

Microfinance for Disabled People: How is it Contributing?

Debashis Sarker

European Microfinance Program (EMP), Solvay Brussels School of Economics and Management, University Libre de Brussels, Belgium and Team Leader, BRAC Microfinance Programme, BRAC, Bangladesh. Email: debashisemp@gmail.com

Abstract: Disabled people face discrimination and marginalization across the globe. They are affected by extreme poverty and due to this; they have limited livelihood opportunities. Microfinance Institutions (MFIs) overlooked the responsibility to include disabled people into their mainstream program. Microfinance is supposed to be for poverty reduction, empowerment of poor and vulnerable people but very few examples shows that microfinance served disabled people. Some MFIs or donor funded projects piloted some experiments around the globe and found that disabled people are economically active, confident, self-employed and appear as the best clients. Disabled people constitute a good market segment for MFIs. However, locating and including disabled people in the conventional microfinance practices is also challenging. Providing credit or savings service is not enough for disabled people but MFIs could offer extended services such as financial literacy, customized training for income generation. MFIs could also recruit disability friendly staff, include disability issue in the training curriculum to change mindset of staff, develop and implement the policies for reaching more disabled people. Beyond these initiatives, MFIs might build strategic partnership with Disabled Peoples Organizations (DPOs) to get effective information about disabled people to ensure access to financial services. This article would focus on several issues of disability and poverty, forms of discrimination and obstacles that disabled people face to access microfinance, contribution of microfinance on the lives of disabled people, challenges that MFIs face for designing specific program for the financial inclusion of disabled people.

Keywords: Microfinance, Poverty, Disability, Discrimination, Contribution.

DOI: 10.7176/RJFA/4-9-118

1. Introduction:

Microfinance (including credit, savings, and insurance) has received a prime attention to the donors and development agencies for addressing twofold issues such as poverty alleviation and empowerment of women. (Lewis, 2004). Microfinance is working for opening the door of financial access to poor and unbanked people. It also claims to provide financial services to the poorest of the poor (Handicap International, 2006). Some people believe that, microfinance works well for poverty alleviation and others' say that, microfinance is not a 'magic bullet' to alleviate poverty. This thinking echoed into another research paper. Microfinance including a variety of financial services, which is offered to serve the unbanked poor, is seen as a 'magic wand' to battle against poverty and expected to solve it all. For others, this is a new version of old practices that is reframed and glorified (Armendariz & Labie, 2011). The fact is that microfinance has given many opportunities to utilize finance for changing the economic condition of the poor. However, criticism exist that Microfinance Institutions (MFIs) lends to well-off clients. In most of the cases, it could be seen that MFIs did not reach to all segments of the poor people in the society such as disabled people. MFIs are excluding these people because of the stigma or prejudice or lack of operational knowledge to deal with disabled people. Now-a-days, different academicians, donor agencies are creating awareness and promoting the best practices to MFIs to change attitude towards serving disabled people. The reality is MFI's initiatives for disabled people is not yet praiseworthy. However, microfinance has emerged as a popular tool to enhance economic empowerment of poor entrepreneurs and financial rehabilitation of disabled people (Mersland, 2005). Many research works show that disabled people are economically active in terms of generating self-sustainability. Despite of these, disabled people face numerous discrimination and barriers to access to finance which might limits their productivity. Moreover, microfinance intervention's contribution on the lives of the disabled people is unclear since almost no research is conducted on this specific issue. So far, little research has been done which is mainly focused on the barriers and discrimination of disabled people to access microfinance. In this paper, the first section will discuss about the understanding of disability and microfinance, and then the second section will be highlighted on how disabled people face discrimination to get access to microfinance. In the third section, the contribution of microfinance on the lives of disabled people is discussed and

also the challenges that microfinance institutions face to include disabled people in their operation is discussed. Finally, I conclude.

2. Disability and Microfinance: An Overview

2.1 Definition of Disability

The definition of disability is critical and controversial (Department for International Development-DFID, 2000) as disability is defined in many ways in different research papers, multiple bodies of the government, non-government and international organizations. Defining disability is challenging because it varies on circumstances, countries or incidents. The World Health Organization-WHO (2011) states that though this issue is vast in nature but both awareness and scientific information regarding disability issues have shortcomings. There is absence of conformity to define disability and have little information internationally on incidence, distribution and trends of disability. However, United Nations adopted a convention that is known as the 'United Nations Convention on the Rights of Persons with Disabilities' (UNCRPD) in 2006. Disability can be defined by following the article 1 from the UNCRPD that states that disabled persons are those who have long-term different impairments such as mental, physical, intellectual or sensory that in interaction with different obstacles may hamper their full and effective participation in the society equally compared to others.

Based on the different definition applied, researchers have found 3% to almost 20% of a given population have disabilities. (Beisland & Mersland, 2012). Recently, some research work has been done on disability and these papers show the number of disabled people in different figures. One study (United Nations, 2007) showed that 10% population in this world have disabilities and 80% of them live in the developing countries. These disabled people are the poorest of the poor compared to other people without disabilities (United Nations, 2007). According to the WHO (2011), 15% of total population of the world has some form of disabilities.

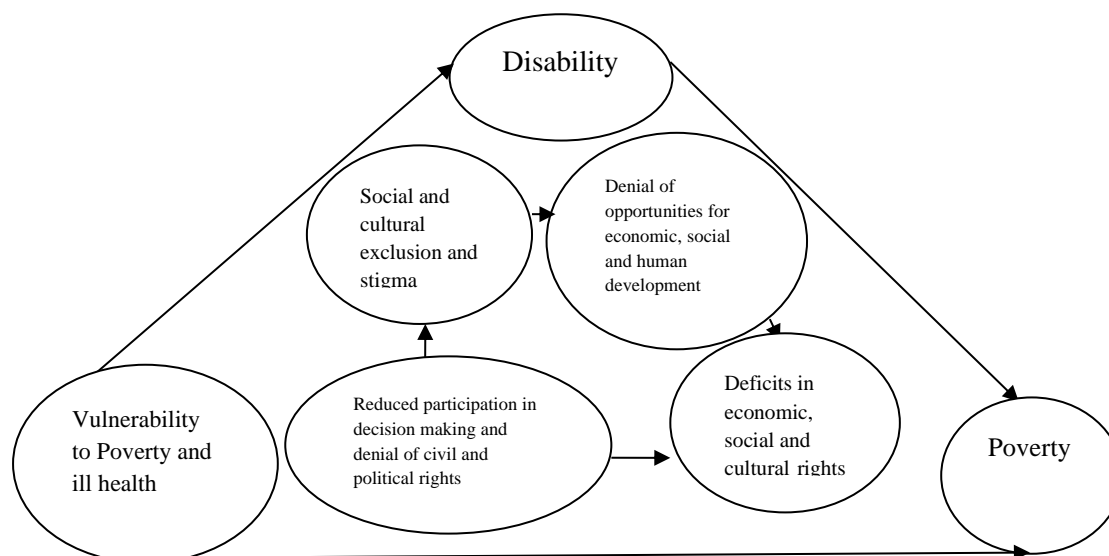
2.2 Disability, Poverty and Microfinance

Disability has a direct consequence on disabled people. Disabled people face extreme poverty because of their vulnerability. They are excluded from the normal social life and do not get sufficient economic support to be self-sustainable. Thus, they are always fighting against poverty to survive themselves. Diverse development interventions are running throughout the world for ensuring positive changes of the lives of the poor people but these interventions had less significant focus to the specific segments of the poor people such as disabled people. For instances, some of the countries such as Albania, Bangladesh, Brazil, China, Romania, and the Russian Federation have taken some development programs for disabled people as target segment in a very limited scale. Sometimes some experiments have been done where primary target was children with disabilities.

In the eye of development perspective, disability itself is a development issue since disabled people face negative experience in the society and extreme poverty. For exclusion and poverty, disabled people are not only suffered by themselves but also make others unproductive by getting other's time and efforts such as family members. Disabled people do not get sufficient social benefits from the government. Moreover, over the years, disabled people have never been the primary target in the social inclusion and economic integration of local and international policies. Having said that disabled people showed that they could be very productive in the workforce. It is evident that when disabled people had favorable working conditions to perform in the job market, they did well for their self-employment (ILO, 2002; Lewis, 2004; United Nations 2007).

The figure on disability poverty and development that is developed by the DFID (2000) depicts the relationship among disability, poverty and vulnerability. When disabled people are affected by stigma, excluded from existing opportunities, cannot claim their rights and participate in the society then they are into poverty. All these three domains of the figure are interlinked and requires individual conscious efforts to address for the development of the disabled people.

Figure 1: Disability, Poverty and Development



Source: DFID (2000, p.4)

Generally, disabled people are socially and financially excluded. Disabled people do not have access to available services, for instance, health, education or employment opportunities. They are deprived of having enough disability related services when required. They are also excluded from normal everyday life practices in the society (WHO, 2011) and experience exclusion and discrimination in this world. In terms of economic inclusion of the disabled people, they have limited access to the formal employment sector because organizations do not want to include them in their formal employment process. Around 80-90% of disabled people do not have formal job (United Nations, 2007) and finding a formal job in developing countries is challenging. Thus, disabled people have only accessible option to become self-employed. However, because of the nature of heterogeneity, this might not be the option for everyone (Handicap International, 2006). For generating self-employment, disabled people need to access finance, which is not easy at all. Due to this, they need to depend on the grants or family support to do something productive, which is also limited for them. For all these reasons, they cannot take initiatives for income generation.

Microfinance might work for disabled people to involve some income generating activities. However, disabled people tend to be excluded from mainstream microfinance services. Thus, their economic activities are supposed to be remaining small (Handicap International, 2006; Mersland, 2005). To survive in the family life, they need to generate some revenue for their own and sometimes for their families. Without economic empowerment, disabled people cannot get the respect in the society. Disabled people have less confidence and self-respect. Thus, less than 20 percent of them are involved in the employment practices. This number is not good enough to consider their involvement in the economic activities (Handicap International 2006). When they are out of employment and economic activities, they experience more economic hardship and poverty.

In this section, it is evident that disabled people are the poorest of the poor and they have very limited opportunity to live their lives. They have economic hardship due to the lack of accessing existing social and economic opportunities. Thus, they experience poverty. Microfinance might support disabled people to do some income generation but very few disabled people have option to access microfinance. In the following section, how disabled people face discrimination to access credit is discussed.

3. Discrimination and Obstacles that Disabled People face to Access to Microfinance:

Disabled people face discrimination and barriers to get access to microfinance. Every people have basic rights to access to finance. However, disabled people have limited access to financial service. Disabled people are deprived from the existing development priorities and they face enormous challenges in their lives when they are out of financial inclusion. Microfinance is supposed to be accessible for all people who need finance. However, disabled people need to overcome a number of barriers or discrimination for accessing formal financial system. Different research work revealed different barriers for diverse reasons that varies from social discrimination to institutional

perspective to microfinance program design. Simanowitz (2001) and Bwire et al. (2009) explain that several barriers exclude disabled people from accessing microfinance: exclusion by staff because of biased attitude; exclusions by non-disabled members in credit groups; the disabled themselves because of low self-esteem and repeated experiences of rejection; credit design; and mobility or communication problems resulting from the disability itself. Moreover, one of the hindering barriers is credit program design. Due to several reasons such as credit amount, flexible time duration, higher interest rate, financial products might be inconvenient for disabled people. However, to meet the need of the disabled people MFIs could design customized products for disabled people (Beisland & Mersland, 2012).

However, all the above-mentioned barriers are equally important to consider for ensuring financial inclusion of disabled people but one issue that is eligibility criteria is crucial to discuss here. Because microfinance institutions impose harder conditions to be eligible for credit. One of the criteria, which is very common in practice, is forced savings meaning that disabled people need to save first to the MFIs before receiving credit. Disabled people also need to show enough capacity to provide credit security or different fees, or supply the evidence of their prior business experience in many cases. All these criteria are difficult to fulfill by poorest of the poor especially disabled people since they do not have enough capacity to do so. Due to the resource shortcomings or inability to comply with the required expectations, disabled people are frequently excluded from the financial system (Cramm & Finkenflugel, 2008) and put them into further poverty.

Women with disabilities experience higher discrimination on the grounds of gender and disability. Compared to men, women with disabilities are the most vulnerable group (Lapie et al., 2011). In another research (Lewis, 2004), revealed that in the development initiatives, women from rural areas, indigenous women, young and older women, lesbians, refugees and migrant women, sex trade workers and women with disabilities, get less priority. However, MFIs predominantly provides credit to women but woman with disability has rare access to finances. In the few exceptional cases, when woman with disability receive credit, they get lower amount compared to other woman without disability despite of income indifferences.

This section concludes that disabled people face substantial discrimination and obstacles to access to microfinance. Despite of this, some disabled people have been accessed to microfinance due to some experiments taken by few development organizations and MFIs. However, the contribution of microfinance on the lives of disabled people is not clear yet and at the same time, the challenges that MFIs face to serve disabled people is not well documented. In the following section, the contribution of microfinance on the lives of the disabled people and the challenges that MFIs face to serve disabled people is discussed.

4. Microfinance for Disabled People and Some Challenges: A Critical Analysis

4.1 Contribution of Microfinance activities into the lives of disabled people

Microfinance activities seem to be useful for self-employment in many cases even for disabled people. Microcredit, savings, insurance, financial literacy or credit plus approach could create huge impact on the lives of the disabled people. Opportunities to access to finance can help people to accumulate assets, business opportunities, economic empowerment, contributing in the society compared to others and thus increase their self-esteem. Microfinance can also help people to recover from different natural shocks such as illness, drought, crop failure; it can also play a role in education, health and housing. Microcredit also can enhance social and economic condition of women (Herms & Lensink, 2007).

Though credit could do so many things, but microfinance program did not play an active role to include disabled people for financial inclusion. Very fewer concrete examples can be found in the existing literature. Thus, debate exists on how microfinance interventions can contribute to the lives of disabled people. MFIs never try to face the challenges of including this vulnerable group to their core program. Some of the findings in literature show that microfinance has contributed very less for disabled people. Despite of these criticisms, in the past and recent years, some organizations such as MFIs or donor agencies are working directly or indirectly with disabled people. For instance, BRAC microfinance program in Bangladesh, Freedom from Hunger, Handicap International, Leonard Cheshire International have worked for disabled people directly or supported some disabled oriented organizations with funds. However, these initiatives are not enough for the financial and social inclusion of disabled people.

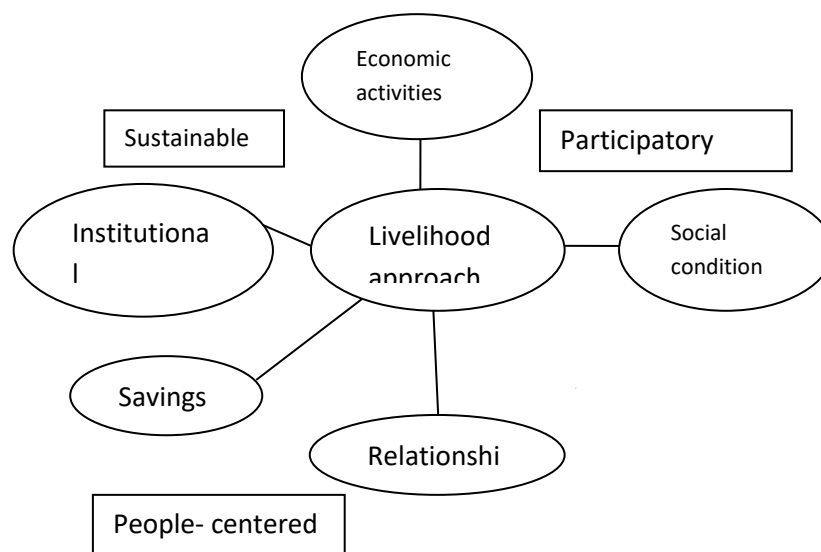
Disabled people constitute a significant market segment for MFIs since it represents 10 percent of total population in most countries. The market for disabled person is considerable but the fact is few disabled people have access

to microfinance. Disabled people appear very few as MFI's clients, for instance, 0-0.5 percent, where some argues it could be six percent. Many MFIs agreed that they did not include disabled people among their clients as target population (Handicap International, 2006). Considering the number of disabled people as market segment, there are many opportunities to innovate and introduce different products and ideas for providing services to disabled people.

To avoid perceived risk, MFIs never thought about disabled people to be their mainstream clients. MFIs perhaps thought that disabled people might not repay the credit. Since disabled people have some perceived limitations and they experience challenges to comply with credit conditions, MFIs become reluctant to provide credit. For instance, disabled people might have limited ability to provide credit security or forced savings before getting credit. As a result, they become self-excluded.

In the rural areas, disabled people have less access to available services. MFIs sometimes do not operate its activities in the extremely rural areas to reach poor people. Thus, many disabled people who are living in the rural areas are not getting access to finances. For solving this problem, MFIs need to focus on developing innovative approaches how to include these disabled people into the program activities in the rural areas (Ton, 2008). Research shows that disabled people can perform almost all jobs where they have the right environment and with more productivity. Microfinance with the most vulnerable groups could be effective and sustainable (WHO, 2011 & Handicap International, 2006). Thus, MFIs would work for the economic development of the disabled people so that disabled people could position themselves in the society with honor and dignity. Lewis (2004) states that access to capital does not only increase productivity and assets but also increase self-esteem and build social acceptance in the society. Disabled people can be economically sustainable if they get necessary finance with some training and relevant technical support. By involving with the financial system, they could generate more savings, and this is how disabled people could be more competent to face contingency situation, enhance peer relationship and social respect.

Figure 2: Livelihood approach component



Source: Handicap International, (2006).

Despite of all these criticisms, suggestions and possible solutions, there have been some interventions done by some of the MFIs to see the outcome though it was in a limited scale. The following table represents different literatures that discuss about the impact of microfinance on the lives of disabled people.

Table 1: Different articles show the impact of microfinance on the lives of disabled people

Author and research paper	Findings
Handicap International, 2006	<p>“Interestingly, some microfinance institutions mentioned that people with disabilities were among their best clients.”</p> <p>“Evaluated 43 projects and found that targeted microfinance schemes were beneficial and that almost two thirds of them were sustainable”.</p>
United Nations, 2007	<p>“Evidence indicates that persons with disabilities have better performance ratings in the job market, and when they have access to equal opportunities as their non-disable counterparts, they often experience success as self-employed.”</p>
<p>(Mkombe, 2005)</p> <p>Evaluation report on Dadoma Microfinance Project for disable people, July 2003-2004</p>	<p>“The project has recorded 99% of repayment rate. The rate shows that people with disabilities are not a financial risk.”</p> <p>“PWDs gained more confidence that they can better manage credit and make profit.”</p> <p>“The Microfinance project has changed socio-economic life of PWDs. Small loan given enabled disable people to start and expand small business”</p>
<p>ILO (2003)</p> <p>Doing Business in Tigray: Case studies of women entrepreneurs with disabilities in Ethiopia.</p>	<p>“Microfinance programme in Ethiopia shown a positive result who became disabled during war”</p>
<p>Fiasse, J (2011)</p> <p>Impact of Microcredit scheme for persons with physical disabilities in Herat, Afghanistan. International Committee of the Red Cross (ICRC) physical rehabilitation center, Afghanistan, 2011</p>	<p>The study shows that after completing the loan clients continued with their business, showing improved confidence and living conditions.</p>

Source: Author, (2013) based on the different literatures

From the above table we could see that diverse experiments have been done previously for the financial inclusion of disabled people and these were profitable for both MFIs and disabled people.

Despite of these success stories, MFIs could also try to assess disabled people to see whether this group is able to do something or not with the credit. MFIs have experienced fewer challenges as a promoter of financial inclusion for the marginal and destitute people in the society especially for disabled people. Handicap international (2006) found that seventy percent of MFIs who have provided credit to disabled people explained that they provided credit with the same condition compared with other clients which also proves that disabled people could be similar to other clients. Moreover, disabled people can provide installment on time and they never wait for the special treatment. Bwire et al., (2009) showed that one of the projects has been successful to increase the number of disabled customers without giving incentives, changing conditions or products. Disabled people want to work in a way that other people do and finance can help them to involve in the income generation activities.

However, when needed, MFI could provide additional opportunities considering the vulnerability of these people. Beisland and Mersland (2012) suggest that for reaching more disabled clients, MFIs should revise their products as disability friendly. They also imply that MFIs might also think about the retention of disabled customers rather than only focus on the issue of serving them. Along with accessing credit, disabled people need to have marketing skills, long-term assistance and post program follow-up support to be successful as self-employed person (Perry & ILO, 2003). Moreover, MFIs can provide training to the disabled people for developing their skills to be involved in any economic activities. With necessary knowledge and skills, disabled people can easily start something, which will generate income. MFIs need to select and orient their staff for dealing with this segment with due respect.

4.2 Challenges of MFIs to include disabled people:

From the MFIs perspective, they always face challenges to include disabled people into their mainstream program. These challenges come from the policy development to service delivery. The most challenging task is to collect data on disabled people and identify clients' competencies. Sometimes collection of data of disabled people could be easier by building the partnership with Disabled People Organization (DPOs) since these organizations specifically work for disabled people in terms of providing health support and training. It is evident that some DPOs operate microfinance activities for serving disabled people though with a very limited coverage. In this case, DPOs could face challenges to run microfinance activities due to the lack of knowledge on developing and administering the program. In this case, the effectiveness of providing services will remain questionable. However, meaningful partnership between MFIs and DPOs could enhance more financial inclusion of disabled people but seems it does not exist in practice substantially. Besides that, asymmetric information impedes crucial communication and interaction between "disability world" and "microfinance world".

MFIs also have misconception about disabled people. MFIs always believe that disabled people are too risky to lend, and disabled people have less capacity to save properly (Cramm & Finkenflugel, 2008; Martinellai & Mersland, 2010; Beisland & Mersland, 2012; Bwire et al. 2009). However, mainstream MFIs might not exclude disabled people with intention but they did not also include disabled people in their program. MFIs did not engage into the challenges to ensure full and equal access of disabled people (Dyer, 2003). Moreover, higher lending rate, less competent resources, lack of specialized treatment, high operational cost, changing staff attitudes are some of the challenges MFIs always face to include disabled people into their mainstream program.

5. Conclusion:

Microfinance program could be available for disabled people. Though MFIs face numerous challenges to include disabled people in their program, they could always try to be innovative in designing disability friendly program and develop effective strategy to implement that program. MFIs can contribute to the lives of the disabled people by ensuring access to credit, savings, insurance and other financial services. Market size for disabled people is quite large and MFIs could get 'win-win' benefits for their clients and for themselves. MFIs should try to remove all barriers to provide equal access to financial services for disabled people. So far, microfinance industry does not have enough examples to highlight their activities for disabled people.

From ethical point of view, MFIs should work hard to ensure financial inclusion of disabled people. Microfinance cannot ignore its role to serve disabled people. Since MFIs face challenges to locate disabled people, they can collaborate with DPOs. DPOs could provide useful information to MFIs regarding disabled people, assist to provide training to MFIs and its staff, analyze and educate of the prospective clients and raise awareness against exclusion among members (Martinelli, 2006). On the other hand, MFIs could provide technical support to the disability-oriented organizations to run microfinance effectively. MFIs can also come forward to integrate their program with those organizations that are already providing other services to the same group. However, more study is needed to see the impact of microfinance's intervention on the lives of disabled people, how microfinance can boost further entrepreneurial competency of disabled people, how microfinance can ensure social and financial sustainability of disabled people, and to assess the way DPO and MFIs can integrate to serve disabled people.

References:

- Armendariz, B. and Labie, M. (2011). *The Handbook of Microfinance*, World Scientific Publishing Co. Pte. Ltd., p.6
- Bwire, F.N., Mersland, R. and Mukasa, G. (2009). 'Access to mainstream microfinance services for persons with disabilities: Lessons learned from Uganda', *Disability Studies Quarterly* 29, Issue 1

- Beisland, L.A. and Mersland, R. (2012). 'Barriers to microcredit for disable persons: Evidence from economically active persons in Uganda', *Enterprise Development and Microfinance Vol. 23, No.1*, Practical Action Publishing
- Cramm, J.M. and Finkenflugel, H. (2008). 'Exclusion of disabled persons from microcredit in Africa and Asia: A literature study', *Asia Pacific Disability Rehabilitation Journal*, Vol. 19, No. 2: p.16
- Dyer, S. (2003). The inclusion of disabled people in mainstream microfinance programmes, Disability and Microfinance, London.
- DFID (2000). *Disability, Poverty and Development*. Department of International Development, UK Government, p.2.
- Mkombe (2005). Evaluation report on Dadoma Microfinance Project for disable people, July 2003-2004.
- Fiasse, J. (2011). Impact of Microcredit scheme for persons with physical disabilities in Herat, Afghanistan. International Committee of the Red Cross (ICRC) physical rehabilitation center, Afghanistan,
- Handicap-International (2006). *Good Practices for the Economic Inclusion of Persons with Disabilities in Developing Countries*, Handicap International, Paris
- Herms, N. and Lensink, R. (2010). Impact of Microfinance: A critical survey, H T Parekh finance forum, *Economic and political weekly*, p.463
- ILO (2012). Disability and Poverty Reduction Strategies: How to ensure that access of persons with disabilities to decent and productive work is part of the PRSP Process, International Labor Organization, Switzerland.
- ILO (2003). Doing Business in Tigray: Case studies of women entrepreneurs with disabilities in Ethiopia."
- Lewis, C. (2004). Microfinance from the point of view of women with disabilities: Lessons from Zambia and Zimbabwe, *Gender and Development 12: 1*, p.28-39.
- Labie, M., Meon P-G, Mersland, R., and Szafarz, A. (2011). Discrimination by microcredit officers: Theory and Evidence on disability in Uganda, Working paper 11-06, University Libre de Brussels-Solvay Brussels School of Economics and Management, Centre Emile Bernheim.
- Mersland, R. (2005). Microfinance for self-employed disable people persons in developing countries. Atlas Alliance, Norway.
- Mersland, R, Bwire, F.N., and Mukasa G. (2009). Access to mainstream microfinance service for persons with disabilities- lessons learned from Uganda. *Disability Studies Quarterly, Volume 29, No. 1*.
- Martinelli, E., & Goldberg, M. (2006). Microfinance and Disability, Building a bridge between microfinance and disabled communities, Microfinance gateway, retrieved from <http://www.microfinancegateway.org/p/site/m/template.rc/1.26.9065/>, accessed on 15.11.2012
- Perry D.A. (2003). Moving forward: toward decent work for people with disabilities. Examples of good practice in vocational training and employment from Asia and Pacific. International Labor Organization, Geneva.
- Simanowiz, A. (2001). Thematic report No. 4: Microfinance for the poorest: A review of issues and ideas for contribution of IMP-Act, in Improving the Impact of Microfinance on poverty, Imp-Act, Institute of Development Studies, Sussex, UK, p.3-4
- Ton, D.K. (2008). Funding for self-employment of people with disabilities. Grants, Loans, revolving funds or linkage with microfinance programmes, *British Leprosy Relief Association, Volume 79, Issue 1*.
- United Nations (2006). Convention on the Rights of Persons with Disabilities United Nations General Assembly. retrieved from <http://www.un.org/disabilities/convention/conventionfull.shtml>, retrieved from 12.11.2012
- United Nations (2007). Mainstreaming disability in the development agenda, retrieved from <http://www.un.org/disabilities/default.asp?id=708>, dated on 25.12.2012
- WHO/World Bank (2011). *World Report on Disability*, WHO Press, Geneva, Switzerland

About the Author: The author is a CUD scholar and studying European Microfinance Programme (EMP) at the Solvay Brussels School of Economics and Management, University Libre de Brussels, Belgium. He is also working at BRAC Microfinance Programme, BRAC (www.brac.net) in Bangladesh but currently on study leave. He was born and bred in Bangladesh. He did Bachelor in Business Administration (BBA) and Master in Business Administration (MBA) from University of Dhaka, Bangladesh.

Dedication: This article is dedicated to my lovely parents (Prahlad Chandra Sarker & Jothsna Rani Sarker) and Brothers (Pabitra Kumar Sarker, Pranatosh Sarker and Debotosh Sarker).