, thanks to the higher value placed by families on education following business training (p. 520). Sentiments of goodwill, self-confidence, reciprocity and empowerment are crucial outcomes of programs such as business training and financial education, which boost confidence in making informed decisions (Brown, 2023).

Even more importantly, as pointed out a few paragraphs above, microfinance providers are key actors in providing sensitization and in raising awareness on child labor issues: by presenting themselves as an open spaces for discussions and vehicles of hope, encouragement and empowerment for local low-income populations, local officers who reach their clients daily or weekly can take their interactions beyond the simple administration of loans, to include topics such as the importance that their children receive a good and stable education (Blume & Breyer, 2011, p. 20).

CHAPTER 4 – MICROFINANCE AND CHILDREN'S EMPOWERMENT IN KENYA: EVIDENCE FROM JAMII BORA TRUST

Having gained more knowledge about the detrimental effects of child labor, the shortcomings of the international universal education goal, and the huge potential of microfinance in uplifting the lives of the poor, the discourse can now delve deeper into the exploration of the activities performed by Jamii Bora Trust, with the aim of understanding how this local microfinance provider contributes to deterring child labor and expanding educational access in Kenya.

As a consequence, this Chapter is structured as follows: Section 4.1 presents an overview on the Kenyan national context around poverty, child labor and disparities in education in Kenya, significant to understand the case study background; Section 4.2 explores the characteristics of Jamii Bora Trust - a Kenyan local financial provider; Section 4.3 explains the methodology employed for data collection on the ground, while Section 4.4 presents the findings and outcomes of the study, providing the elements for a discussion outlined in Section 4.5 around the following fundamental questions:

To what extent does access to microfinance services offered by Jamii Bora Trust contribute to empowering households with the essential capabilities to lift themselves out of poverty? Additionally, does this access facilitate sustainable investments in their children's futures, thereby acting as a deterrent to the adoption of child labor as an alternative?

4.1 Country overview on poverty, education and child labor

Kenya has a total population of 55,796,593 people, based on Worldometer elaboration of the latest UN data, as of February 2024 (Worldometer, 2024). Among them, children aged 0-14 account for almost 40% of the population in 2022 - more than 20 million people[58], bringing the median age at 19.9 years (Worldometer, 2024; The World Bank DataBank, 2024). The population is growing at an annual rate of 2%, while this share in urban areas is increasing even

[58] Children account for 37.81% of the total population, while the major part of the population is aged 15-64 - more than 32 million people, representing 59.3% of the population; people aged 65 and above are about half a million (2.9%) (The World Bank DataBank, 2024).

more rapidly - 3.7% annually in 2022 (The World Bank DataBank, 2024): today, 31.4% of the population lives in urban areas - more than 17 million people (Worldometer, 2024)[59].

Despite being among the largest economies in East Africa, poverty is still among the key challenges of the country[60]: almost 20 million people were living in poverty in 2020[61] (Statista, 2024b), and 50.81% of the urban population live in slums, with little or restricted access to water, sanitation and housing[62] (The World Bank DataBank, 2024): Kenya's slums are growing at an exceptional rate as more and more people move to cities in search of employment opportunities urban areas offer (UN Human Settlements Programme, 2007). The wealth disparity between poor and rich citizens has reached remarkable proportions, with less than 0.1% of the population owning more wealth than the remaining 99.9% (Foye, 2023, p. 64). Poverty in Kenya is not only about the lack of material resources, but it encompasses power and voice, opportunities and choice, and human security.

The following sections aim at providing a contextual analysis of how people in Kenya are multidimensionally poor by analyzing the political and socio-economic settings that affect life in the country today, then offering an overview of child labor and education in Kenya.

4.1.1 Political and socioeconomic analysis: multidimensional poverty in Kenya

Kenya is a unitary State divided into 47 counties, operating in the framework of a presidential representative democratic republic and run by the National Government and the 47 county governments. Significant improvements in terms of political and economic reforms in the past decade led to positive political stability gains, social development and economic growth. Since the adoption of a new Constitution in 2010, a new system of political and economic governance is in place, complete with a bicameral parliamentary house divided in the Senate and the National Assembly, a decentralized county government and an electoral body and judiciary with constitutional tenure (Chokerah, 2021). Despite progress, politics in Kenya is still electorally competitive and patronage-based[63], which hinders the ability of poor,

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[59] High rates of urban population growth indicatie a transition from rural to urban and from an agriculture-based economy to service, technology and mass industry (The World Bank DataBank, 2024).
[60] Poverty reduction is still among the key development challenges, with inequality, youth unemployment, climate change and the vulnerability of the economy to internal and external shocks (Chokerah, 2021).
[61] This is an increase of 6 million from 2019 (Statista, 2024b).
[62] Moreover, 12% lived in urban agglomerations of over 1 million in 2022 (The World Bank DataBank, 2024).
[63] Political patronage is the giving of political favors to political supporters, usually in the form of a bureaucratic or government job: it is the hiring of a person to a government post based on partisan loyalty and the person's support to the party during the last election. Political support can be financial or in the form of campaigning for a specific candidate during their candidacy (Hepler & White, n.d.; Baracskay, 2023).

women and marginalized groups to have their voices heard and interests represented (Diward & Shepherd, 2018, p. 7).

Since the turn of the century, the country has witnessed a rise in living standards, achieving broad economic growth between 2015-2019, significantly reducing poverty; historically, it has been successful in translating economic growth into poverty reduction, emerging as one of the Sub-Saharan Africa's fastest-growing economies, with GDP growth rates of 4.8% in 2022 and 7.6% in 2021 (The World Bank DataBank, 2024). Between 2005/2006 and 2015/2016 the poverty headcount rate[64] dropped from 46.6% to 36.1%, driven by progress in rural areas (fig. 4.1) (The World Bank DataBank, 2024). However, absolute numbers rose: 16.8 million in 2005/2006 versus 17.1 million in 2015/2016 (Chokerah, 2021). When improvements in rural welfare slowed down, the pace of poverty reduction stagnated: since 2015/2016, poverty rates slowly declined to 33.6% in 2019, with 19.5 million people affected, most living in rural areas[65] (World Bank Group, 2023b; Chokerah, 2021). Progress from 2015 to 2019 was driven by a resilient services sector, while agriculture faced challenges due to inadequate infrastructures and institutional weaknesses; human development sectors like education remain of poor quality too, partially due to insufficient budget allocations (Diwakar & Shepherd, 2018). COVID-19 set back the progress made, exacerbating food insecurity and unemployment, adding 2 million

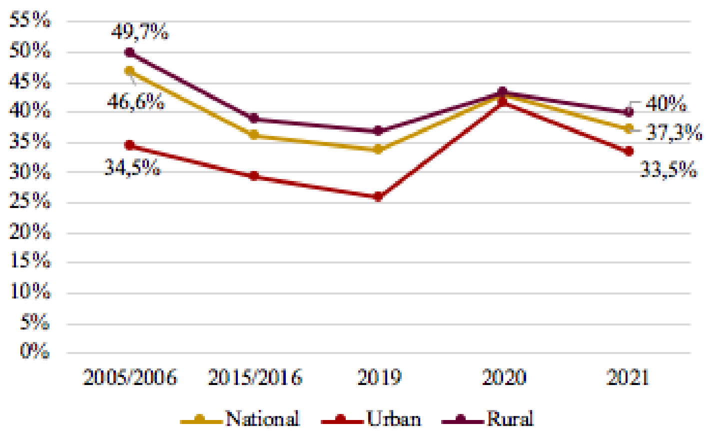

Fig. 4.1 - Percentage of population living below national poverty line, 2005/2006 - 2021 (World Bank Group, 2023b)

Reforming policies in Kenya occurs when it is consistent with the dominant political patronage model of politics.

[64] The poverty headcount rate is the proportion of the population living below the national poverty line. National poverty lines are the benchmark for estimating poverty indicators that are consistent with the country's specific economic and social circumstances. A country may have a unique national poverty line or separate poverty lines for rural and urban areas, or for different geographic areas to reflect differences in the cost of living or sometimes to reflect differences in diets and consumption baskets (The World Bank DataBank, 2024). In Kenya, it is the Kenya National Bureau of Statistics (KNBS) which produces the official national poverty lines; the most recent data states that the overall rural and urban poverty lines are, respectively, 3947 and 7193 Kenyan shillings (KSh) per month per person in per adult equivalent terms in 2021 prices (World Bank Group, 2023b);

[65] Of 19.5 million poor people in 2019, 14 million used to live in rural areas, while 4.2 million used to live in informal settlements in core-urban areas and 1.3 million in peri-urban areas (Chokerah, 2021).

to Kenya's poor (Chokerah, 2021). The poverty rate rose from 33.6% in 2019 to 42.9% in 2020, then fell to 37.3% in 2021, remaining above pre-pandemic levels (World Bank Group, 2023b).

Poverty rates vary according to rural or urban areas. For instance, always looking at figure 4.1, it is possible to observe that the pandemic hit urban areas harder: at the national level, the poverty rate increased from 26% in 2019 to 41.7% in 2020[66] (World Bank Group, 2023b). Still, as of the most recent data from the World Bank Group, poverty rates in 2021 remained considerably higher in rural areas (40%) compared to urban areas (33.5%).

In addition, progress in poverty reduction is not equally shared by all counties (fig. 4.2): due to the concentration of arid zones in the north and northeast regions, these areas lag considerably behind the rest of Kenya, with higher poverty rates, low levels of educational attainment, low access to improved sanitation and to a lesser extent improved water. Overall headcount poverty rates reached nearly 80% in Turkana, Kenya's northern-most and poorest county, followed by Mandera and Samburu. Conversely, the two counties with the lowest poverty rates are Nairobi and Kirinyaga (World Bank Group, 2013b).

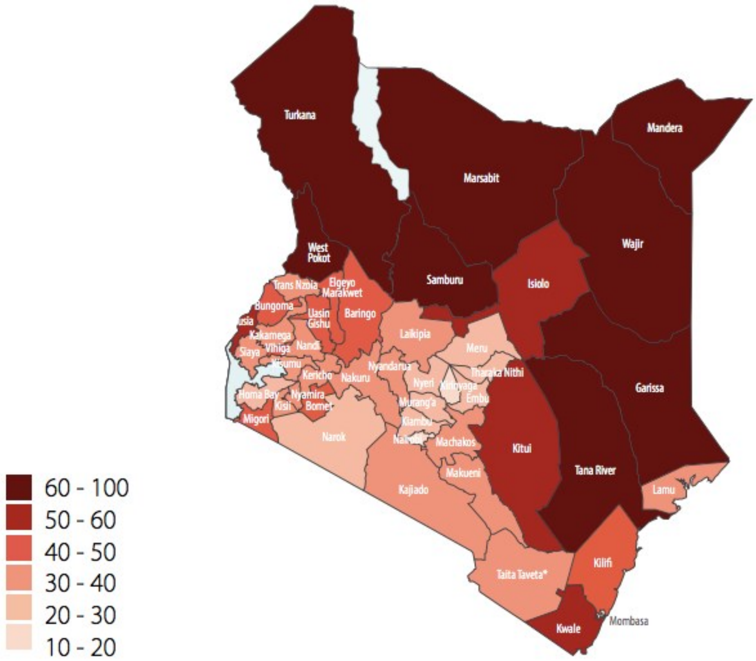

Fig. 4.2 - Poverty rate by county, 2021 (World Bank Group, 2023b, p. 6)

[66] The GEM Report Team (2015) talks about "urbanizing poverty" at a rapid rate, due to substantial migration from rural areas (p. 100).

To have a good understanding of how Kenyan estimates compare with the ones from other countries, it is necessary to look at the proportion of the population living below the international poverty line of $2.15 a day[67]: in 2021, 36.1% of the population was living on less than $2.15 a day, numbers which are even higher than in 2015, when 29.4% (13.8 million people) were below the international $2.15 poverty line (The World Bank DataBank, 2024).

As stated above, poverty in Kenya cannot only be described as deprivation in terms of material resources, but rather as multidimensional, adjective implying that poverty not only refers to income poverty. An interesting model is the framework developed by the Sweden's government agency for development cooperation (SIDA) to explain multidimensional poverty, displayed in figure 4.3, according to which a person is poor not only due to lack of *resources*[68], but also lack of *opportunities and choice*[69] lack of *power and voice*[70], lack of *human security*[71]. According to SIDA, all the poverty dimensions are interlinked: in most cases multiple deprivations interplay to push people into poverty and to keep them there (SIDA, 2017, p. 13); being poor in one dimension can aggravate poverty in another dimension, and improvements in one dimension can reduce poverty in another dimension (p. 14). Individuals who experience poverty on several levels are more likely to lack the means and

Fig. 4.3 - Four Dimensions of poverty (SIDA, 2017, p. 18)

[67] Poverty data are now expressed in 2017 Purchasing Power Parity (PPP) prices, updated from 2011 PPP in previous editions. As prices in the world evolve, international poverty lines must be periodically updated. The new international poverty lines of $2.15, $3.65 and $6.85 reflect the typical national poverty lines of low-income, lower-middle-income and upper-middle-income countries in 2017 prices (World Bank Group, 2023a).

[68] Being poor in terms of *resources* means not possessing and/or having access to material/non-material resources such as decent income, education, professional skills, health, natural resources (clean air, water). What resources people need is context-specific and depends on age, gender and other variables (p. 16).

[69] Poverty can also imply having no possibility to develop and/or use resources to move out of poverty, which is defined as lack of *opportunities and choice*. Lacking resources, power and voice and a secure context negatively affects the choices available and the opportunity to escape from the poverty trap (p. 16).

[70] Being poor in terms of lack of *power and voice* refers to the fact that the poor may be excluded from participation in public life and engagement with public institutions, and also lack the ability to make decisions in the private sphere. Poor people may have a reduced ability to articulate their concerns, needs and rights in an informed way, and take part in decision-making affecting these concerns (p. 16).

[71] Generally, people already experiencing poverty in other dimensions are worst affected by low security contexts such as conflicts; being poor in terms of *human security* means that violence and insecurity are threats to individuals/groups to the point that they constrain their possibility to exercise their human rights and find their way out of poverty (p. 16).

chances necessary to effectively manage risks and preserve their wellbeing in the event of shocks, to be willing to make important future investments, and to plan their life in the long run (p. 15).

Knowledge about the complexity of poverty is essential to define effective policy measures to reduce poverty. On a national level, Kenya's Vision 2030 development program, the long-term development program launched by President Mwai Kibaki on 10 June 2008 covering the period from 2008 to 2030, has poverty among the main challenges to be tackled, and seems to have taken into good consideration the four dimensions of this intricate phenomenon. Particularly, Vision 2030 aims to create a "globally competitive and prosperous country" with a high quality of life driven by economic development, a "just and cohesive society in a secure environment", and a democratic political system "protecting the rights and freedoms of all Kenyans" (Diwakar & Shepherd, 2018, p. 8). The main goal of the program is to raise the average standard of living in Kenya to middle-income by 2030 (State Department for Economic Planning, n.d.; Kenya Vision 2030, n.d.). Implemented through a series of successive five-year Medium-Term Plans, Vision 2030 is based on three pillars, namely economic, social and political, which are anchored on several foundations including, inter alia, the generation of wealth creation opportunities and enhanced equity for the poor (Kenya Vision 2030, n.d.). However, efforts to reduce corruption in Kenya must continue: the government is still regarded as one of the most corrupt in the world, with huge amounts of money unable to be tracked down by the government itself; poor people cannot aspire to develop in their society if the government does not work for them, and public funds are misused (Faye, 2023, p. 64).

4.1.2 Educational system in Kenya: between free public education pledges and failures

The educational system in Kenya is one of the brightest examples of the existent divides between wealthy and poor families. Poor parents often have to send their children to overcrowded and under-equipped public schools or to better-quality but more costly private schools, despite struggling to afford basic expenses such as food and other utilities, while wealthy children can attend private schools with better-paid teachers, substantive curricula and many extracurricular activities. The most recent version of the Kenya Integrated Household Budget Survey (KIHBS)[72] of 2015/2016 indicates that 7.6% of the male population aged 3-24

[72] KIHBS is a major household survey designed to collect data on household consumption and income generation and compile national poverty and employment statistics.

and 7.8% of females had never attended school, with peaks of 9% and 9.6% in rural areas[73] (Kenya National Bureau of Statistics, 2018, p. 66). When asked why they had never attended school, the majority (35.7%) of urban residents aged 6-17 cited school costs, while 2.6% stated that "they had to work or help at home"; in rural areas, those who never attended school for work were 13.7% of respondents (p. 80) (see Appendix 2). Urban areas additionally showed higher net school attendance ratios[74] across all levels, with primary attendance rates laying at 86.4%, compared to 80.7% in rural regions (p. 77).

This unbalanced scenario with disparities among urban, rural, wealthy and poor households permeating the educational environment was not what the Kenyan government envisioned when, in 2003, it declared that primary education would be free for all children. Since gaining independence in 1963, the Kenyan government has regarded education as a crucial element of national development, thus attempting to provide universal primary education. Efforts in the 1970s, including partial implementation of Free Primary Education (FPE)[75] policies in 1974 under the first President, Jomo Kenyatta, laid the groundwork[76]; the momentum continued in 1974, as the second President launched the second FPE initiative[77]. In January 2003[78] the government implemented the third FPE initiative, abolishing school fees in all public primary schools with the promise of bearing the education costs by paying for expenses such as teaching and learning resources and the salary of non-teaching staff, calculated per pupil, with the assistance of donor agencies[79]. This move, aimed at achieving wider education coverage, resulted in a 22% increase in net enrolment rates in the first year of its implementation[80] (Musungu, 2018, p. 65, 66; Nishimura & Yamano, 2008, p. 3, 4)[81].

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[73] Nairobi City and Kisumu Counties registered the highest proportion that had attended school with low proportions of school attendance in Mandera, Turkana, Samburu, Garissa, Marsabit, Wajir.

[74] Net school attendance ratios indicate the total n. of people in the official school age groups (as of 2015/2016, school age groups were 3-5 for pre-primary, 6-13 for primary, and 14-17 for secondary school level) attending a specific level to the total population in that age group (Kenya National Bureau of Statistics, 2018, p. 72).

[75] FPE will be used to refer to Free Primary Education.

[76] Kenya was close to reaching FPE with Kenyatta implementing a FPE policy to include Standards 1 - 4.

[77] The 2nd FPE initiative included Standards 5-7 in FPE (in those years, primary education had 7 years).

[78] Up to December 2002, Kenya was under the leadership of the Kenya African National Union (KANU), while at the end of the year the National Rainbow Coalition (NARC) won the election, after promising during the electoral campaign to offer FPE to Kenyan children. When in 2002 the new party was confronted with the challenge of reconstructing the economy after a decade of weak macroeconomic management and a fall of international aid between early 1990s and early 2000s, the new government recognized quickly that poverty reduction could not be tackled without addressing human development (Musungu, 2015, p. 66).

[79] Government started providing funds at a rate of KSh 1,020 per primary school student (Musungu, 2018, p. 66).

[80] The net enrolment rate grew from 64% to 76% between 1999 and 2004.

[81] Moreover, between 2003 and 2011 primary school net enrolment increased from 80.4% to 95.7% (Zuilkowski et al., 2018, p. 265).

However, even when school attendance was said to increase significantly, millions of school-aged children remained out in the streets, at home or elsewhere, not in school. In spite of the government's pronouncement that it was providing free and compulsory basic primary education, and although the right for free schooling is even enshrined in the Constitution of Kenya of 2010[82], the gains achieved in the first years of implementation were soon lost, as millions of pupils disappeared from school or dropped out[83]. Existing research indeed confirms that FPE has paradoxically increased disparity in the quality of education between private and public schools and widened the gap between poor and wealthy families: the initial huge enrolments attributed to FPE strained public school resources, declining school quality[84] and increasing private school attendance. By prohibiting public schools from charging fees, more families became able to send their children to any public school, leading to a massive inflow of students in good-performing public schools; with inadequate infrastructure and limited teaching staffs, public schools could not cope with such large flow, and some families in wealthier conditions decided to send their kids to private schools, fearing the deterioration of education quality in crowded schools. Demand for private schools increased: the share of children attending private schools rose from 4.8% to 12.2% from 2004 to 2007, especially among children in relatively wealthy households, and private primary schools grew by 38% in the first 3 years[85]; public schools numbers rose by 1.6% (Nishimura & Yamano, 2008, p. 4).

With the FPE's miserable effects in improving the situation of poor children, today many parents and scholars withdraw their support in the belief that children are entitled to free education (Musungu, 2015, p. 68): wealthier families can utilize the actual school choice more than poorer ones, and, although poor parents could potentially send their children to any public school, they struggle with the lower quality of education, which leads children to be less productive and to obtain fewer returns to education (p. 11). The FPE paid no attention to quality assurance, exacerbating disparities that undermine the initiative's goal of equity of the overall education system, enabling the recreation of inequality (Nishimura & Yamano, 2008, p. 4).

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[82] The Constitution of Kenya in 2010 which provides that "every child has a right to free and compulsory basic education" (Musungu, 2015, p. 66).

[83] Nishimura & Yamano (2008) observe that if the quality of education is sacrificed, the student will have less chances to learn and to be productive, leading to a reduction in the return to education. In this way, reduced productivity can sometimes lead to dropouts and school transfers (p. 11).

[84] A consequence of the loss of educational quality is that a wide proportion of children complete schooling without mastering basic Grade 2 level skills, as found by Uwezo (2014).

[85] The number of private schools rose from 1441 in 2002 to 1985 in 2005, while that of public schools grew from 17589 to 17864 (Nishimura & Yamano, 2008, p. 4);

In a context permeated by huge inequalities, in 2017 the Kenya Institute of Curriculum Development (KICD)[86] researched and developed an innovative instructional model of education which brought a fresh perspective on learning, focused on the acquisition of essential competencies needed in the 21st century. This model, called Competency Based Curriculum (CBC), shapes today educational system in Kenya. It has replaced the 8-4-4 system of education that had served Kenya until 2017[87] to provide a more holistic learning experience for learners, placing a strong emphasis on core competencies to "prepare learners for the complexities of the real world": these are skills that go beyond traditional subject-based learning and that focus on holistic development, including problem-solving, communication, collaboration and digital literacy ("The Core Competencies of the Competency-Based Curriculum in Kenya", n.d.). The CBC consists of a 2-6-3-3-3 education cycle, which means that students transition through a total of 17 levels, with each level lasting one year (Plainsview Academy, 2023). All levels are grouped in 4 main categories:

1) Early Year Education (EYE) focuses on mastering basic skills and consists of:
    - Pre-Primary education: Pre-Primary 1 (PP1) plus Pre-Primary 2 (PP2), formerly referred to as "Nursery"; children enter this level at 4 years old;
    - Lower Primary education: Grade 1, Grade 2 and Grade 3;
2) Middle School includes:
    - Upper Primary education: Grade 4, Grade 5, Grade 6 (together with lower primary, these three years form the 6 years of primary education);
    - Lower Secondary education: Grade 7, Grade 8 and Grade 9 (these are the 3 years in junior secondary education);
3) Senior School: learners start to specialize based on their interests in their chosen career paths, choosing from categories such as Arts & Sports Sciences, Social Sciences, or STEM (Science, Technology, Engineering and Mathematics). Based on the chosen category, the learner will transition in Grade 10, Grade 11, Grade 12 (the 3 years in senior secondary education);
4) University education: students can choose to attend a Technical and Vocational Educational and Training (TVET) or University, and they will therefore undergo a minimum of 3 years, even though some careers require longer time frames.

[86] KICD will be used to refer to Kenya Institute of Curriculum Development

[87] The 8-4-4 system consisted of 8 years of primary school, 4 years of secondary school and 4 years of university.

At the end of Grade 3, 6 and 9, the Kenya National Examination Council (KNEC) assesses students to determine if they are eligible to progress to the next stage. After senior school, kids are awarded with an academic certificate named the Kenya Certificate of Secondary Education (KCSE). Figure 4.4 presents a summary of the structural model, necessary to be kept in mind as it is useful to understand data collected through the interviews and displayed in Section 4.4.

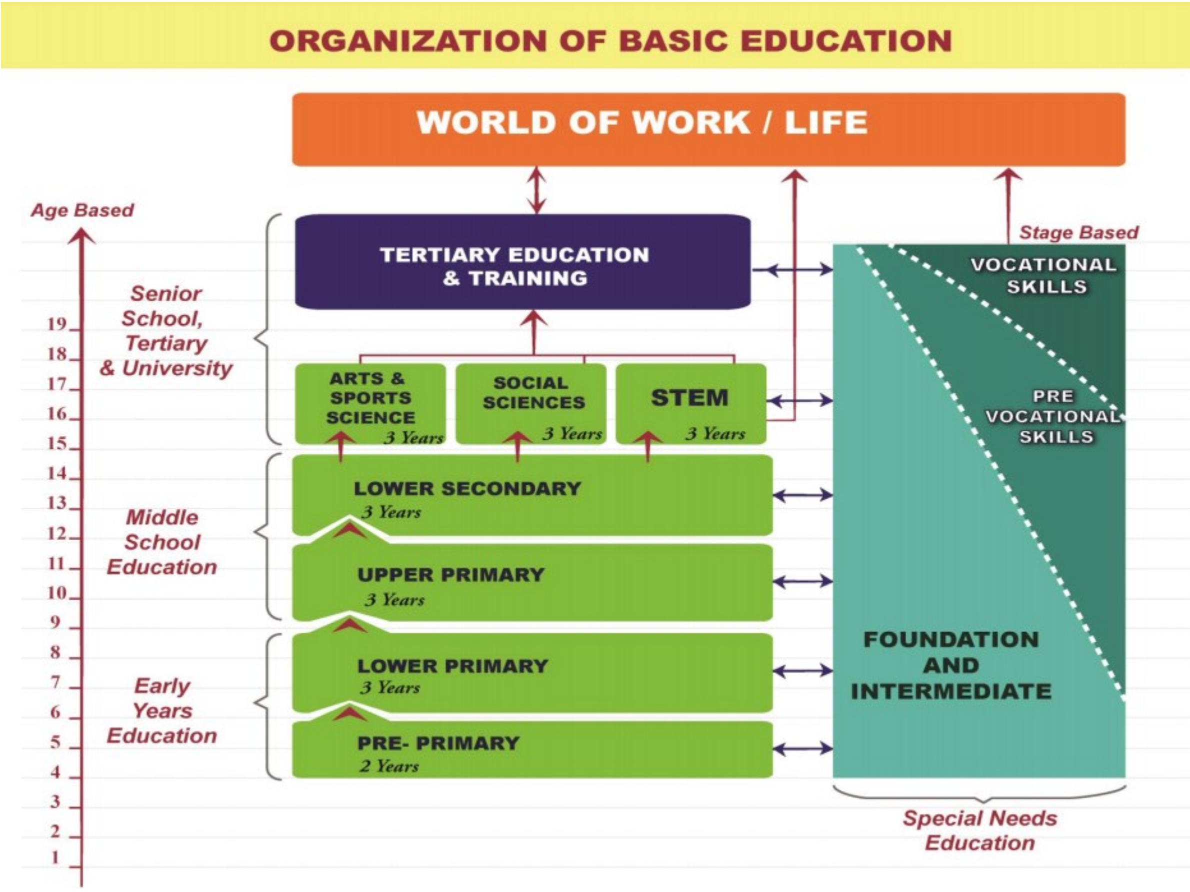

Fig. 4.4 - Structure of the new educational system, the Competency-Based Curriculum

But what distinguishes private and public schooling, and what determines the choice between one or the other? According to the UIS definition of private schooling, private institutions are those which are not operated by public authorities but are controlled and managed by private bodies, such as NGOs, religious bodies, foundations and businesses (GEM Report Team, 2015, p. 93). The definition of what it means to be a private institution, as well as its for-profit or not-for-profit management, varies around the world. In particular, low-cost private schools (LCPS) are a growing and extremely common sector of the educational system in Kenya: they have proliferated everywhere in the country, but especially in urban areas, where, as mentioned in Section 4.1.1, poverty rates have increased even more rapidly than in rural ones. LCPS emerged in the underserved non-formal settlements[88] around the country as a consequence of parents' concerns over public school quality education and most of all due to insufficient places in public schools after implementation of FPE; additionally, poor geographical public-school distribution in these areas poses challenges for school aged children to reach them[89] (Zuilkowski et al., 2018, p. 258, 259). LCPS can be for-profit or not-for-profit, but their defining features are that they charge low fees that are supposedly affordable to poor families, and that they are not aided by the government (GEM Report Team, 2015, p. 100). Among the advantages, LCPS are usually conveniently located, have smaller class sizes (GEM Report Team, 2015, p. 100) and lower student-teacher ratios compared to public schools, which can often be congested, leading teachers to spend less time with each student. Many studies have proved that poor students in LCPS perform better than those who attend public schools in both literacy and numeracy in similar geographical areas (p. 261). Some drawbacks include the fact that LCPS are usually underfinanced, have difficulties collecting funds from parents, and often have unqualified teachers due to low or no education requirements when hiring teaching staff (GEM Report Team, 2015, p. 100).

On the other hand, public schools are learning institutions that are funded by local, state and/or federal governments, which offer general education opportunities to all children. In Kenya, government expenditure on education accounted for 17.9% of all government expenditures in 2020, a total of 4.6% of national GDP (The World Bank DataBank, 2024). If, by comparing these data with the benchmark set by the Education 2030 Framework of Action (see Section 2.1.5), these proportions seem to be quite promising, limitations emerge from a closer look at expenditures disaggregated per level of education: while in 2000 the government was dedicating 68.1% to primary education, in 2015 this percentage was almost halved (36,3%) (The World Bank DataBank, 2024). The promise of free public education can hardly be sustained if funds for primary education are consistently reduced.

[88] Non-formal or informal settlement areas are residential areas where inhabitants do not have security or tenure regarding the land or housing they inhabit, and they do not comply with local authority requirements for conventional formal settlements. These types of areas can range from illegal occupation to slums (Avis, n.d.)

[89] In many of the vast slums in Kenya, the nearest public schools are on the fringes of the slum areas. The lack of stable government-provided schools may force parents to choose private schools (GEM Report Team, 2015, p. 100). An outstanding example is Kibera, the biggest non-formal settlement in Nairobi, which has almost 55 thousand school aged students and only 4 public primary schools (Zuilkowski et al., 2018, p. 259).

4.1.3 Child labor in Kenya

The Children Act of 2022 (The Republic of Kenya, 2022, p. 432) defines child labor as work done by a child which:

(a) Is exploitative, hazardous or otherwise inappropriate for a person of that age; and

(b) **Places at risk** the child's well-being, **education**, physical or mental health, or spiritual, moral, emotional or social development.

Moreover, Article 13 of the Children Act (The Republic of Kenya, p. 445) recites:

> Every child has the right to **free and compulsory basic education**[90] in accordance with Article 53(1)(b) of the Constitution.

But is this right of free and compulsory education really enforced? Are children free from child labor? The government of Kenya has taken some important steps for the elimination of child labor, ratifying all the important conventions mentioned in Chapter 1: C138, C182 and the CRC, as well as the UN CRC Optional Protocol on Armed Conflict, the African Charter on the Rights and Welfare of the Child, and the Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children. However, ILO Convention 189 on Domestic Workers and the UNCRC Protocol on the Sale of Children, Child Prostitution and Child Pornography are still to be ratified (The African Network for the Prevention and Protection Against Child Abuse and Neglect [ANPPCAN] & Global March Against Child Labour, 2018, p. 3). The government has further established laws and regulations strengthening legal protection for children from child labor, such as the Children Act of 2022, which replaced the Children Act of 2001 by adding new definitions that captured new emerging issues, such as online abuse and child trafficking; this act further mandated the Cabinet Secretary of Labor to enact regulations prescribing the types and conditions of work that children from 13 to 15 and 15 to 17 can undertake, and requested the state to establish mechanisms to facilitate the protection, rehabilitation, care, recovery and reintegration of children affected by armed conflict or natural disasters (Bureau of International Labor Affairs, 2022a).

Government efforts included the establishment of the FPE and other specific policies:

[90] Basic education means the educational programmes offered and imparted to a person in an institution of basic education and includes Adult basic education and education offered in pre-primary educational institutions and centres;

- National Policy on Elimination of Child Labor: the policy proposed methods to prevent, identify, withdraw, rehabilitate and reintegrate children involved in all forms of child labor, including measures to establish child labor-free zones, enhance public awareness about the issue, establish an up-to-date and reliable database on child labor, boost funding for the enforcement of laws against child labor, improve accessibility to education and social protection programs. Among the proposed strategies, the Policy encouraged the enforcement of the Employment Act of 2007, which restricts employment of children from 13 to 16 to light work only[91] (Bureau of International Labor Affairs, 2022a; ANPPCAN & Global March Against Child Labour, 2018, p. 19);
- National Plan of Action for Children in Kenya (2015-2022): informed with data from studies on violence against children in Kenya, this plan of action offers a framework for coordinating, organizing, arranging, carrying out, and overseeing child welfare programs and outlined awareness-raising events, activities and research, with the aim of achieving a 50% reduction in child labor and other incidences of child exploitation by 2022 (Bureau of International Labor Affairs, 2022a; ANPPCAN & Global March Against Child Labour, 2018, p. 4).

Moreover, Kenya has assigned ministries to ensure the implementation and enforcement of the policies and laws mentioned above, including the National Police Service, the Anti-Trafficking Police Unit, the Ministry of Education, which ensures that children have access to education, the Ministry of East African Community, Labor and Social Protection, which coordinates its activities through its Division of Child Labor based at the ministry's headquarters, the Office of the Director of Public Prosecution, the Ministry of Devolution and Planning and the Department of Children's Services, with offices in all 47 counties in Kenya.

The mechanisms the government uses to coordinate activities on child labor protection and violence against children are the National Steering Committee on Child Labor, the National Council for Children's Services, the National Labor Board, the Counter-Trafficking in Persons Advisory Committee and the Local Advisory and Child Labor Committees in all 47 counties (ANPPCAN & Global March Against Child Labour, 2018, p. 5).

[91] According to the Employment Act of 2007, children from 13 to 16 years old can be employed in light work which does not prejudice his/her attendance at school, participation in vocational orientation, and does not harm his/her development and health (ANPPCAN & Global March Against Child Labour, 2018, p. 13).

Despite having many laws, policies and programs to address child labor and violence against children, data from the Kenya National Bureau of Statistics (KNBS) shows that, as of 2021, 8.5% of children, or 1.3 million, are engaged in child labor, with the highest rates in the arid and semi-arid counties at more than 30% (Chibebe & Zaman, 2021). ILO's analyses of statistics from the Household Budget Survey of 2019 suggest that 11.6% of children aged 5-14 were working, 93.9% were attending school, and 11.5% of children from 7 to 14 years were combining work and school (Bureau of International Labor Affairs, 2022b). Primary school enrollment rates reached 93%, but secondary school enrollment was 53% (UNICEF, 2022).

Kenya has made only minimal advancement in eliminating the worst forms of child labor, and huge gaps exist in this legal framework to adequately protect children from being forced into labor. For instance, the Employment Act allows employment of children between 13 and 16 years for light work "which is not likely to be harmful to the child's health or development, to prejudice the child's attendance at school, his participation in vocational orientation or training programs approved by the Minister or his capacity to benefit from the instructions received", and children from 16 to 18 are defined as employable (ANPPCAN & Global March Against Child Labour, 2018, p. 14). This may encourage children to leave school before the completion of schooling, as children in both lower secondary and senior school are allowed to work; in this view, light work is a form of child labor, as its provision allows children under 18 to be employed and denies them a chance to access the full course of education. Moreover, the hours of light work are not limited by Kenya's laws, except for agricultural and horticultural work, and children are still subjected to the worst forms of child labor, including forced domestic work, dangerous tasks in agriculture, and commercial sexual exploitation (Bureau of International Labor Affairs, 2022a).

Gaps exist also in the education system, enabling child labor to be perpetuated: children are not really entitled to FPE. Article 29, paragraph 1 of the Basic Education Act states that "no public school shall charge or cause any parent or guardian to pay tuition fees for or on behalf of any pupil in the school", but leaves behind children who reside in Kenya with no Kenyan citizenship: "tuition fees may be payable by persons who are not Kenyan citizens" (The Republic of Kenya, 2013, p. 19); foreign children thus remain excluded from free education privileges, which enhances their likelihood to be involved in child labor. Most importantly, Article 29, paragraph 2 (b) of the Basic Education Act allows public school administrators to charge other forms of school levies "with the approval of the Cabinet Secretary in consultation with the county education Board provided that no child shall be refused to attend school because of failure to pay such charges" (p. 19).

Moreover, the Basic Education Act is not clear on the age a child should stay in school: Article 30 only states that both primary and secondary education are compulsory, which leads to the assumption that 17/18 is the compulsory school age (The Republic of Kenya, 2013, p. 19), but it does not clearly state the compulsory school age. Additionally, the government did nothing to enforce the observance of two important subsections of Article 30 of the Basic Education Act which stated that "a parent who fails to take his/her child to school commits an offense and shall be liable to a fine of maximum 100,000 Kenyan Shillings (KSh) or to imprisonment for a term of maximum one year, or both" (Musungu, 2015, p. 67). At the launch of the EFA Global Monitoring Report 2015 in Nairobi, the Cabinet Secretary for Education admitted that there were over 2 million children in the country who were not in school (Musungu, 2015, p. 68).

In addition to harmonizing child labor acts and laws in Kenya, child labor should be fought by involving the education community with the aim of effectively preventing children from transitioning from school to the worst forms of child labor.

4.1.4 Major microfinance operators in Kenya

Access to credit in Kenya is a common option for several households, as demonstrated by the Kenya National Bureau of Statistics (2018); most households, including poor and wealthy ones, usually access credit, being it goods or money advanced by a financial institution, individual or an organization in kind or cash, with an arrangement to repay later. According to the KIHBS 2015/2016, there are mostly four major sources of credit for people in Kenya. Results show that merchants or shops were the most common source of credit (28.2%), followed by SHGs (19.4%) and friends and family (14%). Among the formal sources, SACCOs were the most popular one (11.2%), followed by commercial banks (8.8%), mobile money platforms (7.6%), MFIs (5.3%), employers (1.3%), moneylenders (1.2%), NGOs (1.2%), government funds (1.2%) and religious institutions (0.2%). On a national level, most loans were requested for school and subsistence needs; most loans from MFIs and commercial banks were used for business or investment purposes, most from SACCOs were used on school fees, while the ones from merchants or shops and mobile phone platforms were used for subsistence needs (p. 129).

One very common form of doing business in non-formal settlements in Kenya is the so-called "table banking", which refers to the activity of credit groups of 5, 12 or 20 people who sit at a table and decide their own rule for saving and interest rates; everybody saves small amounts in one common pool, and at the end of every week or year they withdraw a certain sum, but the profit made by the interest rates remains in the account. Table banking, usually performed by groups to be allowed to open official accounts with a SACCO, is a practice that has somehow hindered the activity of many SACCOs, since it can be done informally among friends and can generate even huge amounts of money. The drawback of table banking is that, by allowing members to withdraw big sums, the groups can incur in the risk of seeing one member wasting the money, or in the worst case even disappearing with it; this cannot happen in a SACCO, which has stricter rules on borrowings and cannot lend huge sums: for instance, in the case of Jamii Bora Trust, members can borrow twice as much as they have saved.

Among the various financial providers, mobile money operators remain widely common in Kenya: 74.8% of the population aged 18 years and above have subscribed to mobile money transfer, with 85% of them being in urban areas (Kenya National Bureau of Statistics, 2018, p. 162). Mobile money transfers are highly useful in Kenya because people often have no chance to reach a bank to transfer or to deposit money, and in this way they can simply deposit money into an account stored on their cell phones and make payments. Mobile money is provided by many telephone operators in the country, regardless of the package. If someone wishes to send money, it is sufficient that he or she asks for the receiver's account number - generally being the phone number - and for their mobile money service operator. Money is transferred within 24 hours. Among all mobile money services providers, Safaricom M-PESA dominates the mobile money market (31.42% in 2020): launched in 2007 by Safaricom and Vodafone, it is today the largest mobile network operator in Kenya, followed by Airtel, which has decreased its coverage in the latest years (0.34% in 2020) (Statista, 2024a).

4.2 Overview of Jamii Bora Trust: teaching the poor how to save themselves

After having gained more knowledge about the unique characteristics of the country and how they continue to impact everyday life in Kenya, the focus of the discussion is now shifted on providing information about the field research conducted in Nairobi, Kenya. It is precisely the combination of a theoretical and normative framework around child labor, right to education and microfinance, together with an analysis of the Kenyan context, that have laid the foundations for these research purposes.

This case study is based on a local financial provider, namely Jamii Bora Trust, with which a collaboration was initiated in order to gain practical insights about the impact of microfinance on children's lives in developing contexts, and specifically in Kenya. A field visit to Nairobi was organized and conducted with a view to collecting data and evidence about how the most marginalized segments of society, the poorest of the poor, manage to exploit the tools of microfinance to address the daily struggles of keeping their children out of school, and in the worst cases sending them to work. In order to collect targeted evidence, a structured questionnaire was prepared prior to the trip and submitted for consideration to Jamii Bora Trust officers, who provided their full support, their view and personal experience in the sector, essential to adapt the questionnaire to the contextual specificities and needs of each of the interviewee. Thanks to the help of Jamii Bora operators, the project came to reality and visits to family microenterprises, shops and houses of adult members of the organization were arranged and carried out over three weeks. In the framework of these visits, 35 people took part, voluntarily and with full cooperation, in semi-structured interviews, with the presence of a trusted Jamii Bora officer they had familiarity with and, when needed, a translator. Before the interviews, they were all made aware of the purposes of this research and deliberately accepted to provide personal information.

The following sections aim at exploring the features of the business model envisioned by Jamii Bora Trust when, back in 1999, it decided to begin helping needy people, and they further provide an explanation on the mission and vision, the internal structure, and the types of services and social programs the organization offers to its members. All the information that follows is retrieved from the Jamii Bora Trust website, but mostly collected from conversations with Ingrid Munro, initiator of the organization, and Catherine N., one of the organization's officers; particularly, the story of the organization is the fruit of a detailed narration by Ingrid Munro and Janett B., one of the 50 women who founded Jamii Bora Trust.

4.2.1 The story of a revolutionary business model since 1999

Jamii Bora Trust is an umbrella term indicating the projects and activities performed by a provider of financial services in Kenya, including microcredit and health insurance and a few social programs. It comprehends the Yawezekana SACCO, the Yawezekana Housing Cooperative Society and two social programs, namely the Tumaini program and the Levuka rehabilitation center. Jamii Bora Trust was born and registered as a Charitable Trust[92] under the Trustees (Perpetual Succession) Act, Chapter 164 of the Laws of Kenya[93] on 22 November 1999 at the initiative of poor street women in Nairobi based on self-help, solidarity and table-banking (Jamii Bora Trust, n.d.-d); it then evolved into Jamii Bora Bank in 2008, and remains active today through its social programs and its SACCO, named Yawezekana SACCO, reaching almost 200,000 members. This success was certainly not what the 50 Kenyan women, founders of Jamii Bora Trust, had foreseen when, more than 30 years ago, they started saving KSh 50 a week and began dedicating their time to learn practical skills to earn some money instead of begging or engaging in prostitution and human trafficking. Little did these women know that they would become the core recruiters of new members of one of the few financial organizations in Kenya committed to help street beggars and the poorest of the poor.

Everything started when, in 1985, a Swedish UN employee came to Nairobi as the director of a UN program, the International Year of Shelter for the Homeless[94], a two-and-a-half-year assignment (1985-1987). Her name was Ingrid Munro: born in 1941, she moved to Kenya with her husband and two daughters, who were attending an international school. Prior to that, she had worked for the Swedish government: with a degree in architecture at the Royal Institute of Technology in Stockholm, she was first Assistant State secretary in the Swedish Ministry of Housing and Physical Planning (1975-1978), then Director-General of the Swedish Council for Building Research (1978-1985), being the first woman in Sweden to do so at her age (Jamii Bora Trust, n.d.-a; Mathare Youth Sports Association [MYSA], n.d.). When she was living in Kenya, she had the chance to visit the slums in Nairobi - where she was not

[92] A trust is an equitable obligation binding trustees to deal with assets over which they have control for the benefit of persons (beneficiaries) whom they manage for. Trusts are registered through preparation of a trust deed, a declaration of trust, and other relevant documentation. A charitable trust is a trust formed for the exclusive purpose of the relief of poverty, the advancement of education, religion or human rights and fundamental freedoms, or the protection of the environment or any other purpose beneficial to the general public (Kenya Law, n.d.).

[93] The government prohibited collection of big sums of money by unregistered institutions. The Trust Deed dated 22nd November 1999, the Certificate of Incorporation of the Trust dated 1st December 2000, and the Deed of Appointment of Trustees dated 24th August 2001 (Republic of Kenya, 2005, p. 4).

[94] The UN had proclaimed 1987 to be the International Year of shelter for the homeless, and Ingrid was appointed basically to convince governments to enact housing reforms (Jamii Bora Trust, n.d.-d).

allowed to enter due to "security reasons" as a UN staff member[95]. One day, Ingrid helped an orphan street boy who had been run over by a car and had broken his leg[96]. While taking good care of the child, Ingrid's daughter got so attached to him that Ingrid helped him find a place in a children's home after he was cured in the hospital, and even looked for his younger brother, who he had lost. It was during these three years of desperate search that Ingrid came to know the reality of street life from the very inside, and realized that something needed to be done to empower those poor people and restoring the hope and dignity they seemed to have lost.

The search lasted almost three years, when finally the little brother was found. Inspired by what her dad, a medical doctor, had done in his life[97], Ingrid adopted both the two little brothers and decided to remain in Kenya to deepen her commitment to help poor people. Once she retired from the UN in 1987, a number of African governments offered her to lead the intergovernmental pan-African organization African Housing Fund (Jamii Bora Trust, n.d.-a), which she accepted to help get started, but ended up heading for 11 years, from 1988 until 1999. In the meantime, she visited many slums and got to know many orphans, street children and street beggars, including some mothers in Waithaka, an area in Nairobi city.

In 1993, when a meeting of the African Development Bank was coming up, Ingrid caught the opportunity to relocate those women together with other needy single mothers, for a total of 250 women with their children, to Soweto, outside Nairobi[98], and start a rehabilitation center. Soweto was chosen so that women would not be tempted to go back to the city, drinking, begging, or living off what the streets would offer them. Using funds from the African Housing Fund and the African Development Bank, who acted as initial donors, Ingrid rented a house for those women and bought the material to start handcrafts activities to keep them busy and teach them, with the help of trainers, some basic skills that they could employ for income-generating activities: some were weaving table mats and bags using natural fibers obtained from plants, but also blankets and cardigans for children to be sold in Sweden; other groups were undoing second-hand clothes to knit pullovers and new clothes, but also recycling paper, collecting bones and selling them to a factory that was making melamine cups and plates. In particular, there was one training which more than two interviewed women have mentioned, which lasted one week and provided women with both the machines and the teaching to learn

[95] Ingrid has always found this impossibility unjust and incoherent with her role as a UN functionary.
[96] Little did Ingrid know that if it had not been for him, Jamii Bora Trust would have never been born.
[97] Ingrid's dad decided at 44 years old to become a medical missionary in what today is Zimbabwe.
[98] Poor people and street beggars were usually incarcerated in the occasion of important events of international exposure "as a source of shame" for the government, says Ingrid, to be released once the event was over.

new skills: it was called Intermediate Technology Workshop. Kenya Women Finance Trust, now Kenya Women Microfinance Bank, continued this work for almost two years by teaching those women how to continue with their businesses and refund loans - Jacinta (personal communication, 7 September 2023). The talents of these women began to surface, and their desire to grow out of poverty became so lively that some of them developed flourishing activities.

When Ingrid retired from the African Housing Fund in 1998, there were 50 women who were already good at doing businesses. It was at this time that, having learnt about those women's mentality, Ingrid started lending them little money, under the condition that they should repay it back[99] and save part of the sum, at least KSh 50 per week; to promote a savings culture, she promised a loan for double the amount they had saved - for every KSh saved, she would mobilize a donor to give KSh 2 -, and when they were struggling to save, she would distribute beans or maize for a value of KSh 50 to whoever was saving, making everyone active.

In 1999, Ingrid managed to mobilize additional donors to fund the loans, including Strømme foundation, a Norwegian-based organization with a total of 150 staff work worldwide today, which donated KSh. 8,000, and Manushah, an Indian company which donated KSh 100,000. On November 22, 1999, following this last substantial donation, the women decided to register officially what initially was a small women's club as a Charitable Trust, with Ingrid as the Managing Trustee; it had been only a little over a few months since the 50 women had started saving, and the group already counted 5,000 members, as an increasing amount of people kept joining. Even though the initial intention was to call it Tumaini Trust ("new hope"), they ended up naming the Trust Jamii Bora Trust, which means "good families" in Swahili[100]. The rule of the trust was that everybody could deposit some money in one common account, and, when they needed a loan to invest in their businesses, or to pay for their children's school fees, they could borrow twice the amount of their savings.

Jamii Bora Trust began establishing several branches in Kenya, starting with Soweto, followed by Mathare[101]. Recognizing that credit alone cannot lift poor people out of poverty, Jamii Bora Trust began establishing a number of social programs, the first being the health insurance program, which stemmed from the challenges faced by many families in repaying

[99] Paying money back was the hardest thing to do at the beginning, considering that all these women were beggars and could have run away with their first loan. To avoid that, Ingrid promised a loan for double the amount they had saved.

[100] The name Tumaini Trust was indeed already assigned to another existing trust in Kenya.

[101] In Mathare, Ingrid's husband was managing the Mathare Youth Sport Association (MYSA), a very active football team for which he received sponsorships to send football players to Norway to play football.

their loans, as it was found that, in 93% of the cases, those who struggled with repayment were incurring in considerable costs due to hospitalization of one of their family members.

In 2008 the government implemented stringent measures to address the issue of pyramid schemes[102] which had been initiated by a growing number of individuals: to prevent people from significant financial losses, one of the measures taken by the government was the issuance of a legal notice mandating that all providers of small loans must be registered and regulated by the Central Bank of Kenya, either in the form of regulated MFI or regulated bank; opting to become a regulated bank, Jamii Bora Trust pursued registration with the Central Bank of Kenya. Instead of undergoing extensive and costly procedures, they bought a very small bank that had collapsed, called City Finance Bank, thus establishing the Jamii Bora Bank, with Ingrid serving as the CEO. In 2010 Jamii Bora Bank was bought by Kingdom Bank, changing its name, even though Ingrid is still recognized as a founder; today Kingdom Bank works as a proper bank, where the poorest cannot access.

In the same year, people working within the organization began to realize that a bank posed a whole series of limitations to their clients, as, with about half a million members, there was an increasing number of them who were ready and willing to access loans that were bigger than the ones permitted by a traditional bank to people with no collateral, no title deeds[103], or no land which could stand as security in case of failure in repayment[104]. For reasons linked to inaccessibility to bigger loans to many of their members, the organization applied to obtain a license for a SACCO in order to accommodate the needs of even those - still poor - clients who had succeeded in growing their savings. After complicated procedures, at the end of 2011, Jamii Bora SACCO was created, later called Yawezekana SACCO[105], a word meaning “it is possible”. Each branch of Jamii Bora Trust opened a SACCO in order to handle the needs of all members requesting bigger amounts of money within each SACCO branch.

[102] Pyramid schemes are fraudulent and unsustainable investments which consist in recruiting members by promising them big profits in terms of money or other services in exchange for recruiting new participants into the scheme. They are based on recruiting an ever-increasing number of what they say could be investors by promising unrealistic returns. The pyramid in the name comes from the structure of the scam, where one participant recruits several additional participants to work for him/them (Napoletano, 2023).

[103] A title deed is a document stating and proving a person’s legal right to own a piece of land or a building (Cambridge Dictionary, n.d.).

[104] Members requesting loans were still poor clients, in line with the aim of Jamii Bora Trust; they were simply people who had managed to save bigger sums of money and could now afford to access bigger loans, but did not own a piece of land to act as security and had no collateral whatsoever.

[105] In 2012, Jamii Bora Sacco had to change its name into Yawezekana SACCO as the Jamii Bora Bank - by that time called Kingdom Bank - wanted to start its own SACCO with that name.

4.2.2 Mission and vision

The mission of Jamii Bora Trust is to assist members to get out of poverty and forge a better life for their families. The organization likes to portray itself as the actor that provides the poor with a ladder for development that they have to climb themselves: Jamii Bora Trust does not pay for people's fees, but it provides loans that must be repaid. One of the central values of the organization is indeed the principle of self-discipline and self-help, consisting in the fact that a person can be helped to get out of poverty only if she first learns how to help herself (Jamii Bora Trust, n.d.-d): there is a whole community to help, but first people have to discover their talents and potential to begin their ascent. Simply providing financial aid is not sustainable, as individuals may regress into the poverty trap once external support ceases.

Jamii Bora Trust strongly believes that no matter how poor, miserable and hopeless people are, everyone is capable of climbing the ladder of poverty. Nobody is excluded from becoming a member, not even the most aggressive beggars, criminals or prostitutes, as the underlying idea is that "there is a life and a chance for everybody". The organization focuses its efforts on the poorest of the poor under the belief that, as Muhammad Yunus once claimed, "once the poorest unleash their energy and creativity, and discover their potential and self-worth, it's impossible to stop them" (Candlelight for Environment Education & Health, n.d.): when they have something to keep busy with, poor people are the best in dedicating all their efforts in coming out of poverty, since they do it with extreme consistency, as Ingrid claims; poverty will then vanish quickly, leading the poor to be able to live on profit from their ventures rather than on small available capital.

The foundation of Jamii Bora Trust's work lays in the word "yawezekana", which means "it is possible": the organization's goal is not to make money, but to inform poor people that they can make it, that everything is possible if they are willing to use all their skills, determination and hard work to build better families and better futures. Ingrid consistently emphasizes that at Jamii Bora when problems seem as big as mountains, the organization works to move that mountain: "we never give up, because everything is possible!" - Ingrid (personal communication, 29 August 2023). Within the walls of Jamii Bora, I heard repeatedly saying:

> *"Our mentor members are the living proof that however poor you are, you can get out of poverty if you are determined to do so. And the fact that poor are alive is already clear proof of their ability."*
>
> – Jamii Bora Trust (n.d.-d)

4.2.3 Internal structure

Jamii Bora Trust operates through its two social programs, namely Tumaini program and Levuka rehabilitation center, and through the Yawezekana SACCO as well as the Yawezekana Housing Cooperative. Today, Jamii Bora Trust counts a total of 190,000 active members, some participating in the social programs and some performing in the cooperatives. Jamii Bora does not refer to its members as "clients" or "customers": everybody is a member, equally to the staff operating in the offices (Jamii Bora Trust, n.d.-d). In order to operate all branches, Jamii Bora Trust employs its staff from families who are already members of the organization, so that each officer has a good knowledge about what poverty is about, deeply understands the needs of those requesting loans, and is determined and enthusiastic about helping others, explaining them how to grow from poverty, and bringing more members to know about the existence of the organization. The headquarters of Jamii Bora Trust are located in Nairobi industrial area, on Funzi Road. The organization has established its offices countrywide, with a total of 109 branches in Kenya, and 58 in Nairobi.

The path to get out of poverty is long and requires members to work hard and believe in their capabilities: this is the reason why each branch helps members throughout their journey towards independence by initially including them in the Tumaini project, the first step which prepares them to join the Yawezekana SACCO, until they have gained enough savings to join the Yawezekana Housing Cooperative. Member can however skip the first step if they have enough money to immediately join the SACCO, and thus ask for loans of bigger sizes; due to practicality reasons, even when members join the Tumaini program, they are managed by the same officeres, who are referred to as "Yawezekana SACCO officials"[106]. Regardless of their entrance into Tumaini or the SACCO, once they wish to apply for a first loan all members must fill out a "membership application and registration form", which is fully completed in the part of the registration only when members join the SACCO, a "loan agreement", and sign a "borrowing agreement", committing to faithfully repay the loan.

[106] For this reason, all the forms displayed in Appendix 3 are signed by "Yawezekana SACCO officials" and are attributed to the Yawezekana SACCO.

4.2.4 Loans in relation to systematic savings and group lending

Among the features that make Jamii Bora Trust one-of-a-kind, there is surely its firm commitment to encourage a savings culture, by linking loans to savings: members can open savings accounts within the SACCO and can borrow twice as much as they have saved, and if they continue to save, they are entitled to access bigger loans. Recognizing that saving is the key to gaining control over their future, the organization strives to enhance systematic savings by reminding members that the main purpose of saving is to qualify for bigger and bigger loans, as well as other services - for instance, the health insurance. Some members may decide to save monthly, others weekly or daily, and at different amounts. Yawezekana officials respect that members may have varying needs at different times; the organization prides itself on its flexibility in responding to clients' needs and enabling them to save and borrow whenever necessary (Jamii Bora Trust, n.d.-d): an example of this flexibility was observed during COVID-19, when flexible small loans (KSh 1,000 to 2,000) were delivered with no interest rate and with totally flexible repayment. If members do not need loans or they have more savings than needed for a loan, they are allowed to withdraw their savings or part of them. Moreover, if they wish to use the savings to repay a loan, they can notify the officials, and these will clear their savings to use them as loan repayments.

Furthermore, since the first day of their membership, members have to register as part of a credit group made of at least 5 members, who guarantee each other's loans - they have to pay if one member fails to do so - and provide important moral and social support to each other (Jamii Bora Trust, n.d.-d). This organizing mechanism is called group lending, a unique method which implies that group members guarantee each other's loan repayment, which is why collateral is not necessary. Members deposit some money at the same time, but in a separate individual savings account; they can choose to ask for a loan based on their personal account's savings and they are responsible for repaying it individually. When one member faces challenges in repaying his/her loan, the other members are affected, since they have to pay for him/her, the reason for which it is convenient that members of each credit group know each other well: they are indeed usually family members, relatives or friends. Of course, no Yawezekana official can ever act as a guarantor to a member.

4.2.5 Tumaini program

The Tumaini program is the very first step that Jamii Bora Trust has in place to help the poorest of the poor embark on their journey towards poverty alleviation. The program, named after the word “tumaini”, which means “hope”, provides counseling and encouragement to the poor: the organization’s officials go directly on the ground, where people reside or have their businesses, to talk to and convince new members that it is possible to get out of even the worst kind of poverty. Officers act as social workers, successfully reaching and inspiring new members, all backed by a huge baggage of experience in poverty, since they were all once poor people themselves. The element of success of the Tumaini program surely consists in the fact that the staff is well-aware about what living poverty is like, as they all suffered the same struggles. The program has initially focused its efforts on street beggars, but has also been targeting landless plantation workers since 2001 and the handicapped since early 2002. The program is unique: “never before in Kenya have beggars been organized in effective self-help groups to get themselves out of poverty” (Jamii Bora Trust, n.d.-e).

People can sometimes get to know about the existence of the program thanks to their friends; in any case, once they have reached out to one of the branches of Jamii Bora Trust, new members are given a simple but exhaustive explanation of Jamii Bora Trust’s mission and functioning. After having been trained on how to borrow and repay loans, they must provide a colored passport-size photo to fill in the membership application and registration form with their personal data[107]. At that point, new members can qualify for obtaining a first “Tumaini loan”: they have to save at least KSh 100 to obtain a loan of KSh 1,000 (6.42 euros), which must be repaid within 3 months, even though officials are flexible on repayments and, if members face difficulties in repaying, they allow them to keep the loan outstanding for longer, without ever stopping to encourage them. Officials check almost daily whether this loan is being used for productive purposes; typical small businesses that members usually set up at this step include selling second-hand clothes, cooking and selling on the road, selling fruit and vegetables, buying a matatu and using it as a source of revenue.

While repaying the loan, members are encouraged to deposit some money in their personal savings account, since, when they have finished repaying the first loan and have reached KSh 1,500 of savings, Jamii Bora Trust can give them a loan of double the amount (KSh 3,000). Once the KSh 3,000 have been repaid and members have managed to save KSh

[107] The membership and registration form is the same for those joining the Tumaini program and the SACCO, but members joining the Tumaini program do not pay for registration yet, until they qualify for joining the SACCO.

2,500, officials can give them a loan of KSh 5,000. Members can continue to grow until they qualify for a loan of KSh 6,000, having at least KSh 3,000 in their savings account: they can, after this step, become members of the SACCO to qualify for bigger loans.

4.2.6 Yawezekana SACCO

The Yawezekana SACCO was established at the end of 2011 to continue the work of Jamii Bora Trust for the poor. Having set a SACCO for each Jamii Bora Trust branch, the SACCO today counts a total of 109 branches countrywide, and 58 in Nairobi. As of February 2024, active members performing in the SACCO are 19,345. The branches are responsible for registration of new members, receipt of savings, for monitoring timely repayments and reviewing loan applications (Jamii Bora Trust, n.d.-d).

Members have to pay KSh 500 for registration fee and additionally purchase 30 shares, which have a cost of KSh 100 each: by buying shares, members become owners of the SACCO, thus all shareholders own the organization at the same rate. At this point, they can start saving for a period of 8 weeks after registration; if they manage to reach KSh 3,000 of savings, they are entitled to access the first "microbusiness loan" of KSh 6,000. Interest, always at the very low rate of 0.14%, is charged until the day the loan is fully paid. The first maximum microbusiness loan members can get is KSh 10,000. Microbusiness loans can range from KSh 6,000 to KSh 59,000, and they have to be repaid within 1 year, but members are free to repay the loan balance at any time earlier than settled in the contract; the faster borrowers repay the loan, the lower the interests, which incentivize them to repay as fast as possible to obtain a bigger loan for the micro business.

Starting from a loan of KSh 60,000, members can "graduate" to the "Daraja business loans": successful microbusiness borrowers with well performing businesses may indeed require larger capital; Daraja business loans can be obtained by members who have repaid, with perfect repayment rate, at least 3 microbusiness loans. These types of loans range from KSh 60,000 to KSh 700,000. They have to be repaid in a timeframe between 1 year and a half and 2 years, but Yawezekana SACCO remains flexible in accepting longer repayments.

While part of the SACCO, after one successful microbusiness loan members can request loans for school fees on the same conditions as microbusiness loans, which must be repaid within 1 year. Parents may ask for school fees loans each term, or when school finishes, depending on school costs and parents' needs.

During the pandemic, an increasing number of families struggled to pay for basic necessities such as food and school supplies, and small "corona loans"[108] were given out to help members cope with life challenges; to enable repayments, such loans were free of interest.

4.2.7 Business training

Since Jamii Bora Trust has existed, a "business academy" has been started, which the staff calls "planting academy", as it plants the seeds for growth. Since new members usually have never borrowed money anywhere else, when they join the Tumaini program they are trained on how to repay their loans, how to keep track of their savings and how to embrace a long-term planning mindset. The business academy can take place both in the form of 3-week annual classes at Funzi Branch held in January, with members of the organization teaching new members about the potential of the organization, but mostly in informal settings: as mentioned above, with "business training" Jamii Bora Trust intends the tough activity of convincing people that joining the program is a good solution to raise their living standards, and as such it is performed by the staff in the streets, in the slums or at church on Sundays. The officials need to follow the potential new members wherever they happen to be in order to listen to their stories, as they usually tend to hesitate from believing that their dignity can be restored if they accept to work hard towards achieving their goals.

Other than teaching business principles, a huge part of the business academy involves empowering the poor to build their self-confidence: both when held formally and informally, the staff provides counseling and support to individuals who have lost hope, motivating them to conceive business ideas that could generate some revenues and maintaining optimism for the whole journey. By sharing their own past experiences, staff members instill confidence in others, fostering the belief that transitioning from a street beggar to a successful entrepreneur is indeed possible. As reported by Catherine, official among the responsible ones for the good performance of the business academy, mostly women attend the training, as, from her own experience, women in Nairobi tend to be more involved in business activities than men.

Business training continues even when loans are delivered: once loans are extended, recipients may indeed be willing to repay but not know where and how to do it, or there could be those who just do not want to pay for other diverse reasons, and they therefore may need assistance and encouragement. In those cases, one official can open an M-PESA account with Safaricom to assist them pay loans easily, or with Airtel as an alternative. In general, in order

[108] 340 loans of KSh 1,000 or 2,000 were extended, and only 57 have been repaid fully.

to avoid failures in repayments, all loans should be recommended by branch officers before being forwarded to the head office to be processed; officials must always visit the business before disbursing a loan, and all members applying for loans must write a sketch map of their business location and where they live. The staff should choose active people who are willing to follow defaulters and give them incentives, or they themselves become in charge of talking to those members and understanding their situation to sort the issue out: a "debt recovery team" is formed among the officials to daily monitor all business activities and raise alarm to signs of defaulting.

4.2.8 Health insurance program

Once Jamii Bora Trust officials realized that the cause of failure in repayments was, in most cases, the hospitalization of one of the family members, they had the intuition that a health insurance program might be useful for its members. Innovating itself from the other financial providers, in March 2001 Jamii Bora Trust introduced an in-house health insurance program (Jamii Bora Trust, n.d.-b). The functioning is simple: when members qualify to receive a loan of KSh 10,000, other than filling out a form to request the loan they must complete a form to get a loan for the health insurance coverage. The SACCO provides members with a loan that is directly used to cover half of the cost of the health insurance coverage, purchased within the SACCO itself, while half of the cost of the insurance must be met by the members. There are 3 types of insurances, depending on the family members one wants to be covered:

- a health insurance covering inpatient care[109] of one parent (mother or father) and up to four children, provided at a cost of KSh 3,200: 1,600 are covered by the member, 1,600 are lent to the member by the SACCO as a health loan;
- a health insurance covering inpatient care of both parents and up to four children, provided at a cost of KSh 4,400: 2,200 are covered by the member, 2,200 are lent to the member by the SACCO as a health loan;
- a health insurance covering inpatient and outpatient care[110] of both parents and up to four children, provided at a cost of KSh 15,500: 7,750 are covered by the member, 7,750 are lent to the member by the SACCO as a health loan.

The health insurance lasts for one year, and then it is renewed. Health loans have to be repaid within 1 year.

[109] Inpatient care requires people to be hospitalized overnight.
[110] Outpatient care refers to a consultation, procedure or treatment which is administered without an overnight stay at a hospital.

4.2.9 Yawezekana Housing Cooperative Society

The lack of a secure place to live can often prevent many children from attending school, due to safety reasons: once they are used to living in the streets and they have no fixed place to return after school, "it is unthinkable for a mother to send her kid to school" - George (personal communication, 28 August 2023). Housing is a sector that Jamii Bora Trust has regarded as fundamental for various reasons, among which leading children to acquire a proper education.

For this reason, since in Kenya SACCOs are not allowed to deliver housing loans, Jamii Bora Trust established its Yawezekana Housing Cooperative Society in order to extend housing loans to those members who had worked hard enough to qualify for the biggest loans available in the organization. A successful microbusiness borrower (perfect repayment of at least 3 business loans) is given a chance to open a new account with the Yawezekana Housing Cooperative Society, by depositing KSh 500 for registration to the Housing Cooperative and KSh 2,000 to purchase 20 shares (Jamii Bora Trust, n.d.-c).

Since May 2002, "NEW Kaputiei Town" is the housing project operated under the banner of the housing cooperative: using SACCO funds and donations from other well-wishers, the cooperative built a total of 810 affordable housing units organized in seven neighborhoods between 2001 and 2010 in a new integrated, self-sustained housing estate called Kaputiei, in Kisaju Sub-location in Kajiado District, about 60 km to the south of Nairobi[111]. If members save at least KSh 150,000, they can receive a housing loan of KSh 500,000, but if they save more, they receive a loan of a lower amount: one house is indeed sold for KSh 650,000. There are no credit groups for the housing cooperative, members guarantee for themselves. Loans are repaid monthly over maximum 20 years. The project has managed to reduce the cost of building the houses by producing some of their building materials, such as roofing tiles and bricks, on-site: pictures of completed houses and the construction site are displayed below. It further gave jobs to many people, ranging from women to men, educated and non-educated, people from the local Maasai tribe, some of whom were involved in tile production, some in cleaning, some

[111] The land on which the estate was built used to be a piece of private land and it was bought by Jamii Bora Trust in 2002; a title deed was issued by the Kajiado District Land Registry on 5th February 2002. The project was a novelty in Kenya, representing the first known instance in which a sizeable town has been pre-planned in its entirety. Of course, the approval of the project was not without difficulties: even though the project had, among its goals, to provide job opportunities and social and cultural amenities for a better life (health centre, schools, sports facilities, playgrounds, churches, a cultural centre and administrative centers) for the local residents of Kisaju, other than the new families moving to the new town, the local community expressed strong objection when it learnt that the project would introduce people from the slums of Nairobi, as they had social and cultural attributes different from those of the local Maasai, and this would adversely affect the local culture and lifestyle, the local security, the local environment and also the local political equation (Republic of Kenya, 2005, p. 5, 6)

in building houses - Jacinta (personal communication, 7 September 2023). In October 2022 the project entered its second phase, which is intended to see between 1,200 and 2,000 new housing units built in the near future, and sold for KSh 850,000. Many members with significant savings are awaiting for house allocation today, about 159. In order to encourage people to move out of the slums to Kaputiei town, the cooperative has set up not only houses, but a town complete with a wide array of amenities including a primary and secondary school, private hospitals, a shopping center, electricity and streetlights, churches and a mosque and playgrounds.

Tab. 4.1 - List of loans delivered by Jamii Bora Trust in the framework of its Tumaini program, SACCO and Housing Cooperative Society

Type of loan	**Loan size (in KSh / €[112])**	**Loan term**	**Interest rate**	**Conditions**
Tumaini loans	1,000 - 5,000 (6.42 - 32.12 €)	3 months	0.14% per annum	at least KSh 100 of savings
Microbusiness loans	6,000 - 59,000 (38.55 - 379.07 €)	1 year	0.14% per annum	at least KSh 3,000 of savings
Daraja business loans	60,000 - upwards (385.49 € - upwards)	1.5/2 years	0.14% per annum	at least KSh 30,000 of savings + 3 microbusiness loans successfully repaid
School fees loans	variable	1 year	0.14% per annum	1 microbusiness loan successfully repaid
Corona loans (food loans)	variable but small to boost Tumaini program beneficiaries	no term, flexible	interest-free	no conditions
Health loans	1,600 - 2,200 - 7,750 depending on type of insurance (10.13 - 13.93 - 49 €)	1 year	0.14% per annum	member qualifying for a KSh 10,000 microbusiness loan
Housing loans	500,000 (3,166 €)	20 years	7% per annum	at least KSh 150,000 of savings + 3 microbusiness loans successfully repaid

[112] Conversions are calculated using the exchange rates of euros and KSh applicable on February 16, 2024.

4.3 Methodology

The design of this research was developed with the help of Yawezekana SACCO officials pertaining to the Funzi Branch, which corresponds to the headquarters of the organization and is located in the Nairobi industrial area. The method used is a qualitative research method, which is based on gathering participants' behaviors, experiences and perceptions rather than numerical data in order to explain patterns of human behavior that can be difficult to quantify; this method deeply relies on human beings as agents capable of making actions affecting social phenomena in their everyday lives, focusing on understanding the "why" and "how" of human behavior versus the "how many" of quantitative analysis (Tenny et al., 2022).

The collaboration with the organization prior to the trip enabled an in-depth analysis of its role and mission, the services it provides and the areas it currently covers; an extensive analysis of the organization before the trip was made possible thanks to the conversations held with one of the officials working at Funzi Branch, Peter M., and to the extensive sharing of information, documents and materials provided. This comprehensive review served as the first step of the research, and paved the way for the scheduling and organization of the field trip, which took place from 26 August to 16 September 2023.

To address the research question of this work, a mixed-methods approach has been used, combining data from the Jamii Bora Trust database with interview data, as described below. This approach allowed for a deeper understanding of how the organization helps families raise their living standards and increase children's schooling, deterring child labor.

4.3.1 Data collection tools

This research used two main tools to gather the data presented in this Chapter: a structured questionnaire (see Appendix 4) used to carry out semi-structured interviews, and Jamii Bora Trust database, complete with up-to-date data[113] of all members pertaining to Funzi Branch.

First, in order to assess members' attitudes towards schooling and child labor in Kenya, a series of interviewees were conducted during the field visit. The selection procedure of interviewees was assigned to on-site staff members, who had wide knowledge about the lives and personal experiences of respondents and enough familiarity to freely interact with them; establishing relationships based on trust with interviewees was crucial to ensure their full cooperation in providing essential information, guaranteeing the success of this research. In

[113] The data entered in the official database is current as of September 6th, 2023, when access to the database was made possible.

particular, the main reference point in the selection process was Catherine N., a staff official of Funzi branch who is actively involved in managing face-to-face interactions with members of the Tumaini program and the SACCO; it is not by chance that her desk in the office at Funzi branch is the first members encounter when they enter the room. All the interviewees agreed to provide their personal information voluntarily, to have their voices recorded, notes of their answers taken and pictures of them and their microbusinesses captured (some of which are displayed in Appendix 5). The interviews were conducted in a timeframe of three weeks in the presence of Catherine and, when necessary, another staff member who acted as interpreter, for those respondents who spoke exclusively Swahili and for which translation in English thus resulted necessary; because certain aspects of the information gathering process were to touch on sensitive subjects of children's work, it was considered that the presence of Jamii Bora Trust officers during the interviews would be crucial to obtain reliable information, thanks to their positive and supportive relationships with all the interviewees. In any case, the collection of this part of information had to take into account that members might be reluctant to share information that was related to children's work, for the problematic nature this discourse evokes. To maintain confidentiality of the information shared, all interviews took place either in private spaces in the office, in private homes or in microbusiness workplaces.

Prior to commencing the interviews, a brief explanation of the nature of the present research and its purposes was provided to all participants. The interviews were carried out following the structure of the questionnaire, which was envisioned to open with general personal information, such as name, age, employment status, educational background, marital status and children, crucial information to capture a picture of the participant, and which enabled the subsequent questions to be adapted to the respondent. Secondly, some questions were presented with a view to exploring the impact of the access to the services provided by Jamii Bora Trust, mainly loans, including questions on school fees loans used to cope with the high school costs; this part includes some important features on saving capacity and repayment rate, which were cross-referenced with data collected through the database in order to be presented in solid and reliable terms. Lastly, questions on life priorities were posed to respondents, together with inquiries on how their children spend their time, in some cases between work and school, in others only in school.

Secondly, not only did staff members provide relevant materials about the history and work of the organization, but they also enabled access to its official database, which collects the most crucial information about all members' registration dates, loans advanced and repaid, types of loans requested and SACCO savings up to date, everything grouped by credit group.

Access to the database was mostly used as a secondary source in order to check the availability of information on saving capacity and repayment rates about interview respondents.

4.3.2 Site and sample

The help and assistance of the staff of Funzi branch made it possible to organize field visits in two non-formal settlement areas in Nairobi, namely Mukuru Kayaba and Mukuru kwa Reuben, where most interviewees resided and had their microbusiness. The two slums were chosen by SACCO officials due to proximity to the headquarters and presence of high numbers of members' households and microbusinesses. Located in the vicinity of the industrial area of Nairobi, they form part of the roughly 40 slum neighborhoods present in the city. Slum areas in Nairobi house, altogether, over 60% of the city's 5 million inhabitants (Faye, 2023, p. 62)[114]. Mukuru kwa Rueben, one of the largest sections in the cluster of Mukuru slums, has a population of over 500,000 people, while Mukuru Kayaba counts between 19,000 and 22,000 inhabitants.

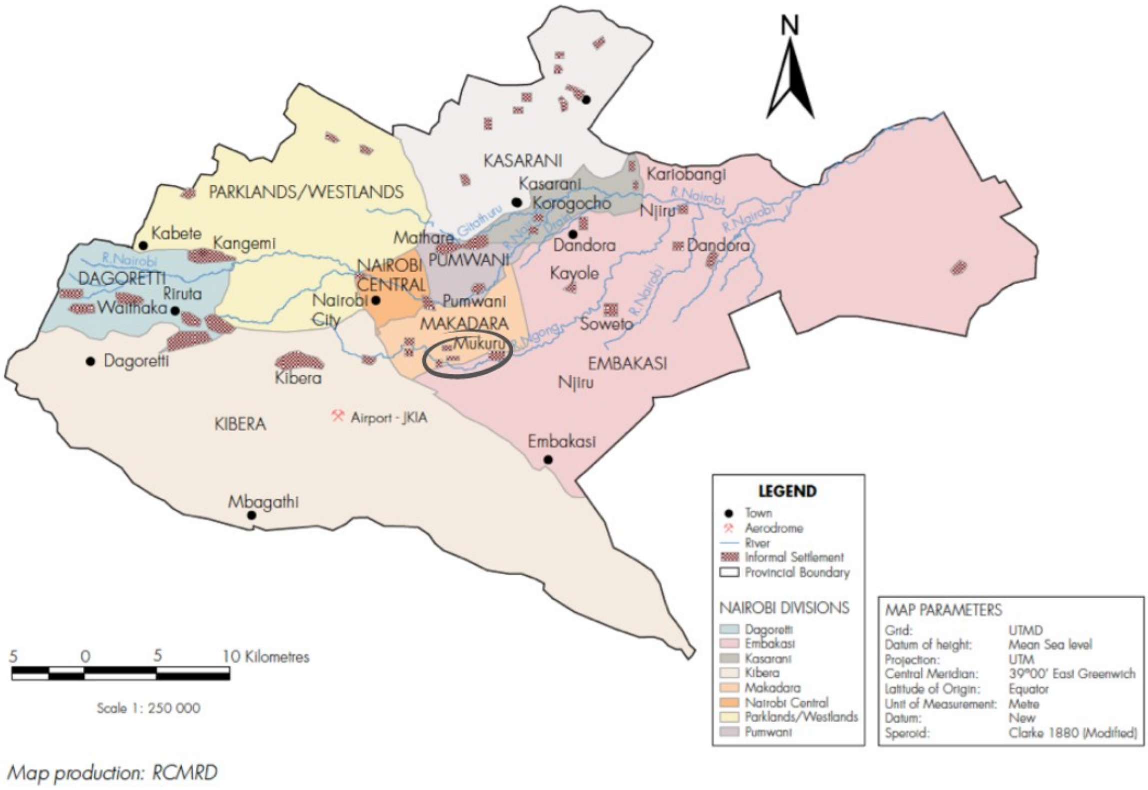

Fig. 4.5 - Map of Informal Settlements in Nairobi (Hungry Cities Partnership, 2016)

[114] In Nairobi's slums, 1 in 5 homes is connected to electricity, available for less than 12 hours a day, only 4% of the households have individual piped water connections, solid waste disposal services are absent, slum inhabitants rely on shared toilet facilities or use open areas or plastic bags (UN Human Settlements Programme, 2007, p. 8).

The study uses data from 35 adult samples drawn mostly from the above-mentioned informal settlements (24 interviewees were residing in those slums), but it includes data collected through interviews with 11 respondents of higher incomes found in formal settlements, such as wealthier estates in Nairobi and the city of Kaputiei (pictures in Appendix 6), inhabited by those who represent the successful products of Jamii Bora Trust's work.

Both adults with sons and daughters above and below the age of 18 were eligible for inclusion in the survey. In order to obtain relevant statistical data, all sons and daughters were considered to understand parents' choices about private, public or boarding schools, therefore including choices from past experiences in addition to present ones. However, when considering the involvement in child labor in family businesses, only children under the age of 18 were taken into exam, in order to fully comprehend in detail the level of involvement in work of those who today should, theoretically, have a full right to education.

4.4 Findings

4.4.1 Individual features

Age

Among the 35 respondents, who were all of different ages, the youngest one was a girl of only 22 years old, the oldest one was a man of 72 years old. Most interviewees were found in the age-range 38-45 years old (36%, 13 people), while 28% were among 46 and 53 years old (10 people), as illustrated in figure 4.6. Only 2 (3%) individuals were between the ages of 22 and 29. The average age of the group of interviewees was 46.5 years.

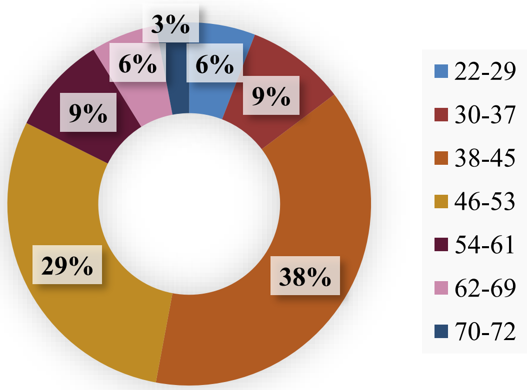

Fig. 4.6 - Age range of interviewees

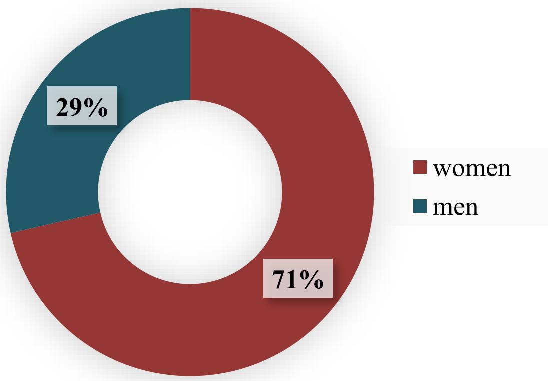

Fig. 4.7 - Gender of interviewees

Gender

Most interviewees (71%) were women - 25 in total - while 10 were men (29%). It is mostly women who seek out loans because "the difference between women and men is that women have to toil every day because they have to make sure their kids have something to eat evert day, while men dream about a big business they are not ready for" – Ingrid (personal communication, 29 August 2023). From Catherine's words, "most members in this SACCO are females, because they are more likely to start a business than men in Kenya" (personal communication, 28 August 2023). Moreover, as Muhammad Yunus argues, money entering a house through a woman brings more benefits to the family as a whole:

> *"When a destitute mother starts earning an income, her dreams of success invariably center around her children. A woman's second priority is the household. She wants to buy utensils, build a stronger roof, or find a bed for herself and her family. A man has an entirely different set of priorities. When a destitute father earns extra income, he focuses more attention on himself."* – Muhammad Yunus

Marital status

Among the 35 people interviewed, 19 were without a partner, and 16 were married. Of those without a partner, 18 are women, only one is a man; among those who declared themselves married, 9 are men, and 7 are women. These estimates indicate that women are more often left to raise their children as single mothers. Although 16 people indicated the presence of a partner, 3 of them declared that their partner had no occupation, 1 due to sickness, and 1 due to "inability to find any job", and 1 because the partner is a housewife, bringing the number of parents individually providing for the family's survival to 22 out of 36. Of the 24 respondents living in the slums, 15 were single parents (9 women, 6 men), and 9 were married (6 women, 3 men).

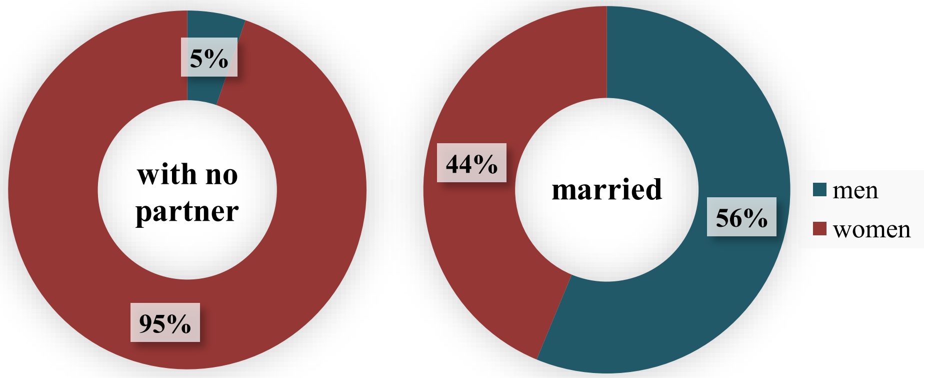

Fig. 4.8 - Number of interviewees without a partner vs married

Number of sons and daughters

Of the 36 respondents, only 1 man reported having no sons or daughters - he was a 24-year-old guy who had just opened a small hotel in the slums. The majority of people interviewed (9 people, 25% of the total respondents) had 3 kids, but 7 people in total (19%) had 5, 6 people (17%) had 6, and 5 people (14%) had two. The highest number of sons and daughters emerged was 8 - a 48-year-old man living in the slums, followed by 7 kids, attributed to a 47-year-old woman washing clothes in the slums (fig. 4.9). The average number of sons and daughters is 4.

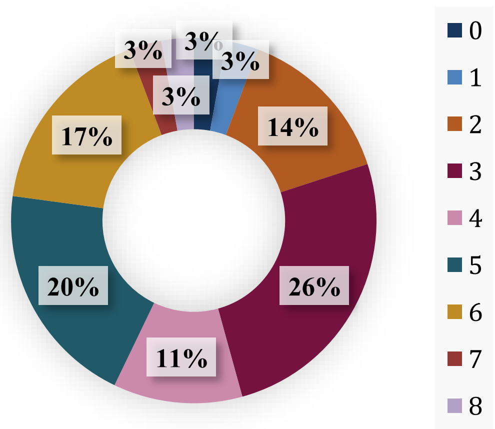

Fig. 4.9 - Number of interviewees with 0 to 8 sons and daughters

Number of children

For the purposes of this study, it must be considered that many interviewees had sons and daughters above the age of 18. Considering only children below the age of 18, who were 77 in total, the most common trend was having 2 (25%) or 3 children (25%), as depicted in figure 4.10: 9 people were found to have 3 children, and 9 people had 2 children. 6 of them (17%) had no children below the age of 18, other 6 (17%) had only 1 child below 18, 3 (8%) had 4 children, 2 (5%) had 5 children and only 1 (3%) had 6 children. This last one was a 37-year-old woman who had to provide for her entire family alone by washing clothes as a job, since her husband was alcohol addicted and thus practically absent from any family dynamics. The average number of children is 3.

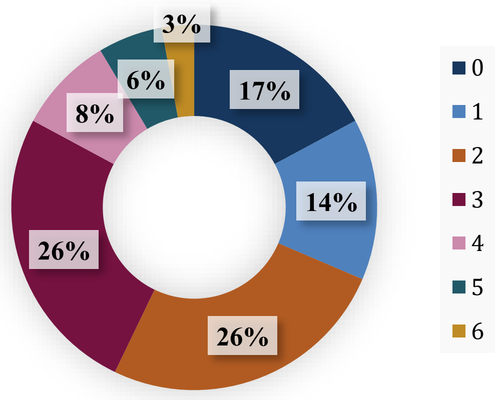

Fig. 4.10 - Number of interviewees with 0 to 6 children

Educational attainment

Following the 8-4-4 system of education which was in place before 2017, the major trend in terms of educational attainment was primary school, with 20 people having completed only class 8, also referred to by many interviewees as "standard 8", as it used to represent the mandatory threshold of standard primary education in the previous education system. Among them, 2 people had started secondary school - one even went up to the second year, which used to correspond to "form 2" - but dropped out and never completed it. 7 respondents asserted that they went to secondary school and completed form 4 - the last year of secondary school - and 8 people attended university or a course in college, including business management, decorations and arts, electrical engineering, building and construction, social work and hospitality. Only 1 person received no formal education, since he dropped out in class 3: he was he 72-year-old man[115].

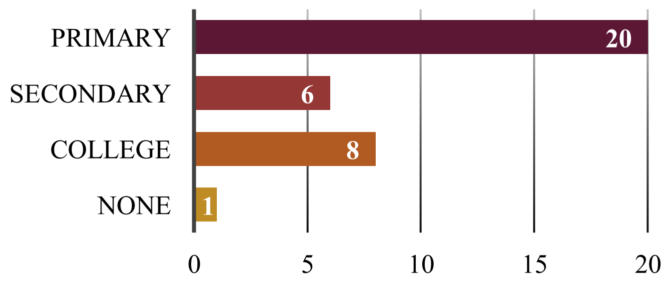

Fig. 4.11 - Educational attainment of interviewees

[115] This interviewee mentioned non-formal learning received in his orthodox church as highly relevant for his educational achievements.

Employment status

34 out of the 35 respondents had a paid job at the moment of the interview: the only unemployed individual was a 45-year-old man who had to leave his job due to a chronic disease which impeded him from doing hard kinds of work. As shown in figure 4.12, the major trend encountered among types of employments was street vendors (13 people): 8 were selling food items such as vegetables, fruits, fish, eggs, candies, maize, nuts, sweet bananas, ugali, chapati, ginger, lemon or cakes, 4 were either buying and reselling second-hand clothes and shoes from the market or knitting new clothes, and 1 was selling charcoal. These street vendors were self-employed workers and most of them had a fixed location for their business, which makes it easier for people to find them at necessity, either on sidewalks, road junctions, or in the midst of the slum - especially those selling cooked and fresh items such as ugali, chapati, vegetables and fruits. The second most common type of employment among interviewees was washing clothes, a job which requires no initial income, as the soap and other tools are usually provided by the owner of the clothes: 7 women reported washing clothes for rich people, additionally asserting that, unfortunately too often, owners refused to pay them. The hospitality & education industries employ 7 of the interviewees, including 2 who opened small hotels where people can spend the night and eat meals, 1 caregiver and 1 caretaker working for Jamii Bora Trust, 1 teacher and 2 childcare workers - 1 woman managing a small babycare in her own house for babies from 4 months to 2 years old, and 1 child care consultant who opened a children's home. Office work employs 4 of the interviewees, 3 being Jamii Bora Trust staff members working at the office in Funzi branch, who were included in the interview; the remaining 1 was a police officer in prison. Construction workers, mainly working in Kaputiei town for Jamii Bora Trust, included 1 quality control manager for the housing project in Kaputiei and part-time welder, a trainer in Kaputiei construction site and a construction worker in Nairobi.

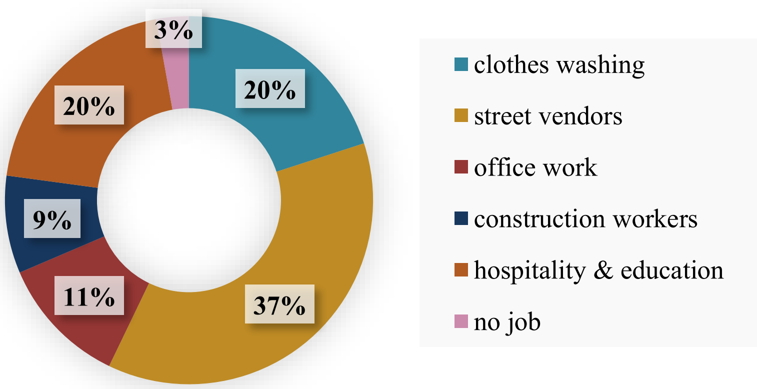

Fig. 4.12 - Employment status of interviewees

The income of the interviewees was assessed according to their daily net earnings, as this was the most common way of providing this type of data among respondents. The lowest income earners were women washing clothes, who earned on average KSh 420 a day (2.71 euros), followed by street vendors (KSh 450, equivalent to 2.90 euros), hotel owners, teachers, caretakers, caregivers, child care consultants and babycare owners (KSh 696, equal to 4.49 euros), office workers (KSh 762, equal to 4.91 euros) and workers in the construction sector (KSh 956, equal to 6.16 euros). The one who earned the most among all 35 was the police officer in prison, who reported earning KSh 624,000 per year (4,023 euros), equal to KSh 1710 per day (11.03 euros). The average net earnings per day among all interviewees was KSh 581 (3.68 euros). The average net earnings per day among those 24 living in the slums was KSh 424 a day (2.67 euros), while for those 11 residing in formal settlements, earnings per day lay at KSh 1006 (6.37 euros), amounting to an average of KSh 367,190 annually.

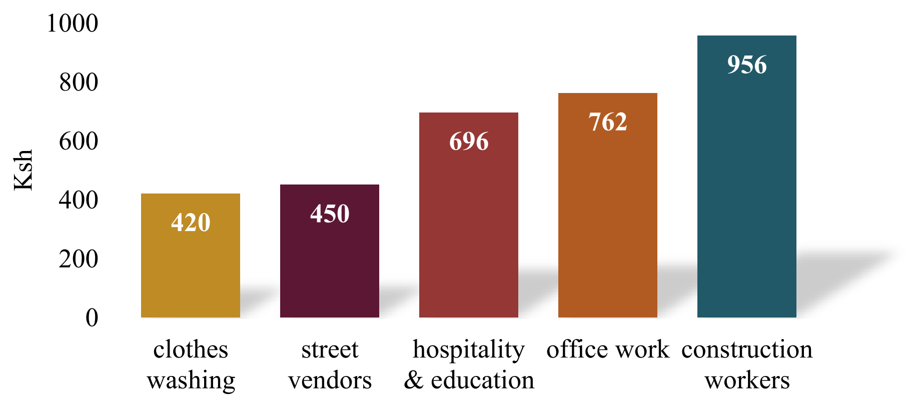

Fig. 4.13 - Average net earnings per day of interviewees, by employment sector (in KSh)

It comes from this discussion that most (77%) people interviewed - street vendors, those washing clothes and those employed in hospitality and education - earned between KSh 420 and KSh 696 a day (between 2.65 to 4.39 euros). In the slums, 15 respondents were single parents and 9 had a partner; the average income of those living alone with their children was KSh 470 a day (2.96 euros), while the average income of couples with both parents working was KSh 625 a day (KSh 3.94).

4.4.2 School trends

School choice

The field trip made it possible to understand that there is a lot of influential information that parents have at their disposal when making decisions about private or public schools; the determinants of school choice can be narrowed down to:

- *public school places availability:* the limited availability of places in public schools can lead parents to choose LCPS due to excess demand in government schools; since the implementation of FPE, places in public schools are often insufficient to accommodate the needs of all the families who would prefer public schools;
- *costs:* public school costs generally remain lower than LCPS, which, despite being low fee, do charge higher fees, as also found by Zuilkowski et al. (2018, p. 259, 264). Although public primary schooling has technically been free since 2003, public schools have considerable overall costs too, as they include hidden fees related to uniforms, books and examination, which can be very expensive for poor families;
- *geographical location:* public schools might not always be geographically arranged in such a way that they can be reached easily and securely by all children - they are usually on the fringes of the vast slum areas - and students at times walk long distances to reach the nearest public school, which can lead parents to enroll their children elsewhere; LCPS are developed where demand exists, and are thus more likely to be placed in the midst of urban areas with plenty of children (Zuilkowski et al., 2018, p. 259, 261);
- *parental perception of school quality differences*: a few parents were found to pay attention to quality factors when making school choice; because of the poor quality of education in public schools caused by extreme overcrowding, insufficient teaching staff and inadequate infrastructure to receive such high amounts of students, some families prefer LCPS, but when they can hardly afford school fees, poorer pupils stay in public schools regardless of their quality. In general, it is mostly wealthier families that react to the quality of education, as also found by Nishimura & Yamano (2008, p. 11);
- *student-teacher ratio:* in government schools, classrooms are far more populated than the ones in LCPS; the student-teacher ratio in public schools can reach 88:1, while that of LCPS lays at 28:1 (Zuilkowski et al., 2018, p. 259). Lower student-teacher ratios enable teachers to be more efficient in properly following the learning path of each student, to notice particular needs and adapt the speed and pace of teaching accordingly;
- *flexibility:* LCPS can be set up in areas with excess demand, while government schools have operations for being set up that are far less flexible than LCPS. Moreover, while

public schools require their teachers to be registered with Kenya's Teachers' Service Commission, LCPS are more flexible in terms of education requirements of teachers - usually having few or no education requirements - which makes it easier for the institutions to hire teachers more quickly (Zuilkowski et al., 2018, p. 259). Even though this flexibility can lead LCPS to have more teachers, the practice of hiring unqualified teachers surely impacts instructional quality.

Despite the many advantages of LCPS, in this parent survey, the vast majority of interviewees (61%) chose public schools for their children, while only 3 individuals (8.33%) chose private schools (fig. 4.14). There were 3 respondents (8.33%) who explained that they had chosen private schools for some of their children and public schools for others, two of whom were partners: the main reason behind this decision was the unavailability of places in public schools, which forced all 3 parents to enroll their children in private schools. Among the 35 respondents, 5 of them (14%) sent their sons and daughters to boarding schools, which can either be private or public but offer on-site accommodation until the end of each term.

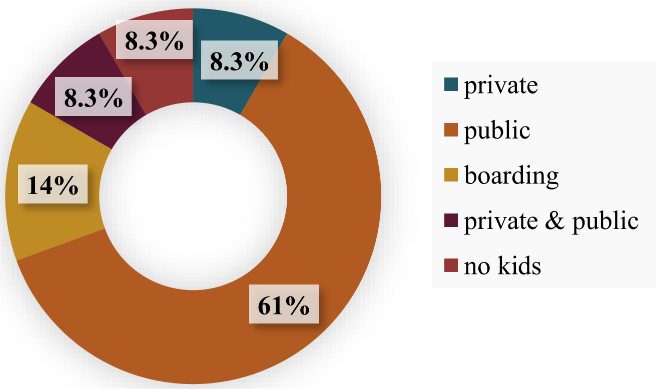

Fig. 4.14 - School choice as reported by interviewees

The reasons for preference for private, public or boarding schools mentioned by respondents have been collected in table 4.2.

Tab. 4.2 - Distribution of interviewees' personal motivations for school choice

school choice	***cheaper school fees***	***school quality difference***	***same quality in private and public***	***no public-school places availability***	***geographic location (closer to home)***	***good facilities and extra-curricular activities***
public	23		1		2	
private				3	3	1
boarding	2	2	1			1

Interviewees cited different reasons for choosing one or the other, but one thing that catches the eye is that school fees were the most commonly cited reason given by parents who had opted for public school: the burden of school fees is a central issue in parents' school choice. Although LCPS are generally schools where the fees are affordable to the poor, in this setting the poorest are excluded from LCPS due to cost (see next page for calculations), and prefer keeping their children in public schools although these are, in many cases, overcrowded.

The perception of school quality difference is not relevant at all for private school choice. One factor that emerged from the interviews, and which is also confirmed by existing research (Zuilkowski et al., 2018), is that parents base their decisions on quality and consequent learning outcomes only if the information is widely available to those parents (p. 261): many times, as confirmed by the interviews[116], parents have little information available about the quality of schools, and thus cannot make informed school decisions, merely choosing on the basis of the costs. Comparison of learning outcomes was relevant for parent-decision making only in the case of those 2 parents who sent their kids to boarding schools: "they get soaked in the pleasure of learning, they become proactive", while in public they are not well taken care of, "they are grown in a soft way" – Said (personal interview, 30 August 2023).

School costs

Among 35 interviewees, 29 were able to provide information on the cost of school fees for their children, including all those under 18 and some slightly above 18 years of age, who are still behind in school and are still taken care of by their parents.

On average, LCPS had costs which are not lower than public schools, at least for primary, for which it was possible to collect data on both private and public schools (fig. 4.15): primary LCPS chosen by the interviewees have fees that range from KSh 5,400 to KSh 10,800 or even KSh 15,000 (KSh 10,245 on average)[117], while "free" public primary schools fees span from KSh 2,000 to KSh 9,000, depending on the school chosen, averaging KSh 8,167. Public secondary school costs went from KSh 7,500 for lower secondary, to KSh 34,000 for upper

[116] One example is those 2 parents who have chosen public school because "it provides education of the same quality"; on the contrary, as also underlined by Yawezekana SACCO officials, classes in public can reach 60-80 children, which surely undermines the quality and effectiveness of teaching.

[117] Since most of the respondents lived in the slums, the main purpose of this Section was to understand if LCPS were convenient compared to public schools in the slums; as a consequence, this calculation does not consider the private school fees of one respondent, specifically the 40-year-old child care consultant, as his fees were KSh 90,000 for one kid per year: it was not a LCPS in the slums but a well-known and prestigious private school in Nairobi city center which included extracurricular activities such as scout club and drama club.

secondary, averaging KSh 21,675. There were no respondents with children enrolled in private secondary schools, thus making a private-public secondary school comparison not feasible. As for boarding schools, the costs were of course much higher due to the fact that fees include on-campus accommodation, food and all other related expenses such as books, uniforms: primary boarding schools range from KSh 18,000 to KSh 24,300 (KSh 21,250 on average), secondary boarding schools go from KSh 42,000 to KSh 54,000 (KSh 47,750 on average).

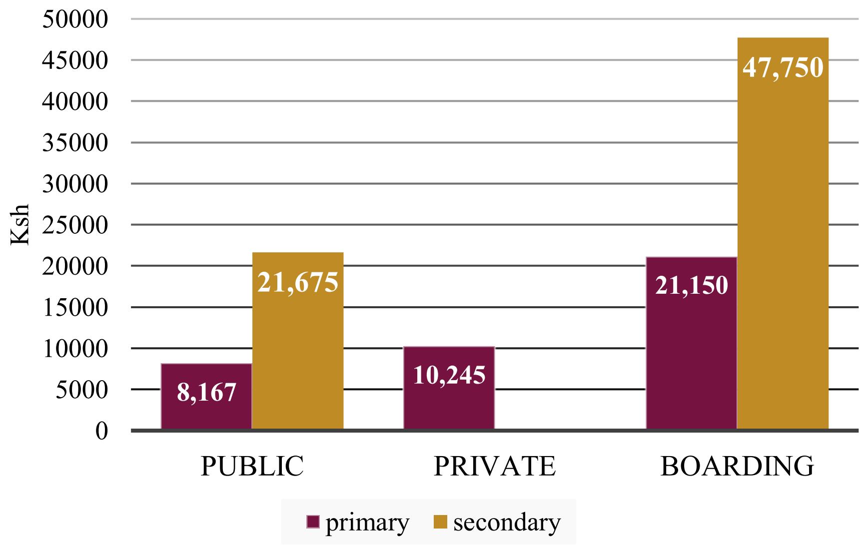

Fig. 4.15 - Average costs of school fees per year, by school type and level of education, as reported by interviewees (in KSh)

As shown in figure 4.16, school fees costs in public schools most times did not include transportation, uniforms, exams and food costs, while in boarding and private they generally do, but not always[118]: those families who could afford paying for extra school costs in public reported spending around KSh 1,500 per term on meals, equal to KSh 4,500 annually, KSh 600 on girls uniforms, KSh 650 on boys uniforms, KSh 400 on examinations and KSh 20 per day for the matatu, the cheapest transportation mean to go to school for those who do not walk. For some boarding schools not including all extra costs, families reported spending KSh 450 on examinations per kid - there are three exams, opening, mid-term and final -, KSh 9,000 for meals, and KSh 2,000 every time they would come home, on average at the end of each term for vacation. For LCPS, the average expenditures on exams and meals - excluding

[118] Since no data is available for private secondary schools, the comparison was done considering extra costs for all primary schools.

transportation, as all private school children were walking to school, and uniforms, as there was no need for uniforms - was KSh 9,000 annually.

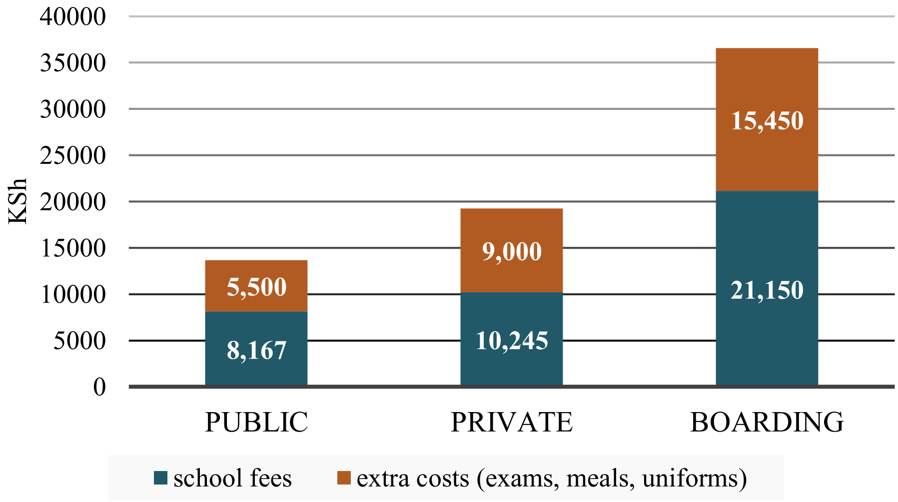

Fig. 4.16 - Average costs of primary school per year, by school type, as reported by interviewees (in KSh)

Out-of school rate

Out of the 79 children who were still in school at the moment of the interview, only 5 were completely out of school, 1 being an 11-year old son of Jamii Bora's caregiver, 1 being an 18-year-old girl, daughter of a single mother of 6 children living in Mukuru kwa Reuben slum, and 3 being children of a mother of 6 living in the slums after a fire destroyed her previous house in the slums. All the 5 children could not start the school year due to lack of money. None of these 5 children was employed in a family business when home from school. However, as it will be shown when analyzing how children spend their time, the numbers of children who partially skip school are unfortunately much higher.

Over-age for grade rate

Among 79 children, 6 in total were found over-age for their education level: 4 were found to be 2 years behind in school (2 in primary, 1 in junior secondary and 1 in senior school), 1 was 3 years behind in primary and 1 was 5 years behind in senior school. The over-age for grade rate considered at all school levels thus lays at 8%. Even though the over-age for grade rate appears to be pretty low, since it only considers the proportion of students in each education level who are 2 years or more older than the intended age, it must be mentioned that 14 kids were found over-age for their education level by 1 year.

4.4.3 Impact of access to microcredit

Part 2 of the questionnaire was aimed at understanding how members' lives have changed since they became members of Jamii Bora Trust. As a consequence, the following sections illustrate how access to loans improved the income and employment status of the members and the possibility that children go to school. Moreover, the intention was also to test technical patterns such as saving capacity and repayment rates of members.

Loan access

All survey participants received at least one loan, starting from the lowest Tumaini loan of KSh 1,000. As of September 2023, 22 of the respondents, all those residing in informal settlement areas (from n. 1 to n. 22 displayed in fig. 4.17), were still part of the Tumaini program at the moment of the interviews, and were thus still requesting Tumaini loans, either to be used for their businesses, for school fees, or for food and other necessities; 2 were requesting merely school fees loans (n. 23 and 24), and 11 (from n. 25 to n. 35) had joined the Yawezekana Housing Cooperative Society and were therefore either awaiting for a house to be built, or were already in their house and were repaying the housing loan the cooperative had granted them.

Out of the 35 respondents, 13 had managed to access only one loan, 8 people had been provided with 2 loans, 2 people had accessed 3 loans, and the remaining individuals had been granted numerous loans due to their rich savings. In terms of loan sizes, each loan was distributed according to the rule "loan can be equal to double the amount of the member's savings", but by summing together all loans received, figure 4.17 and figure 4.18 show how much credit has been distributed to each participant in total. The loans analyzed have been granted over a period of time spanning from 1999 to mid-September 2023.

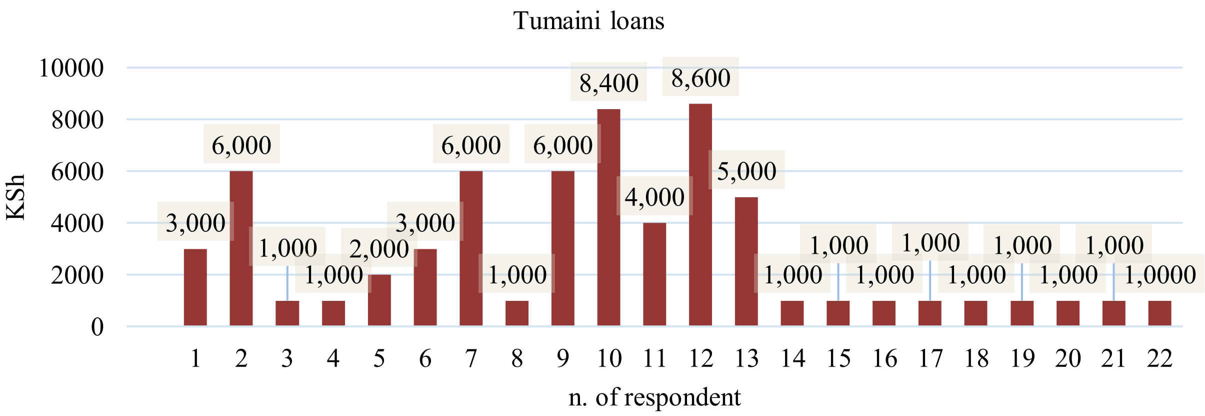

Fig. 4.17 - Total loan size, including only Tumaini loans, received by interviewees residing in the slums (in KSh)

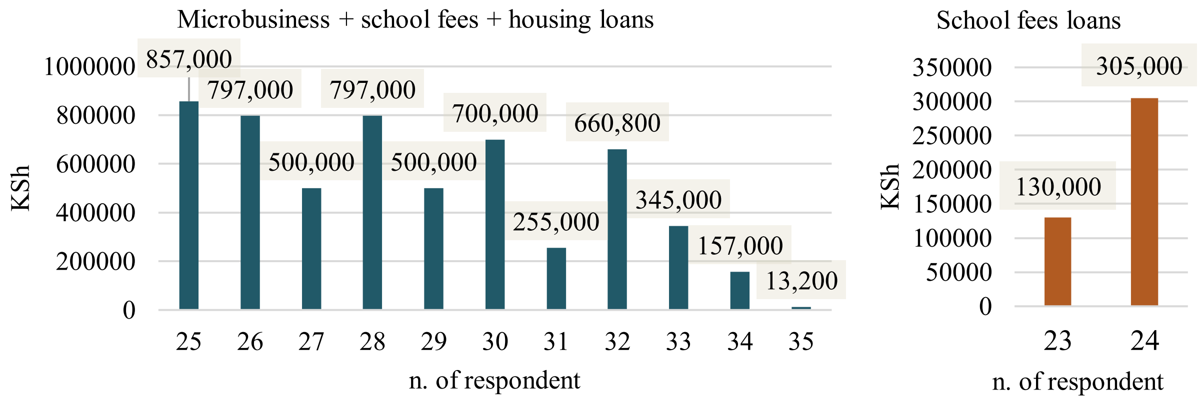

Fig. 4.18 - Total loan size, including microbusiness, school fees and housing loans, received by interviewees residing in formal settlements and by Jamii Bora officers (in KSh)

Loans for school fees

Even though the loans requested had pretty small sizes, they were of vital importance for most parents to cover costs of basic necessities, and, for most of them, even school fees.

Most interviewees living in the slums (15 out of 24) had no partner providing for the household, and earned an income which lays at KSh 470 a day, KSh 171,550 annually. For those 10 with a partner, the average net earnings of the couple were KSh 625 a day, KSh 228.125 per year. Considering that living in the slums has, from interview data collected, an average cost of KSh 290.000 per year[119], people living in the slums surely benefited from access to Jamii Bora Trust loans. With such a low income, it is with no surprise that parents face high difficulties in paying the high school fees displayed above; in this respect, the school fees loans provided by the organization played a fundamental role, as all 15 people specified that some of the loans they requested went to cover their sons or daughters's schooling expenses. Even though Tumaini program participants had not qualified to obtain real school fees loans, normal Tumaini loans were in many cases used for school fees; the average loan which slum residents asserted having used for school fees is KSh 4000.

[119] The calculation of the average cost of life in the slums included various expenses: (1) the costs of the rent, which lays on average at KSh 5,000 - with some people paying up to 15,000 and some other 2,500 or 3,000 - (2) the costs of food, which is on average 100 per person per day, and being 4 the average household size, the result is annual KSh 146,000, and (3) the cost of sending kids to school, which took into account the average number of children per person in the slums, 4 (Kenya National Bureau of Statistics. (2018, March): sending 4 kids to school every year costs KSh 84,000.

For those 11 residing in formal settlements, with daily earnings amounting to an average of KSh 367,190 annually, school fee loans of different amounts resulted in their kids' higher college and university courses attendance rates.

Employment and business status

Among the 34 interviewees who today have a job[120], 20 individuals reported having either changed or improved their employment status and boosted their businesses and their income thanks to access to the microloans. Among the ones who reported having experienced no improvements, there are 4 people who have been registered on 11 September 2023, and who therefore had had no time to boost their business yet, but who expressed their intention to do so; the remainder were registered to apply for the first loan in 2020, 2021 or 2022.

Of those 20, 4 declared that they used to be street beggars before discovering Jamii Bora Trust, 2 earned an income by selling alcohol and engaging in prostitution, 5 said they had no job at all, either because they had to take care of sick relatives, or because they could not find any job, without specifying how they managed to survive, 3 said they had the same job but earned less, 1 said she had the same job but, differently from now, was completely unable to save money, 5 had a different and lower-paid job including working in a tea factory, in a small café, as an employee in an insurance firm, and as a construction worker (fig. 4.19). The registration dates of these 20 members vary considerably: while some of them have been members since early in the years, such as 1999, 2002, 2005 or 2007, some have managed to give their lives a boost in just a few years, having joined in 2018, 2019 or even 2020[121].

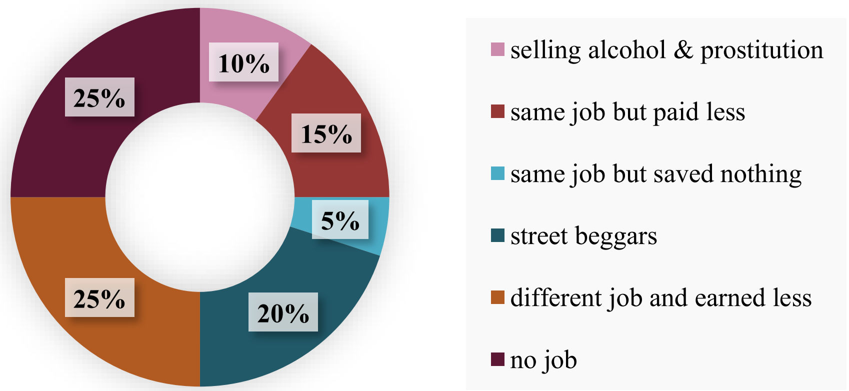

Fig. 4.19 - Employment status of interviewees before becoming members

[120] We shall remember that one respondent had no job at the time of the interview due to a chronic disease who forced him to leave his job.
[121] Those who joined in recent times have mainly maintained the same job but expanded the range of products provided to their customers, or increased the amount of clients that they are able to serve.

The stories of some of the individuals who either boosted or set up a microbusiness after access to Jamii Bora Trust microloans are exciting examples of the success of the organization. For instance, a 38-year-old woman living in Mukuru Kayaba slum, member since 2020, has managed to buy an automatic oven to cook cakes and sell them on the streets, and is currently working hard to buy another one with wider capacity; another 43-year-old woman was able to open a small hotel where people can spend one or more nights and eat breakfast, lunch and dinner at a cost; again, one of the women who initially founded Jamii Bora Trust told the story about how, from the former alcohol-vendor she was, she used the initial loan to purchase a pan, some oil and 20 fish, turning into "a millionaire" - Claris (personal communication, 12 September 2023) with a stable shop in Kaputiei town. Another 40-year-old woman used her initial loan she got in 2021 to expand the private babycare that she had been managing for a few years, which is now able to host twelve babies per day from the age of 4 months to 2 years old, and hopes she will be able to open another room for PP1.

Saving capacity

All the members interviewed confirmed that their saving capacity has increased over time, both thanks to the business training received, which taught them a lot as proved by their personal words - "it taught me a great deal on how to save and how to repay" - Rosemary (personal communication, 2 September 2023) - but most of all thanks to their individual efforts to work hard and save little amounts of money every day:

> *"Every week I keep in mind that I must save KSh 50, it's a must. The rest I can use it for school expenses, the rent and for food"* – Judith (personal communication, 5 September 2023)

Among the 35 interviewees, 21 stated that before becoming members it was "impossible" to save something and 8 said it was "very hard", either because they had too many expenses to cover and insufficient money, or because they had to pay for a child to be taken care of in the hospital[122], or again because they thought they had "no talent" or that they were "incapable of saving even the smallest sum". For those 6 who used to be able to save something, the reason was that they already had a stable source of income before becoming members, and they joined either to apply for a housing loan or for a microbusiness loan to boost their business.

[122] It was the case of a father who, other than being sick himself and unable to work, had to spend "all of his money" on his daughter's hospitalization because she was diagnosed with meningitis at the age of 4 months.

Even some of those who declared it very hard or impossible to save before having received a loan are now able to put apart some money, from the lowest KSh 10 a day to KSh 150 / 200 every day; most of them stated that they prefer to save per week rather than per day or per month. Saving can take place either in each personal savings account at the organization, or in the form of personal savings which are then deposited once a consistent sum has been reached. Examples of successful members who committed themselves to saving regularly are two interviewed women, part of the same credit group, who, since their registration date (November 8, 2020) have been regularly saving in their personal savings accounts every week, depositing variable sums ranging from KSh 50 to KSh 1,000. The encouragement is to deposit whatever members can afford to deposit. In this way, many respondents demonstrated that they are not only able to provide for the everyday survival of their families, but also to plan their expenses with a long-term mentality. Unfortunately, research showed that the saving mentality has not positively affected all interview respondents. Many interviewees who reiterated their difficulty to put apart even the smallest sums were presented with one question in order to understand what the root cause of this inability was: “if you had a bag of cookies available now, would you rather eat them instantaneously or save them for later on?”, and the answer was categorically “today”. Jamii Bora Trust has been doing a great job in helping people gain a long-term planning mindset, but changing the culture and the mentality requires dedicated time and specific and intricate processes which go beyond the potential of microfinance initiatives.

Repayment rate

When receiving the loan, members have to take into account that there are terms for repaying such loan. The time element within the repayment capacity of each member varies according to multiple factors, including his/her saving capacity, the needs of his/her family, the circumstances under which the loan was requested, but also the presence of sons and daughters who can, when old enough, decide to repay the loan for their parents.

In terms of loan repayment, 22 people (63% of interviewees) have repaid at least one loan fully, while 13 people, all part of the Tumaini program, have repaid their outstanding loan only partially (fig. 4.20).

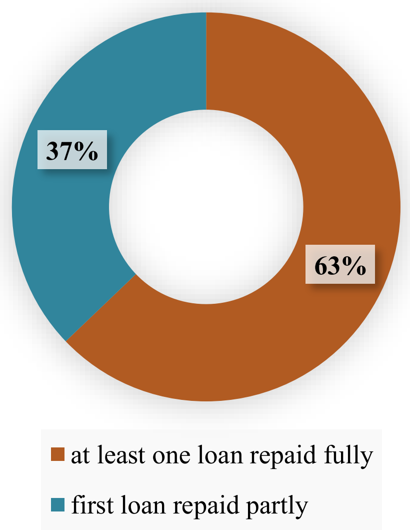

Fig. 4.20 - Distribution of loan repayment

Of those 13 who have repaid the loan only partially, one has repaid 90% of it, depositing around KSh 50/100 every month[123], one has repaid 40%, by repaying every 2 months[124], while the remainder have restituted between 10% and 33% of their loan, struggling to repay regularly.

On the other hand, the 22 people with full successful repayment of at least one loan include all the 11 members of the housing cooperative, who grew their savings and became successful in repaying their loans to the point that they are now repaying the housing loan, the 2 interviewees who always requested exclusively school fees, and therefore have repaid one or more loans to be able to access several ones, and 9 members of the Tumaini program, who have managed to repay the first KSh 1,000 loan and have therefore qualified to obtain the second one. Among those 22 interviewees, housing loans were generally repaid within the term of 20 years, and school fees were repaid within 6 months and 1 year.

It is rather interesting to observe how the majority of Tumaini program members (6 out of 9) have managed to repay their loan within the loan term of 3 months: as illustrated in figure 4.21, one member has managed to repay it in 1 month[125], 2 in a month and a half[126], 3 in 2 months and other 3 in a little over 5 months and a half. The average trend among them appears to be repaying within 3 and a half months, a little over the 3 months-term of Tumaini loans[127].

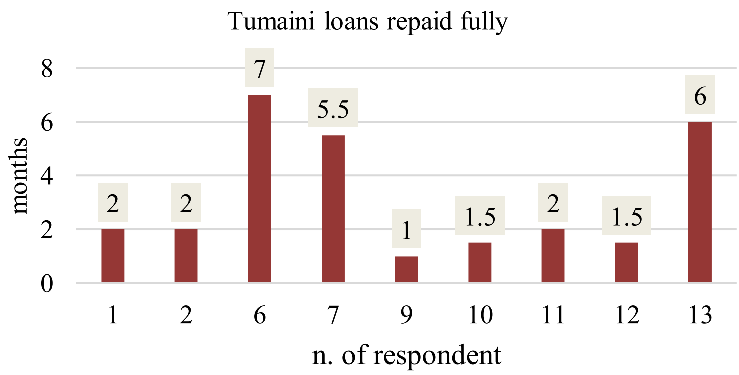

Fig. 4.21 - Time employed for Tumaini loan repayment

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[123] She is the 43-year-old woman who, from having no job and relying on her husband's salary, as soon as she received her first loan opened a small hotel in the slums and made it her main source of revenues.

[124] She is the 38-year-old woman who bought an electric oven thanks to this first KSh 1000 loan and, since then, has worked hard to repay it.

[125] She is the 40-year-old woman who opened a babycare for children. Encouraged by Catherine, who introduced her to the programme, she repaid KSh 100 every week of the month after she took the first loan, and then she deposited the last sum of KSh 600 at the end of the month, fully repaying the KSh 1,000.

[126] Both these women are in the same credit group. One is a 49-year-old woman with 5 children washing clothes in the slums who is so successful in repaying her loans regularly that she has managed to access two loans other than the first one; she repaid both the first and second loan in 1.5 months. The second woman is a 37-year-old woman who, with 6 children and no husband, has also managed to access other 2 loans thanks to her repayment and saving capacity.

[127] Although the loan term for Tumaini loans is 3 months, it is key to remember that one of the main features of the organization is its flexibility in meeting the needs of its members, understanding their struggles.

4.4.4 Estimates on how children spend their time between school and work

The third part of the questionnaire aimed to understand if children of the interviewees were consistently involved in work that deprived them of their leisure time or schooling time. Moreover, the second aim was to understand if families employing children in their businesses were requesting loans of bigger sizes. The intention to discover this last pattern arose from reflections while reading the study performed by CIDA (2007), which had found that families that employ children in the business are able to manage and repay larger loans more successfully than in situations where children do not work at all.

Family businesses

Among the 35 interviewees, 16 were found owning and managing a microbusiness in the slums, of which 14 women and 2 men. Such businesses had, in some cases, a stable location, such as the 2 hotels, 1 babycare. and 1 clothes shop, while in other cases business owners performed their job wherever possible, on roundabouts, street junctions, or even door-to-door - these last ones include street vendors selling charcoal, shoes, maize, nuts, sweets, ugali, chapati, vegetables and other food items. Of the 16 parents owning a family business, 8 of them, all living in the slums, have declared that their children go to school and "help out" in the business; they correspond to 19 children in total. When asked to give an idea of how many hours these children were working with them, "after school and during the weekends" (6 respondents) was the most-commonly cited answer, followed by "when they are home from school due to the high costs of school fees" (2 respondents). There was no child under the age of 18 who was carrying out some kind of work by himself/herself, or who was employed by other non-family businesses. As shown in figure 4.22, there were 3 parents who declared that their children are out of school and do not work (corresponding to 5 total children), and 24 parents who said their children only go to school (corresponding to 53 total children). The inner circle represents parents, while the outer one represents the number of children as corresponding to their parents.

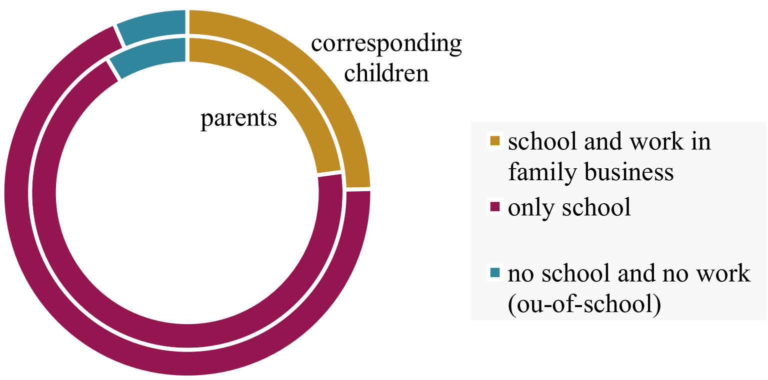

Fig. 4.22 - Distribution of children's time allocation between school and work

Education and Learning

The study found that education is the priority for spending from the additional family income gained through access to Jamii Bora Trust loans, and consequent expansion of the business. As a matter of fact, when they were asked what their priorities were, more than half of the parents cited "working hard to send their children to school", immediately followed by "improve my savings little by little for a better future". Many articulated their answers by explaining that they aspired to provide their children with a good and complete education which would enable them to discover their talents and work on them, and some even mentioned the desire to send to college those children who were showing their desire to do so. Open space was left to everyone who wished to provide further insights on why sending children to school was important to them, some of which are reported below.

"Education means self-reliance and it is key to grow and become mature. Work under 18 should not be around in Kenya, nobody should work under that age" – Peter (personal communication, 1 September 2023)

"Education is the future, children in school learn skills to be able to sustain themselves without getting in trouble"[128] – Benson (personal communication, 2 September 2023)

"Education is a basic need, there should be free quality education for all children. And if kids manage to attend university even better, they might get a good job more easily" – Peter (personal communication, 29 August 2023)

"School teaches children to listen to their passions, it grows their talents. This will be helpful when they will set up their own business and work hard on it" – Zipporah (personal communication, 2 September 2023)

The field trip was eye-opening in that it has proved that even those parents who had had little education (20 had only attended primary school) appeared convinced that education is the best option for their children, and data shows that they were indeed prioritizing their children's schooling among the various household expenditures.

[128] Here Benson meant that children who keep themselves busy with school will develop a hardworking mentality and reducing the likelihood of ending up as street beggars, alcohol- or drugs- addicts.

Despite the fact that all the interviewees reported that they were striving to give their children a chance to attend school regularly, 15 parents out of 35 reported that their children skipped a variable amount of school hours (interviewees n. 1, 2, 3, 7, 8, 9, 10, 11, 12, 13, 15, 18, 21, 22, 35), 3 of whom declared that their children skipped 100% of school (fig. 4.23).

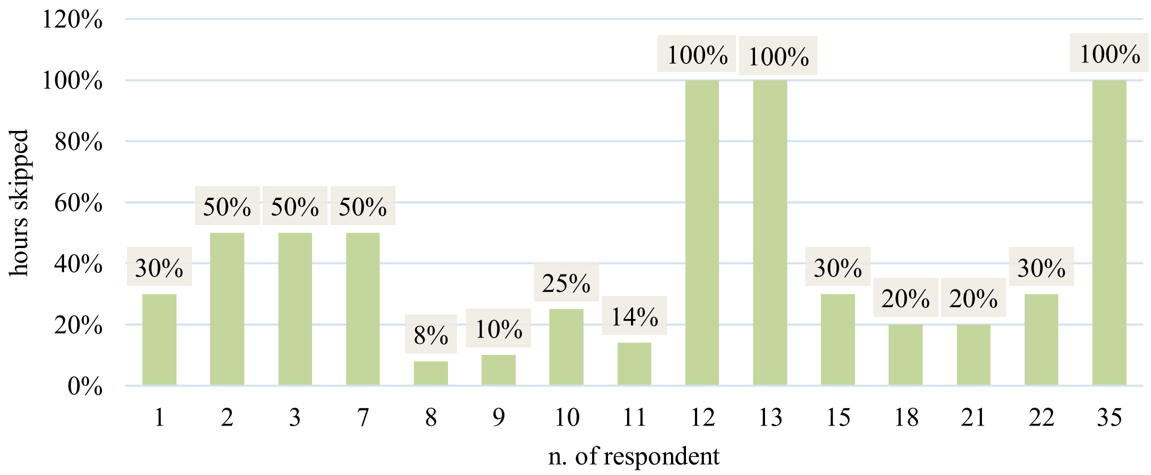

Fig. 4.23 - Amount of school hours skipped by interviewees' children

By cross-referencing this data with the information on children working in family businesses, interesting findings emerge. The following table (tab. 4.3) presents the results. 5 of those 15 who were not sending their kids to school regularly were also employing their children in their family businesses (interviewee n. 1, 7, 8, 9, and 15), but only 2 (respondents n. 8 and 9) reported that their children were working in the family business when they were out of school due to the high cost of school fees. These 2 parents corresponded to 3 children in total.

Tab. 4.3 - Cross-referenced data of Skipping-School and Working Children

	1	2	3	4	7	8	9	10	11	12	13	15	16	18	19	21	22	35
working in family business																		
skipping school hours																		
spending school hours working																		
spending school hours at home																		

As it can be seen, the cases in which parents reported that their children skipped school hours to be spent working in the family business were extremely low (2). Most children who skipped school were home doing nothing. One parent even added that "children are not allowed to work in Kenya, so when I do not have money, they just stay home" - Jacinta[129] (personal communication, 7 September 2023). Most of them shared the same idea. It can be inferred that the reason the children of those 15 respondents were not attending school regularly was not that their parents wanted them to work, but the household's lack of money to be spent on school fees. Even those children working during school hours were merely working as a consequence of the lack of money to be spent in school fees, and in very low cases (2); this can be testified by the fact that both respondents ranked their children's education as their number one priority.

It remains true that 8 parents employed their children in the family business, 6 after school or during the weekends, and 2 during school hours. In the first case, work interfered with children's leisure time, while in the second case it also interfered with their schooling time, which is a factor that, together with the young age of children - all under 18 - enables the situation to be referred to as "child labor".

Loan size of family businesses with working children

With a view to testing if there is a direct correspondence between the presence of child labor and the loans delivered by Jamii Bora Trust, the strategy employed was understanding whether employing children motivates parents to request bigger loans - as they are able to repay their loans more successfully -, or if child labor has no impact on the loan sizes requested. In particular, the loan sizes of two main groups were identified: those hiring children as a labor force for their business and those not employing their children. In fact, according to the study performed by CIDA (2007) over 4 low-income countries (Bolivia, Tanzania, Egypt and India), families employing their children were requesting bigger loans than those not hiring them, as the income provided by their children facilitated the successful repayment of bigger loans.

However, this research showed opposite results: the 8 parents employing their children were requesting loans of similar sizes to the ones whose children were only attending school. On average, the loan size requested by those who were having their children work with them, either during skipped school hours or after school, was KSh 2,500, while, if we consider slum residents not employing their children, the average loan size is KSh 3,600, similar but a little higher than those of parents who were employing their children. Moreover, what could be

[129] Jacinta is respondent n. 13, and, as it can be seen in the table, her kids skipped school hours.

noticed during the field trip among the Kenyan families who employed their children are the difficulties in adopting a long-term planning mentality: even if those families gained a considerable additional income thanks to the labor provided by its children, they would not think of requesting a bigger loan because they could repay it more successfully.

The conclusion is that the additional income provided by children does not lead parents to request bigger loans. The type of reasoning adopted by CIDA is not applicable to this case study in Kenya, because of the low presence of a planning mentality among families with working children. Child labor in Kenya's slums does not influence parents' willingness to request bigger loans; what it may do is provide a little additional income to the family, which however still needs to request loans, thus leading the reflection to the fact that child labor among interviewees probably has a low impact on household income. In the case of families with working children, loans requested maintain a pretty low size first because the household income might be bolder due to the additional labor provided by their children and there might be less need for loans, but presumably also because this income provided by working children is so little[130] that it is not useful to repay a bigger loan more successfully. There is no direct relation between increase in loan size and increase in child labor: parents who request big loans do not employ their children to be able to repay bigger loans more effectively; on the contrary, parents who request bigger loans are the ones whose children only go to school.

[130] In fact, most parents (6 out of 8) reported that their children are only working after school, or during the weekends; the probability is that they are therefore earning a very low income.

4.5 Discussion: how Jamii Bora Trust deters and mitigates child labor

While it remains true that in some - even if few - cases child labor constitutes a big issue for some of the children taken into consideration in this study, interfering with their leisure or school time, Jamii Bora Trust surely represents a solid foundation to rely on to combat the root causes of child labor. This section articulates the several manners in which, even though indirectly, the organization positively impacts the reduction of child labor.

4.5.1 Empowerment, confidence and talent-development

"Thanks to the help of Jamii Bora I bought a new oven and found out that cooking is my passion. I want to work hard on my business so that my kids will learn to listen to their passions, grow their talents, work hard in school now to be able to work on their talents in their future business" – Zypporah (personal communication, 2 September 2023)

When talking about positive outcomes in terms of child labor, the first dimension to consider is the fact that most parents considered in this study have transitioned from the initial feeling of despair and hopelessness characterizing their daily life to uncovering their talents and cultivating new passions and skills. By encouraging members to discover what they are capable of, what they possess a natural proficiency in, and to let their abilities surface and grow, Jamii Bora Trust provides them with the confidence necessary to set up new business activities or to boost their existing ones. This self-confidence and feeling of control over their financial lives enables members to make decisions about how to allocate resources, plan for the future and pursue their goals; the same attitude and capabilities are then transmitted to the younger generations: young observant children will more likely strive for a successful career if they have seen their parents climb the ladder of poverty themselves.

Everything starts from the Tumaini program, unique in restoring dignity and self-esteem of the most desperate members and in enabling people to recognize their own potential in lifting themselves out of poverty. The program sustainably helps street children by helping their parents - mostly mothers, as this research confirmed - get out of the streets: each mother that gets out of the streets can take care of her own 4-6 children for many years (Jamii Bora Trust., n.d.-e).

In a few words, Jamii Bora Trust, born as a non-profit organization, "teaches people how to profit themselves", by providing small initial loans and savings accounts to even the lowest-income individuals and empowering them to become real entrepreneurs, literally creating new jobs.

4.5.2 Financial inclusion, poverty alleviation and vulnerability reduction

A further outcome of the activities carried out by the organization is the facilitation of credit accessibility through a registered provider but, unlike traditional financial institutions, offered with unique flexibility in repayment terms; this enables parents to address their immediate needs while giving them the opportunity to repay at their earliest convenience[131]. Credit opportunities provided by the organization serve as a crucial means to support household needs without resorting to child labor for income: with access to credit, families can invest in alternative income-generating activities and expand their businesses, thereby reducing their economic reliance on child labor. This shift enables parents to prioritize children's education and well-being over their labor contributions to the family income. Findings indeed showed that even families with children attending school and simultaneously working were still seeking loans from the organization, leading to the deduction that such loans were useful for many purposes, including covering children's school fees or bolstering business expansions.

In this way, Jamii Bora Trust offers avenues to alleviate the deprivation endured by many families, enabling them to manage their finances more effectively during periods of financial instability, invest in income-generating activities and build assets over time, thereby reducing their vulnerability to sudden income shocks.

Moreover, the organization extends its reach to the most impoverished and marginalized segments of society, integrating them into the financial system; by doing so, it facilitates their access to a broader range of financial services beyond informal networks in the slums, enabling fuller participation in the economy and promoting financial inclusion.

Finally, the availability of school fees loans and a diverse array of borrowing options presents families with an opportunity to expand their investment in education, which facilitates the ability to send each child to school, serving as a deterrent to the alternative of child labor.

[131] As explained above, staff members become stricter on loans if repayment is delayed beyond a certain period, but initial flexibility is maintained through on-site visits by officers who assess the situation to understand the issue behind repayment difficulties, avoiding acting out of "anger" - Catherine (personal communication, 29 August 2023).

4.5.3 Responsible saving and long-term planning

"With the small profit I make every day I ensure by tomorrow I have a stock with which I can wake up and continue my business" – James (personal communication, 11 September 2023)

By providing loans for double the amount of the members' savings, thus linking loans to savings, Jamii Bora Trust teaches members the value of responsible saving, facilitating their ability to plan long-term expenses. Not only does the organization provide ongoing business training on saving and loan repayment, along with encouragement throughout the whole duration of the loan term, but it even offers all its members the prospect for a better future, by informing them about the chance to move out of the slums and relocate to affordable housing units in Kaputiei town. This prospect instills in some members' mentalities a desire to move from day-by-day planning mentality to long-term planning: the proof is that many interviewees initially used to live in the slums with a job that was providing them only with the food for the day, and progressively decided to sacrifice their lives in the slums for the long-term benefit of owning a real house. Experience from Jamii Bora Trust reveals that owning a house sparks a newfound determination to ensure all children receive education: once they feel that they have taken a major step out of poverty through homeownership, they can plan for their children's education more effectively and readily adopt family planning measures.

By mobilizing initial small members' savings, Jamii Bora Trust therefore encourages and promotes a savings culture: borrowers develop financial discipline around the potential of savings being converted into loans and are therefore more prone to save consistently.

The positive spillovers on children are mainly two: first of all, if parents learn to save their money with a view to employing it for long-term benefits, children will most likely gain in terms of well-being from this new acquired ability of their parents, as the chances to move out of the slums, or at least attend school and enjoy their leisure time, living a life that is respectful of basic human rights, increase. Educational access, and with it the returns from education, increase if members become more capable of saving for long-term purposes:

"By working hard on my business of fish and saving diligently, with hard dedication and inexorable effort, my children were able to find a good job. I saved KSh 50 per week, and these KSh have birthed my house in Kaputiei. I'm a millionaire now" – Claris (Ecila Films, 2023)

Second and most important, this research has even demonstrated that saving capacity is transmitted over generations: children learn from their parents that they need to save and work hard if they wish to spend their money profitably, which is a crucial real-world skill.

"I gave my son KSh 1,000 to buy a pair of shoes, knowing shoes were KSh 2,500. He was able to save the rest to be able to afford the shoes. This is another kind of microfinance!" – Said (personal communication, 30 August 2023)

4.5.4 Awareness-raising and community-building

Thanks to its positive and supportive relationship with its members, Jamii Bora Trust has the potential of building special awareness around the issue of child labor. Although it does not have specific microfinance awareness programs tackling this issue, members become inclined to prioritize their children's education as a result of the business training received. This training, even when accompanied by minimal assistance, like small loans, imparts "valuable business knowledge", "instills confidence in loan repayment", and "teaches how to save and how to repay, financial management", as highlighted by Consolata (personal communication, 2 September 2023), Koki (personal communication, 11 September 2023) and Annastaciah (personal communication, 7 September 2023). The training appositely aimed at fostering an understanding of the advantages of long-term investments and planning. Parents who were found facing difficulties in paying for their children's school fees ended up prioritizing such expenses over others, recognizing the positive long-term outcomes of such an investment.

In addition, the action, mission but also the sole existence of Jamii Bora Trust on the ground in Kenya has enabled the creation of a community of members who constantly support and influence each other in terms of becoming members of the organization, automatizing the process of word-spreading: old members pass the word on to their friends who decide to become members, and in such manner the community of members grows at an increasingly rapid pace; to provide just one example, respondent n. 3 joined after his wife (respondent n. 2) had become a member a few months earlier. A well-noticed trend which was mostly observed during the interviews in the slums is the incredible support members mutually dedicate to each other, mostly between members of credit groups, but also among members of different credit groups: when facing challenges in repaying, a slum inhabitant can always rely on the help of the supportive community of the slum, who will motivate and encourage him/her to repay the loan and access a new one. The value of such mutual support and encouragement in terms of benefits on the lives of children is priceless when considering that it is through reciprocal support and shared values that good practice standards around the importance of prioritizing school over the child labor alternative can be spread within the community.

CONCLUSION

In order to reveal if microfinance is an effective tool to tackle the issue of child labor and increase access to education, this work has been articulated in four distinct Chapters, each one elaborating on different yet interlinked themes of focus. In particular, the research has taken into special consideration the case of Jamii Bora Trust, a Kenyan local microfinance provider with which collaboration was established to gain deeper insights into the dynamics around microfinance, child labor and access to education in the country. Building on an overview on international benchmarks on child labor and the right to education as juxtaposed with current empirical data, this study has proved that despite international efforts to uphold universal access to education and to safeguard children against work that interferes with their schooling, a considerable number of children remain excluded from educational opportunities, as also evidenced by the findings from the interviews conducted.

Remarkably, the first Chapter explained that the minimum age for admission to any type of employment should not be less than the age of completion of compulsory schooling (Article 2, C138), with "heavy work" permitted only starting from the age of 18 (Article 3, C138). In subsequent passages, particularly in the first section of Chapter 4 dedicated to an analysis of the Kenyan national context, the study revealed that Kenya has been enacting many laws and policies to address child labor, but that a considerable number of gaps need to be adjusted for children to be able to fully enjoy their right to education. First among all, despite governments' assurances that public primary education should be free of charge, education is not free because administrators in public schools are allowed by Kenyan laws (The Basic Education Act) to increase and charge fees, and indeed reality of facts indicate that parents are still required to allocate significant portions of their household budgets to cover school fees and related expenses. Secondly, this research has found that school in Kenya is compulsory "at the primary and secondary level" (Article 30, Basic Education Act), but there is no provision specifying which is the compulsory school age. Thirdly, the Kenyan Employment Act allows children to perform "light work" from the young age of 13 years old; although the only type of work permitted below the age of 18 is the one which, theoretically, does not prejudice children's school attendance, the mere availability of work opportunities can discourage young individuals from completing the full course of their studies.

Because of the aforementioned government shortcomings, the interviews conducted on the ground exhibited some results that had been foreseen thanks to the comprehensive prior analyses on the dynamics surrounding the causes and consequences of child labor discussed in Chapter 1, on the current status of global educational achievements outlined in Chapter 2, as well as on the Kenyan political and socioeconomic context presented in Chapter 4. Anticipated outcomes included the high costs of school fees, both in private and public schools, the presence of children who skipped school hours, and the existence of some over-age for grade rate children. What the analyses conducted before the trip could not anticipate, and was indeed revealed by the field trip, is first of all the incredibly high consideration given by all members interviewed to the educational attainment of their children, and the consequent low number of children who were working in family businesses compared to those who were only attending school (fig. 4.22). This research has also curiously found that, when skipping school, most children were home, doing nothing, as their parents reiterated that children in Kenya should never be sent to work under the age of 18. Despite their limited income, most families were therefore prioritizing education over other household expenses, ensuring that their children could attend school, thanks in large part to the support provided by Jamii Bora Trust.

The field trip was enlightening in that it showed that most parents do not mistrust the correspondence between school offer and existing labor market opportunities, declaring that "education is the key to succeed and obtain a well-paid job". Education is acquired both through formal education but also through non-formal learning, mostly in sports clubs, scout clubs and churches (Islamic, Catholic and Orthodox churches were mentioned by interviewees). The field research has additionally proved that, among those parents employing children in their family businesses - all living in the slums -, child labor is not the consequence of the lack of quality education in Kenyan schools: as a matter of fact, most parents living in the slums have no information available about the quality of education in different types of school and, even when they do, they seem to prioritize school costs as a factor enabling school choice. It was poverty that appeared as the leading factor at the roots of the spring and maintenance of child labor.

Among the interviewees, child labor and school dropouts did appear to be linked to low intergenerational mobility in education, as the parents of those children who were working when out of school (respondents n. 8 and 9), and those whose children were completely out of school due to the high cost of school fees (respondents n. 12, 13 and 35) had managed to attend only primary school; however, the poor educational attainments of these parents do not depend on their families' lack of awareness regarding the benefits of education, but they rather stem from the financial constraints faced by their families, which may have desired to provide them with higher levels of education but lacked the necessary resources to do so. These respondents, like all the others interviewed, still ranked their children's education as their number one priority. This leads the discourse around child labor to be brought down, once again, first and foremost to income poverty.

In relation to the research question addressed by this study, the dissertation has demonstrated that the microfinance activities carried out by Jamii Bora Trust significantly influence parental decision-making regarding the choice between sending children to school or having them engage in potential work opportunities; additionally, these activities have a notable impact on the financial capacity of parents to make such decisions effectively.

First, access to credit and other financial resources, such as health insurance and savings accounts, provide families the opportunities to invest in income-generating activities, thereby reducing their reliance on their children's income. This financial assistance is not only used to operate and expand family businesses, but it is often used to support children's rights, including better health care - we shall remember that families are entitled to health insurance coverage as part of the delivery of consistent sums of credit - and, of course, better education, facilitating parents' ability to pay for high school fees and other related expenses.

Second, by linking loans to members' savings, Jamii Bora Trust fosters a shift in mindset among its members, encouraging them to move away from a short-term "survival" mindset towards a more forward-thinking approach. This strategy promotes the cultivation of a savings culture and the development of financial discipline, empowering individuals to reap the rewards of their hard work and dedication in the long term. Children benefit from increased family savings as they have greater chances of attending school and avoid working, and they inherit the new savings mentality their parents have acquired, a real-world skill for their future.

Third, Jamii Bora Trust offers business training to all its members as an integral component of its microfinance programs; the training plays a crucial role in enhancing members' self-confidence and empowering them to pursue long-term opportunities, including investing in their children's education: by learning about the potential of a long-term planning mentality in lifting people out of poverty, parents feel inspired to prioritize their children's schooling, recognizing the future returns associated with this decision.

Finally, the uniquely positive and confidential relationship maintained by Jamii Bora Trust officials with their members enables the effective engagement and the maintenance of a supportive community of members who encourage each other, functioning as a fertile environment where dissemination of best practice standards around the detrimental effects of child labor and the positive long-term prospects resulting from education can take place.

In conclusion, while the government should live up to its commitments outlined in the 2003 FPE reform to ensure that children's opportunities are not solely dependent on their parents' ability to invest in schooling, microfinance initiatives can certainly play an important role. To deliver positive results in terms of reduction of child labor and enhancement of universal education, the implementation of microfinance local projects in Kenya requires both proximity and a bottom-up and multi-dimensional approach to poverty alleviation. Only by identifying, understanding and recognizing the needs of their clients can microfinance providers provide them with strategies, services and activities that yield long-lasting impacts on their lives. The fight against poverty cannot be won with programs that target only one aspect of poverty, such as the lack of *material resources*, but, on the contrary, they also need to revolve around the poor's lack of *opportunities* to improve their own life, their lack of *power* in society, of *voice* and *choice*. Microfinance providers have the potential to reach a wide range of children and workplaces by providing services to family businesses in the long run, and, in so doing, they need to continue to adopt a holistic approach that considers all dimensions of poverty, targets the full spectrum of the needs of the poor, and adheres to best practice standards, always taking into careful account that children may be involved in many of the microenterprises supported by microfinance programs.

Jamii Bora Trust is uniquely positioned to incorporate all such considerations into its microfinance activities, because it is equipped with cross-cutting programs that tackle horizontally many thematic areas to be improved, such as children's lives, education, housing, entrepreneurship, minorities' rights, without focusing specifically on one subject alone, and, most importantly, because it employs a culturally sensitive approach that recognizes the importance that local people understand their own needs, strengths and challenges rather than relying on "external saviors". Jamii Bora Trust does not impose external solutions nor distributes aid and mere donations, acknowledging that there exist dangerous risks associated with fostering dependency on external aid or expertise, which can result in undermining the long-term capacity of local communities to address their own needs. By encouraging self-reliance, sharing lessons learnt, building local capacity and involving the members of the community in the decision-making process, empowering them to take ownership of their own development, the organization equips recipients to fully embrace the benefits of its microfinance programs in the long run. As a result, the organization stands as a beacon of success in demonstrating how microfinance can effectively break the cycle of poverty and promote the holistic development of both working and non-working children.

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APPENDICES

APPENDIX 1 – Comparison between Formal and Informal Financial Providers (Ledgerwood et al., 2013, p. 151, 157, 173; Hamp et al., 2014, p. 2)

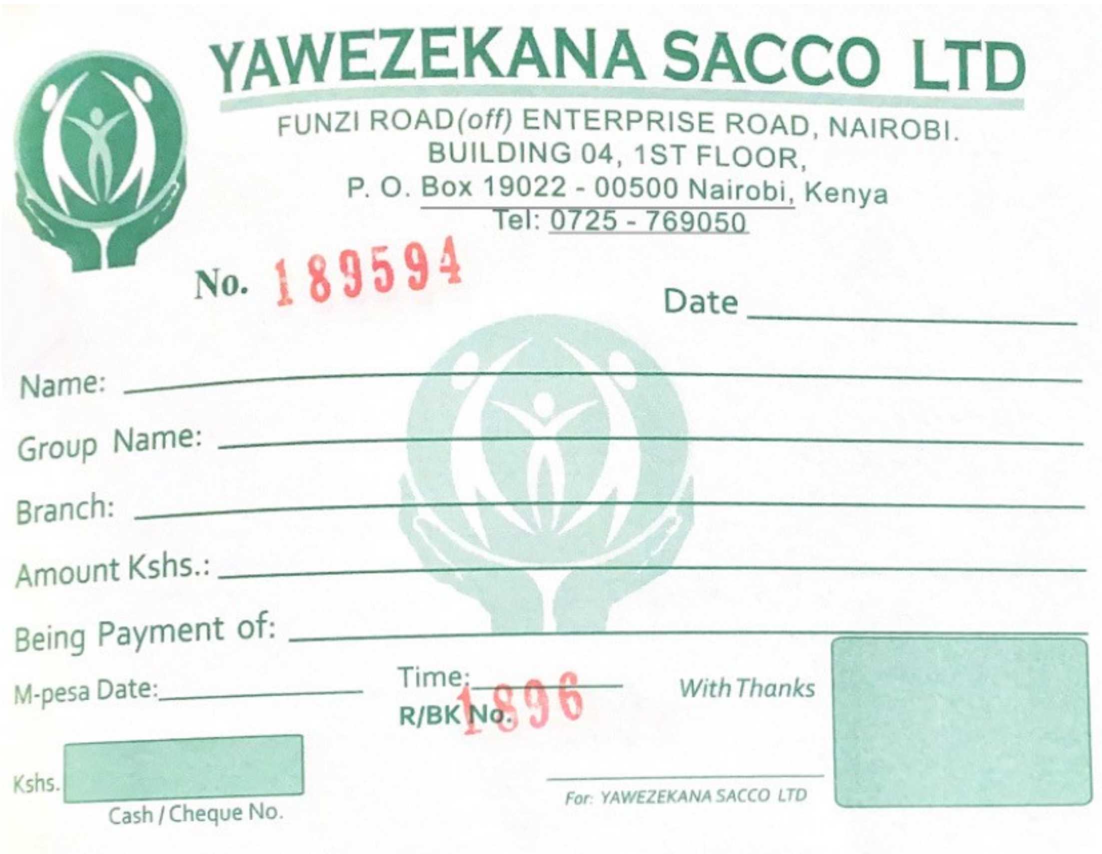
Features	Informal financial sector Community-based providers		Formal financial sector Institutional providers
	Indigenous groups	Facilitated groups	
Legal form	No formal legal form, adhere to local customs, sometimes (as in the case of ROSCAs, ASCAs, burial societies) registered with local authorities or community leaders.	SGs and SHGs may be registered with local authorities or community leaders, FSAs and CVECAs are registered with a central authority	SACCOs and CUs: registered with central authority; NGO MFIs: registered as NGOs; DTMs, rural, savings or postal banks, commercial microfinance banks: licensed as banks; state banks: licensed with the central authorities, incorporated as parastatal or shareholding companies.
Target market	Poor and very poor, needing credit or quick and accessible transfer services and a safe place to save	Poor and very poor, often rural farmers, requiring credit and a safe place to save	More general target: NGOs: Poor, unbanked; DTMs: unserved/underserved or small businesses; rural, savings or postal banks + state banks: general population, poor and nonpoor; commercial microfinance banks: micro, small and medium enterprise clients, fewer poor clients.
Regulation and oversight	Not regulated, sometimes (with individuals) local oversight or registration	SHGs: regulated by the national financial institution; FSAs: regulated by the registrar department of cooperatives in the countries or by other regulatory authorities CVECAs: regulated by the microfinance regulation laws	Regulated and supervised by either central bank, ministry, specialized body or government units / by local financial services authorities (money transfer companies) / not regulated but subject to government oversight (NGO MFIs)
Management	Self-managed by members	Self-managed with initial technical assistance from facilitating agencies	Professionally managed to varying degrees by recruited staff

		+ in CVECAs and FSAs ongoing external support is provided at a fee	
Governance	Self-governing, sometimes via a committee elected by members	Self-governing via an elected committee	Board of directors appointed by founders (NGO MFIs), members (SACCOs and CUs) shareholders (all the others)
Range of financial products	Narrow - basic savings and credit (small loans with rigid loan terms), informal money transfer with money transfers, possibility to access other products (insurance, larger loans) by linking to more formal financial institutions	Narrow - basic savings and credit, often insurance (in SGs), sometimes nonfinancial services (in SGs and SHGs)	Broader - basic savings and credit (larger loans with longer loan-terms) + other products may be offered (e.g. insurance, specialized credit products, payment services)
Size of outreach	Small - 5 to 500 members		Larger – thousands of clients
Funding	Own capital (for individuals), interest and fees are used to cover operating costs + member contributions or savings and sometimes external borrowing (for ROSCAs, ASCAs, burial societies)	Member savings + sometimes external credit (in the case of SHGs, FSAs and CVECAs)	Formal sector institutions are subsidized by the government + may also receive grants and other support from other donor agencies - equity and debt from private and public sources, savings, development institutions, foundations, socially responsible investors or institutional investors + deposits
Complexity of procedures	Emanating from local communities and customs, administrative procedures are simple and straightforward, easily comprehensible for the local population, and the processing of loan requests is direct, which enables prompt approval and avoids delay in disbursement		Administrative procedures and loan application procedures are complex, resulting in long delays before approval or rejection
Size of geographic coverage	Limited - a community or a village, unless part of a network		Wider - large branch infrastructure and points of sale

APPENDIX 2 – Distribution of Population 6-17 Years who Never Attended School by Reason (Kenya National Bureau of Statistics, 2018, p. 80)

Residence	*School Costs*	*Had to work or help at home*	*Too Young to Attend*	*Parents did not let me*	*Poor quality of schools*	*Not interested*	*Family illness*	*Own Illness*	*Family disability*	*Own disability*	*School too far from home*	*School conflicts with beliefs*
National	18.7	11.6	23.1	**19.2**	1.5	11.7	0.1	2.7	0.8	3	4	0.4
Rural	14.7	**13.7**	22.5	22	1.8	12	0	2.6	1	2.4	4.9	0.5
Urban	**35.7**	2.6	25.4	7.4	0.3	10.3	0.2	3.1	0.2	5.3	0.4	0

APPENDIX 3 – Loan receipt, membership application and registration form, loan agreement, borrower’s commitment


YAWEZEKANA SACCO LTD

FUNZI ROAD(off) ENTERPRISE ROAD, NAIROBI.
BUILDING 04, 1ST FLOOR,
P. O. Box 19022 - 00500 Nairobi, Kenya
Tel: 0725 - 769050

No. 189594

Date __________

Name: __________

Group Name: __________

Branch: __________

Amount Kshs.: __________

Being Payment of: __________

M-pesa Date: __________ Time: __________ With Thanks

R/BK No. 1896

Kshs.

Cash / Cheque No.

For: YAWEZEKANA SACCO LTD

YAWEZEKANA SACCO LTD

(JBT – Tumaini Programme)

PO Box 19022-00500
Nairobi Kenya
Telephone 0790-307233, 0733-745648

MEMBERSHIP APPLICATION AND REGISTRATION FORM

Tick Below

Old Member	New Member

Colored Passport Size Photo

GROUP NAME

(Member's names as on ID card)

FIRST NAME	SECOND NAME	THIRD NAME

Member's Signature

Date of Birth	Gender	Nationality	ID NUMBER	MOBILE NUMBER

BRANCH	BRANCH NUMBER

MEMBER LOCATION	VILLAGE	ESTATE	PROVINCE

COUNTY:	CONSTITUENCY:	LOCATION:	SUB-LOCATION:

This is an official document for Yawezekana Sacco Ltd

YAWEZEKANA SACCO LTD.

Spouse details

Marital Status:	Spouse Name	I.D Card Number

Passport Number:	Driving License Number:	Pin Number:	Postal Address:

Email Address:	Landline Numbers:	Mobile Number:	Residential Address:

Next of Kin details. Indicate in order of preference.

FIRST NAME	SECOND NAME	THIRD NAME

I.D CARD NUMBER:	MOBILE NUMBER

RELATIONSHIP:

FOR HEAD OFFICE USE ONLY

APPROVED: **Approved** ☐ **Require more Information** ☐ **Not approved** ☐

BRANCH: ____

CODE: ____

COMMENTS: ____

INTRODUCED BY____________________________**SIGN**________________**DATE**____________

This is an official document for Yawezekana Sacco Ltd

YAWEZEKANA SACCO LTD

P. O. Box 2704 - 00202 Nairobi, Kenya. Tel: 0725 - 769050

LOAN AGREEMENT

No. 16559

Loan Number: .... **Date Approved by Sacco:** ....

DECISION: APPROVED: ☐ REJECTED: ☐ DATE: ☐

APPLICATION FOR LOAN

This loan Agreement is established between Yawezekana SACCO Ltd *(The lender)* and:

....

(Full Names of borrower as on ID Card)

ID card Number: .... Cell phone No:...

Group Name: .... Branch: ....

Membership Number: ....

Next of Kin's Names: .... Relationship: ....

ID card No: .... Cell phone No: ....

THE LOAN AMOUNT:

The lender agrees to provide a loan of Kshs: ....

Amount in words: ....

For: .... At: ....

(Type of Business) *(Location of Business)*

TERMS OF THE LOAN:

The loan shall be repaid with Kshs ....Per ☐ Week ☐ Month for a Total of .... ☐ Weeks ☐ Months. The Annual interest of (14%) is included in the above amount.

COMMITMENT:

I, the borrower, promise to faithfully make ☐ Weekly ☐ Monthly Loan payments as per this Agreement. I understand that the guarantors in my group will have to pay for me if I FAIL to pay, and that my guarantors will not be able to receive LOANS if I do not HONOUR this Loan Agreement

All payments shall be made by PAYBILL NO. **338566,** BANK Deposits or directly to the Head Office.

BORROWER'S COMMITMENT

I, the borrower promises to faithfully pay this Loan as per this Loan agreement.

BORROWER'S NAME: ....

ID NUMBER: ....

SIGNATURE .... DATE..

FOR GROUP MEMBERS COMMITMENT:

We, the undersigned Members of the Borrower's Group Name: ....
Branch: ....hereby certify that the information given by the Applicant is true and the Applicant is able to service the Loan as per the Loan Agreement. In the event that the Member FAILS to meet the requirements, we, jointly provide our Current and Future Savings as guarantee to repay all outstanding Loan Amounts.

DATE	NAME	ID No.	Signature
1.			
2.			
3.			
4.			
5.			
6.			

FOR YAWEZEKANA SACCO OFFICIALS ONLY:

DECISION: ....

....

NAME: .... SIGNATURE: .... DATE: ....

NAME: .... SIGNATURE: .... DATE: ....

NAME: .... SIGNATURE: .... DATE: ....

This is an official document for Yawezekana SACCO Limited

APPENDIX 4 – QUESTIONNAIRE FOR SEMI-STRUCTURED INTERVIEWS

PART 1: Individual features

- Name: what's your name?
- Age: how old are you?
- Educational level attained: until which class did you attend school?
  - Primary school
  - Secondary school
  - College/university
  - Zero education
- Non formal education: did you/do you attend church, community groups, scout clubs, music clubs or other organizations in addition to school?
- Employment status:
  - o Do you have a job?
  - o If yes, what job? How much do you earn?
- Partner:
  - o Do you have a partner?
  - o Does he/she have a job?
  - o If yes, what job? How much does he/she earn?
- Children:
  - o Do you have children?
  - o If yes, how many?
  - o Gender: how many females and how many males?
  - o Age: how old are they?
  - o School enrollment: what class are they attending now?
  - o Forecasts for next year (kids going to university etc.)

PART 2: Analysis of impact of access to microfinance

- How long have you been a member for?
- How did you get to know about Jamii Bora Trust?
- What made you decide to approach it?
- What type of loan are you currently requesting?
  - o Tumaini loan
  - o Microbusiness loan
  - o Daraja business loan
  - o School fees loan
  - o Housing loan

Before joining Jamii Bora:
<u>SAVING CAPACITY</u>
- Were you able to save some money?

- If yes, how much?
- If no, what was the reason behind it?

NO LOAN YET
- Employment status:
    - Did you have a job?
    - If yes, what job? How much did you earn approximately?

EDUCATION
- Children:
    - Did you have any children?
    - If yes, did you manage to send them to school?

GENERAL:
- How would you define your previous life?

After joining Jamii Bora Trust:
SAVING:
- Are you able to save some money now?
- If yes, how much?
- If no, what is the reason behind it?
- How often do you deposit your savings in the savings account?
    - Daily
    - Weekly
    - Monthly
    - Others
- Was it hard to start saving?
- Was the business training you received useful? What did you learn?

TAKING AND REPAYING THE LOAN
- How many loans have you asked so far?
- For what purposes did you use them?
    - Children's school fees
    - Family business
    - Food
    - Renovating the house
    - Others
- What is the total loan size you have received so far?
- Repayment rate:
    - Were you able to repay at least one loan?
    - How long did it take to repay the first loan?
    - How long does it usually take for you to repay?

EDUCATION

- School choice: what school do you send your child/children to?
    - Public
    - Private
    - Boarding
- Why do you prefer that kind of school?
- What is the cost of school fees?
- Do you have to bear additional school costs (uniforms, transport, food, exams)?
- School fees loans:
    - Did you ever ask for any loan for your child's schooling?
    - If yes, when?
    - What is the size of the loan/loans received?
    - Was one school fee loan enough to send your child/children to school?

GENERAL:

- How would you define your life now?
- What are your priorities?
- Do you have any hopes and forecasts for the future?

PART 3: estimating how children spend their time

- What do your children do?
    - Only go to school
    - Work in family business AND go to school
    - Work in another business AND go to school
    - Only work
- If children only go to school
    - Do they attend school regularly?
    - If no, and they skip hours of school, how do they spend them?
    - Is it important for you to send your child/children to school? Why?
    - Loan size: what is the total loan size you have asked so far?
- If children go to school and work
    - Do they attend school regularly?
    - If no, and they skip hours of school, how do they spend them?
    - Where do they work?
        - In family business
        - In a non-family business
        - Self-employed
    - How many hours a day do they work on average?
    - When? After school? In the weekends? During skipped school hours?
    - Is it important for you to send your child/children to school? Why?
    - Loan size: what is the total loan size you have asked so far?

APPENDIX 5 – PHOTOS OF INTERVIEW RESPONDENTS AND FIELD VISIT

Rosemary, street food vendor, and her children at work – interviewee n. 1

Saturday, 2/09/23

Benson, teaching his kids basic Math and English – interviewee n. 3

Saturday, 2/09/23

Zipporah, mini cakes microbusiness owner – interviewee n. 4

Saturday, 2/09/23

Consolata, street food vendor –
interviewee n. 5
Saturday, 2/09/23

Emma, street food vendor,
and her child after school –
interviewee n. 7
Friday, 1/09/23

Annastaciah, babycare owner –
interviewee n. 9
Thursday, 7/09/23

Jacinta, washes clothes –
interviewee n. 13
Thursday, 7/09/23

Claris, among the 50 women founders and fish shop owner – interviewee n. 26
Tuesday, 12/09/23

Doreen, Jamii Bora officer – interviewee n. 27
Tuesday, 12/09/23

Janett, among the 50 women founders – interviewee n. 28
Tuesday, 12/09/23

Said, police officer in prison – interviewee n. 32
Wednesday, 30/08/23

Members' new credit group registration, Sarah, Koki, Daniel, James – interviewees n. 14, 15, 16 and 17 – with Sarah, a friend – interviewee n. 11

Mukuru Kayaba only community water supply

Low-cost private school in Mukuru Kayaba slum

Types of economic activities in the slums



GLORIOUS
FELLOWSHIP
MINISTRY




SIMBA COOL BROTHERS SELF HELP GROUP
COMPLEX CENTER /OFFICE
We Specialise In All Types Of Events

APPENDIX 6 – PICTURES OF KAPUTIEI TOWN

Kaputiei primary and junior secondary public school

Kaputiei on-site construction factory and construction plan

House sample

Janett and her house

APPENDIX 7 – PHOTO WITH SOME JAMII BORA TRUST STAFF MEMBERS

Peter, George, James, Ingrid, Martin, Catherine, Scholastica, Siméon