



Fostering productivity and innovation

PROJECT MODEL: MICROFINANCE

THE ISSUE

Men and women around the world are struggling because they don't have access to financial services, leaving them with limited income and job opportunities, creating uncertain futures for their families. According to the World Bank 2 billion people, more than half of the world's adults, have no access to banking services¹. When formalised microfinance is not available, families frequently have to rely on loans from traditional moneylenders who charge very high interest rates. The money is used to either invest in their farms or feed their families although the high interest rates make it impossible for the poorest families to break even and move out of this cycle of exploitation.

THE MODEL

The Microfinance project model provides the formal financial assistance that rural families need. This can include loans for seeds, irrigation kits and fertiliser, savings accounts, and insurance for health, life and crops, all delivered with high standards of service. Financial assistance can help families strengthen their productivity and increase resources, with the goal to benefit their children.

World Vision's savings groups have been partnering with VisionFund International, our microfinance service provider, to access additional loan capital. For those groups or individuals who need more capital, VisionFund provides larger amounts than what the savings groups can provide, enabling members to increase their income and support the community's economic growth.

CORE COMPONENTS & OUTCOMES

Loans: Microloans involve lending small sums of money, often just a few hundred dollars, to people who do not have a measurable credit history, assets to secure the loans, or access to mainstream financial providers. Credit can be used to purchase livestock, seeds for crops, fertiliser and irrigation kits, or to rent storage facilities allowing farmers to sell their produce when prices are higher. For other businesses, credit is available for start-up capital, to buy equipment or stock.

¹ World Bank, Poverty and Shared Prosperity, 2016.

When loans are repaid, the funds are recycled to other borrowers generating a **'recycling effect'**. Unlike a donated asset, which is given to a community member or group and consumed once, that same amount can be used multiple times for multiple households increasing its impact within the community.

Savings: Savings are vital to build the resilience of families living in poverty, helping them to manage disasters and unexpected events and enable families to cope with irregular incomes, a common problem in agricultural communities. Without reserves, families may not be able to pay for basic necessities for extended periods. Access to a safe place to save (for individuals and saving groups) reduces vulnerability and builds resilience.

Insurance: Insurance products enable clients to guard against the failure of their crop through lack of rain or natural disaster. Health insurance helps provide funds when a member of the family is sick or dies.

Education: Education and training on financial literacy (debt management, cash flow and budgeting, and consumer protection), empowerment and social emphasis can improve the effectiveness of financial services and, consequently, increase their impact on children.



When women have an opportunity to financially participate in their household, children are no longer deprived of basic necessities and are protected from the harmful coping strategies including early marriage, child labour and moneylender debt, all which lead to increasing challenges.

BEATRICE'S STORY

Beatrice, 11, lives with her stepfather, Patrick, mother, Lifa, two sisters, and her little brother, Shadrack in Zambia. Today, Patrick is an exemplary farmer, growing sunflowers, beans, okra, tomatoes, and maize. "We have plenty of food," he says. "We still have maize from last season."

This is a miraculous turnaround from eight years ago. "I had given up. I thought, 'This is my end,'" he says.

World Vision staff saw potential in Patrick, invited him to join a local savings group and then suggested that he take a small loan through World Vision's microfinance programme, VisionFund. With the loan, he purchased a pump and he's been able to water more land and grow healthier, more abundant crops.

Today, Patrick's family is secure. "Now that I have everything, my children can share with others," he says. Beatrice is proof of Patrick's success; a healthy, happy girl, laughing as she learns and plays with friends.



CONTRIBUTING TO THE SUSTAINABLE DEVELOPMENT GOALS



Ending poverty: We are supporting families to earn sustainable, reliable incomes and, specifically, ensuring the poor and vulnerable have access to financial resources.



Ending hunger: Through microloans, farmers can improve their agricultural inputs and outputs to increase their income.



Gender equality: Women have different barriers to accessing financial services, which is why VisionFund focuses on increasing capital to lend to women entrepreneurs and product development aimed at meeting the specific needs of women.



Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation: We are helping small and growing businesses in developing countries access credit to start or expand new enterprises.

²VisionFund International, <http://www.visionfund.org/>