

# Older people and micro-credit

## Bangladesh experience



### What is micro-credit?

Micro-credit is a small amount of money (as little as \$50) loaned by a bank or other institution to a client – in Bangladesh, most clients are women. It can be offered, often without collateral, to an individual or through group lending. Micro-credit programmes extend small loans or a wider range of financial services to poor people to foster self-employment and income generation and to improve their living standard. Micro-finance is a comprehensive term that can include a bundle of financial services, such as credit, savings, insurance, and remittances.

### Older people's participation in micro-credit

Older people's participation in micro-credit is very low, but information about their activity in existing micro-credit programmes

is rare. Available data on members of micro-finance institutions (MFIs) in Bangladesh are not age segregated, so the age-based trend of participation in micro-credit is not clear. Research and evidence gaps of older people's participation in micro-credit in Bangladesh remain wide.

The figures below provide some indications about older people's participation in micro-credit. They come from a baseline survey of 36,784 older people in six districts for the project *Realising the Rights of Vulnerable and Marginalised Older People in Bangladesh*.<sup>1</sup> This project of HelpAge International and Resource Integration Centre aims to strengthen groups of older people to monitor and advocate for access to social safety net programmes, health care, and micro-credit programmes. The survey showed that the average rate of participation in micro-credit in

the target areas was 18.8% among poor older people. The pattern of participation was very uneven across the surveyed districts. In Pirojpur District, for example, about a third of the surveyed poor older people participated in micro-credit. But in three of the six districts surveyed, the participation rate was no more than 10%. This compares with an average adult rate of participation in micro-credit among Bangladesh's poor of about 45%.<sup>2</sup> The reasons for the uneven participation among older people need further investigation.



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## Participation of poor older people in mainstream credit programmes in 375 villages<sup>3</sup>

Poor older people	Grameen Bank		BRAC		Local Credit		Others		Total Recipients	
	No.	%	No.	%	No.	%	No.	%	No.	%
22,599	932	4.1%	458	2.0%	1,302	5.8%	1,560	6.9%	4,252	18.8%

Two points are critical in order to understand older people's participation in micro-credit.

- The ease of an older person's access to micro-credit depends on that person's history of participation in micro-credit. The Grameen model of micro-credit is about 25 years old in Bangladesh, and many members who started taking loans as young people continued to borrow as they grew older. Because of their long history of borrowing, these older clients find it easier to access micro-credit than older people who have never borrowed or established their creditworthiness.

- Increased life expectancy also expands the participation of older people in the labour market, small business, and self-employment. Life expectancy at birth in Bangladesh has risen dramatically from about 46 years in 1972 to 63 years today. So the credit needs of this growing segment of older people are becoming more important.

### Reasons for low participation

Discussions with micro-credit providers and older people themselves have revealed several types of interrelated barriers to access:

#### Institutional barriers:

- In some cases, the formal policies of micro-finance institutions (MFIs) discourage or even prevent the participation of older people in mainstream micro-credit. ASA, for example, has "a somewhat flexible age limit of 18-55, relaxed if physical condition is exceptional."<sup>4</sup> Two other large MFIs, Grameen Bank and BRAC, have no written age

restriction. However, even if a MFI does not impose an age limit in its regulations, the lending pressures faced by the MFI may effectively lead to exclusion of older people from borrowing as a high-risk group. MFIs and their employees depend on successful lending to collect service charges on loans and expand their operations. If the income generating activity requires physical labour, such as fishing, the MFI field workers may worry that the older borrower cannot repay the loan and seek younger borrowers instead.

#### Physical barriers:

- The micro-credit system that operates in Bangladesh is generally based on weekly group meetings. It may be difficult for older people with mobility or health problems to attend a weekly meeting. There are also physical barriers related to engaging in the labour market. Many poor older people are suffering from malnutrition, which accelerates a decline in physical strength and limits their ability to continue traditional income generating tasks they have done their entire lives.

#### Social barriers:

- A social perception old age in Bangladesh that the later years of life are not meant for work. They are a time for retirement and praying. Therefore, even many of the so-called young-old (for example, people in their early 60s) do not have the confidence or local backing from society to continue their income generating activities. Social perceptions may therefore weaken older people's individual confidence and their demand for micro-credit.

#### Psychological barriers:

- As noted above, societal perceptions of ageing may make the older poor hesitant about taking micro-credit. In addition, some older people believe that if they take a loan and die without repaying the full loan, they will have died indebted and leave a burden behind for their families or unfinished earthly business when they enter the afterlife. Such beliefs are demand side constraints for participation in micro-credit, yet also imply that older people are earnest to repay their loans and are therefore suitable borrowers.

#### Why should older people participate in micro-credit?

In focus group discussions and other interactions, older people themselves have identified four key reasons for getting involved with micro-credit:



■ **Making ageing active and productive:** Although older age is often perceived as a time of not doing any work and relying on the children for one's livelihood, the reality is that family support is often reduced and many older people find themselves in crisis. In this situation micro-credit could be a breakthrough, allowing older people to engage in income generating activities. Bangladesh offers many opportunities for older people to establish and manage small businesses. Throughout Asia, many in the HelpAge International network including RIC have seen many entrepreneurs who started a successful small business after reaching older age.

■ **Establishing creditworthiness:** Many cases older people's creditworthiness is not accepted or established. For example, RIC questioned 20 grocery shop owners about whether they in general were ready to sell to older people on credit. Only 6 owners responded positively. The other 14 owners said they would not sell anything on credit to older people without a guarantee from a younger member of the family. Micro-credit could change this situation. If a micro-finance institution extends a loan to older people, then their general creditworthiness can be established for other transactions. It is accepted that when a micro-finance institution extends a loan to any of their clients, it is sure about recovery of the loans.

■ **Shifting to new, age-appropriate income generating activities:** A large segment of poor older people are engaged as unskilled wage labourers, which demands physical strength. As they age, they may be unable to continue as before. But they may be fit to do light work that demands less physical labour, though it may need patience, experience, and knowledge. Older people could explore such jobs and adapt to their changing situation. But they face a big barrier with investment.

Many have no savings, and other poor members of their family may live from hand to mouth so cannot provide investment money.

■ **Being a contributor, not a burden, to the family and community:** Many older people say, "We were contributors in building a family and the nation and we want to maintain that way of life. But the problem is, how can we start and from where can we get money?" In addition, in some cases older people (especially older women) are marginalised and neglected within a poor family if they can offer no financial contribution. Capital is required to start and sustain any income generating activity.

### **Strategies to promote older people's access to micro-credit**

HelpAge International and Resource Integration recommend several steps to expand older people's ability to benefit from micro-credit:

■ **Advocate to lower the formal institutional barriers of older people's participation in micro-credit:** The large micro-credit providers such as Grameen, BRAC, and ASA are trendsetters in micro-credit. They should remove any remaining age-barrier clauses from their guidelines.

■ **Develop age-friendly loan products:** Changing written policies is just a starting point. MFIs should also develop innovative loan products to meet the credit needs of older people. These products may feature, for example, installment repayments that are less frequent than weekly, revised insurance provisions to reassure older people that they will not leave behind a burden if they die, and less reliance on savings history as a criterion for borrowing.

■ **Expand older people's access to special micro-finance products for excluded groups:** MFIs in

Bangladesh are designing an increasing number of products for people who might not normally be able to access traditional micro-finance, and these programmes need to be more specifically inclusive of older people. Such products include, for example, Financial Services to the Poor (FSP) and other programmes for the ultra-poor.

■ **Engage the big micro-credit players in seeking solutions:** Key micro-credit organisations and the donor community should promote older people's inclusion in micro-credit. In Bangladesh, for example, a working group could be formed by the Ministry of Social Welfare and representatives from the major micro-credit organisations to find strategies to mainstream older people into micro-credit programmes.

■ **Raise awareness to make MFI field managers more responsive to the credit needs of older people:** In addition to revising their written loan policies and products, MFIs need to be more proactively age-friendly at the community level. To help lower informal barriers among MFIs, NGOs and others should encourage field managers to seek out older people who are first-time borrowers and encourage existing older borrowers to continue their credit activities.

■ **Expand older people's self-help groups:** Sometimes the self-help approach becomes a viable entry to micro-credit activities (see box). This approach could be expanded.

■ **Mobilize support from families and communities to encourage participation of older people:** Many families and communities give little encouragement to older people to join micro-credit activities. So the government, NGOs, and other civil society organizations should campaign to change attitudes and mobilize support from families and communities.

## Self Help Groups (At a glance)

A self help group (SHG) is a formation of up to 20 community members.<sup>5</sup> The group formation process may be facilitated by an NGO or by the MFI or banks themselves. Otherwise, it may evolve from a traditional rotating savings and credit group or other locally initiated group. The process of formal linkage to an MFI or bank usually goes through the following stages, which may be spread over many years or take place within a few months:

- The SHG members decide to make regular savings contributions. These may be kept by their elected head, in cash or in kind, or they may be held in a bank.
- The members start to borrow individually from the SHG for purposes, on terms, and at interest rates decided by the group itself.
- The SHG opens a savings account in the group's name with the MFI or bank. The account holds funds that are not needed by members or funds needed to qualify for a loan from the bank.
- The MFI or bank makes a loan to the SHG in the name of the group, which is then used by the group to supplement its own funds for on-lending to its members.

One example comes from Cox's Bazar District. Resource Integration Centre established 12 older person's clubs [SHGs?] (Milan Kendro) in the Moheshkhali area after the devastating cyclone of 1991. In 2001, each of the Milan Kendro began accumulating a fund based on contributions of 2 taka and two handfuls of rice from the members [how often?]. Older people participated in this program enthusiastically, believing that if they had such a fund of their own, then their family members would respect them. In 2002, the Milan Kendro decided to give loans of up to 500 taka to older people meeting certain criteria. [Criteria about what? Poverty levels? What is the point you want to make about the criteria? Or else we don't have to mention the criteria] Once the loan is taken, it needs to be paid back in weekly installments of 20-25 taka. In 2003 all the older people from the Milan Kendro decided to start the micro-credit scheme. There were also specific criteria for the selection of members in the micro-credit scheme. [What type of criteria? Was there a difference in the criteria from above?] The size of the loans gradually increased to 10,000 taka by 2006. The older people who borrow sometimes give the money to their children or else invest the money in a business by themselves. Every year the profit from the fund is divided among the group according each member's share of the savings. Now the total amount of savings of these clubs is 361,308 taka. The main activities of the Milan Kendro are savings, loans, and supporting members with medical expenses.

**1** The project (2006–2009) is funded by Irish Aid, World Granny, and Help the Aged.

**2** This is a rough estimate based on Bangladesh's estimated number of microcredit clients (21.8m) divided by its estimated poor population (51m). It has also been estimated that 60% of Bangladesh's rural poor and 15% of its urban poor have access to microcredit. See World Bank (April 2006), Bangladesh Development Series Paper No: 11 Economics and Governance of Nongovernmental Organizations in Bangladesh. Asian Development Bank & Bangladesh 2008: A Factsheet.

**3** Baseline survey of Realising the Rights of Older People project, 2007. The survey covered the entire population 60 years and older within 18 unions and 375 villages under 11 Upazillas of 6 Districts. Of the 36,784 respondents, 22,599 were poor.

**4** ASA's official website <http://www.asabd.org/> – see ASA Beneficiaries

**5** Description adapted from Malcolm Harper, "Grameen Bank Groups and Self-help Groups; What are the differences", 2002

**HelpAge International has a vision of a world in which all older people can lead dignified, active, healthy and secure lives. We work to ensure people everywhere understand how much older people contribute to society and that they must enjoy their right to healthcare, social services and economic and physical security.**

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