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Position Paper on Microfinance

Promoting Access to Mainstream Microfinance Services for self-employment of People with Disabilities

IDDC Livelihood Task Group

IDDC is a network of 23 international NGOs supporting the inclusion of persons with disabilities in development efforts in over 100 countries. IDDC promotes inclusive development, i.e. respecting the full human rights of every person, acknowledging diversity, eradicating poverty and ensuring that all people are fully included and can actively participate in development processes.



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The main purpose for this position paper is to present IDDC's position on access to financial services for self-employment of people with disabilities, to present good practices of IDDC members within this field and give recommendations on the role to play for IDDC members in these interventions.

Introduction

In the recent past, there has been vibrant discussion on access to microfinance and other livelihood opportunities for people with disabilities. On the basis of the Article 27 of the UN Convention on the Rights of Persons with Disabilities dedicated to work and employment, self-employment and entrepreneurship have been recognized as an area of major relevance for poverty reduction. Nonetheless there is limited literature and uncoordinated debate on this issue. Only very recently, some efforts have been made to collate actual experiences and knowledge to provide some guidance for practitioners and policy makers¹. But there is still a need to put together

¹ Two initiatives deserve to be mentioned: Nakabuye, Mukasa and Mersland paper, access to mainstream microfinance services for persons with disabilities, <http://www.dsqsds.org/article/view/168> and Handicap International, Guide on Good Practices for the Economic Inclusion of People with Disabilities in Developing Countries - Funding Mechanisms for Self-Employment, http://www.handicap-international.org.uk/page_244.php

resources and knowledge, promote support for successful methodologies and disseminate good practice in order to raise awareness on the topic and advance the debate with key stakeholders.

It is estimated that 15% of the world population and 20% of the world poorest population are people with disability. Until now this market is more or less untapped – providing a huge potential for the providers of financial services for the poor. For the providers of financial services / microfinance industry, this is a huge untapped market potential that has not been fully utilized.

General Principles

When promoting access to mainstream microfinance services for people with disabilities, IDDC members should understand and adhere to the following general principles:

Microfinance industry

- Microfinance services include several kinds of services such as saving, micro-insurance, money transfers, credit. In most cases the demand for saving exceeds the demand for credit among poor people.
- Accessing microfinance services requires fulfilling specific conditions set by financial services providers.
- Financial services providers refer to a wide range of informal and formal actors (Rotating Savings and Credit Associations –ROSCAs, is the informal provider that most likely serve the highest number of poor people with disabilities today).
- The existence of anti-discriminatory legal framework is a lever for promoting access to mainstream microfinance services for people with disabilities.

Principles on access

- Accessing credit is not a panacea. Borrowing money without repayment capacity will end up in indebtedness for the borrower.
- Being denied access to credit is not always based on prejudices, it may also be the result of a professional screening process.
- Prejudice in the community is a common barrier in accessing financial services.
- Some people with disabilities are not accessing financial services because of low self esteem.

Access to Mainstream Services in Uganda

This initiative aims at enabling people with disabilities to have access to mainstream microfinance services. In the project, the DPO umbrella NUDIPU has joined forces with the microfinance institution (MFI) network AMFIU, while the Norwegian Association of Disabled (NAD) has provided technical assistance and financed the project. Several lessons have already been learned: 1) entrepreneurs with disabilities are an untapped market opportunity for MFIs; 2) to influence MFIs it is important to understand their business model and team up with key actors from the industry; 3) people with disabilities are often misinformed about MFIs' terms and services and do not know how to tap these opportunities. Gradually a change in attitudes in MFIs and Disabled Peoples Organizations (DPOs) is observed. All MFIs participating in the project now report an increase in the number of clients with disabilities served. This is happening without the use of any economic incentives.

- Many people with disabilities lack information about financial services available and the benefit they could get from it.

- Financial services providers generally lack information about people with disabilities and their potential of being an attractive market opportunity.
- Not all people with disabilities want to be self-employed. Some are more interested in getting access to formal employment.

Strategies for financial service provision

- Providing microfinance services requires professional skills and must be left to microfinance institutions or other professional financial service providers.
- Organizations with a social mandate must avoid providing financial services.
- Specialized professional financial providers such as MFIs, commercial banks and SACCOs are key providers.
- Non-financial services play a significant role – if they do not exist, it is necessary to design them.
- Actors such as NGOs, DPOs, and other non-financial services providers can play a role in providing complementary non-financial services such as training, business counselling and follow-up.
- People with disabilities' family and community should be considered as potential target in project design.

Recommendations

In the course of operation, IDDC members or their implementing partners must bear in mind the following recommendations:

- Approach microfinance services providers to advocate for implementation of rights-based approaches to ensure equal access to microfinance services.
- Promote successful and trustworthy entrepreneurs with disabilities as role models and business opportunity for microfinance service providers.
- Collaborate with microfinance institutions to support them in making the necessary arrangement to ensure access to microfinance services for people with disabilities (adaptation of branches for better accessibility, designing policy).
- Special conditions for clients with disabilities in microfinance institutions should not be advocated for. People with disabilities are not a homogenous group; their businesses and their disabilities differ. Besides, the development and maintenance of special products will seldom turn out to be cost-efficient for the financial service providers.
- Gather more documentation and focus on research as basis for implementation strategies and development of methodologies. People with disabilities should be involved in designing and implementing research.
- Develop complementary non-financial services or promote access to existing services (e.g. business counselling, training and follow-up for people with disabilities).
- Implement positive action mechanisms when it is necessary to compensate the additional difficulties due to disabilities, such as grants or in-kind donations. Positive actions should not be implemented by microfinance services providers.

- Promote positive image of people with disabilities as successful and trustworthy entrepreneurs within their communities and build potential entrepreneurs with disabilities' self-esteem.
- Recognize the existing legal framework in order to advocate for the right to access financial services for people with disabilities.

Handicap International in India

From 2006 to 2008, Handicap International developed partnership with Indian NGOs such as GVST, SAATH Charitable Trust and VIKAS Centre for Development in Gujarat (South India). The aim of this project was to support existing microfinance programmes to include people with disabilities in their clientele. The evaluation study of this programme points out the very success of the initiative. First, people with disabilities were largely enrolled in credit and savings groups. New groups were even promoted to include people with disabilities - in VIKAS; people with disabilities are the leaders of nine groups.

Moreover, business development trainings were organized by GVST and VIKAS for people with disabilities. VIKAS carried out several awareness-raising sessions in communities to encourage People with disabilities to join MF initiatives. As a result, NGOs staff has a better understanding of disability and people with disabilities feel more self-confident thanks to their recognition as able members of their communities.

- Be aware of how the financial sector is operating and mechanisms behind financial service provision.
- Advocate for the access to mainstream microfinance for people with disabilities with relevant stakeholders (CGAP - Consultative Group to Assist the Poor, Chambers of Commerce, national umbrellas of MFIs, MF vehicles) and the donor community.

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