Addressing an unrecognized gap

In the fight to end extreme poverty, few tools are as powerful and durable as microfinance. Of those living in extreme poverty, 80 percent live in rural areas, and 65 percent are smallholder farmers. With few employment opportunities besides some seasonal work that separates families, people create their own jobs through small farms and businesses.

But most don’t have enough capital to get their businesses off the ground or sustain growth. Without money to invest in seeds or other raw materials in bulk, or processing equipment, their farms and businesses survive—but don’t thrive.

Microfinance addresses this gap by bringing financial services to people who otherwise wouldn’t be able to get them due to their remote location or low income. Microfinance institutions offer small loans, empowering people to increase their productivity and income and position their businesses for greater growth. They can also offer insurance to help businesses reduce risks, as well as savings accounts so families can safely hold money for large expenses like medical bills.
How it works

Because microfinance serves people who are running farms and businesses, microfinance institutions charge interest. The interest payments pay the local costs of providing financial services to the poor. Because of our size and efficiency, those payments can even pay VisionFund International’s global management and supervisory costs. This allows us to be fully sustainable—covering our own costs from our own income. Now we use new donations to grow and serve even more families.

This sustainability in turn provides another benefit: leverage. We can borrow money from banks and investors by leveraging the equity that donations provide. This expands our capacity to loan even more to people in need. With funds continually being repaid and new loans being made, microfinance presents a permanent and sustainable way to make sure people living in extreme poverty have access to economic opportunities.

Small loans, big impact

In addition to reaching rural families who lack access to financial services, we prioritize services for women, since they remain proportionally underserved by finance providers. As people are empowered economically, they take critical steps in building brighter futures for kids, creating hope, and reaching their God-given potential. Together, let’s extend the promise of microfinance to those in need so they can build improved and resilient livelihoods and break the cycle of extreme poverty.

Help families get the economic resources they need to thrive. For more information, contact your World Vision representative.