

Microfinance



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Nearly half the world's people live in extreme poverty, struggling to feed, educate and provide health care for their children. Working lets parents provide for their children with dignity, but in order to break out of poverty the enterprising poor require the same resources as any entrepreneur—access to capital.

Microfinance is a unique and highly successful tool that is being used across the globe to alleviate poverty.

Poverty is a reinforcing cycle. Limited access to financial services is one of the main factors keeping people trapped in the cycle since the poor have limited economic opportunities. The term “microfinance” refers to the provision of financial services to people who would not normally have access to those services which include micro-loans, micro-savings and micro-insurance.

Microfinance is a proven method of breaking the cycle of poverty as it serves the poor despite a lack of collateral and credit history.

Through microfinance the entrepreneurial poor have an opportunity to move from dependence on aid to sustainability. They are empowered to change their own lives and the lives of their children. Microfinance fosters small-scale entrepreneurs and acts as a hand-up in situations where a handout is not necessary or helpful.

Microfinance is an investment in a community, and ultimately a country's future.

As businesses generate profits, one of the first things poor families typically do with new income is invest in their children's education. Most loans are between \$100 and \$2,000 and the majority go to women as research shows that they are more likely to spend the income on their families. It has been shown that children of microfinance clients are more likely to go to school and stay in school longer. Contributions to microfinance increase exponentially, as the small loans that are provided are recycled to impact family after family as each borrower repays his or her loan.

How Microenterprise Development Works.

<http://www.worldvision.ca/ContentArchives/content-stories/Pages/HowMicroenterpriseDevelopmentWorks.aspx>

What does World Vision Do?

World Vision helps people gain access to financial services through three different community programs, starting with community banks, then moving to solidarity groups and finally, offering individual loans.

Community Banks

People in a village get together to form a small bank. They appoint officers and receive training from World Vision staff. Through this small bank community members gain access to funds and can even deposit their savings. World Vision provides the initial start up capital but this is paid back over time. Experience has proven this to be an empowering experience for the community and especially for women who would otherwise have no access to these services.

The marvel of microfinance is how far a small loan will go in helping a community. As the loan is repaid and re-circulated, a small investment can be multiplied many times.

Solidarity Groups

A solidarity group consists of three to five people who each get a small loan. The members of the group

cross-guarantee each other's loans so that each is kept accountable. This approach has led to more than 98 per cent of loans being paid back, with interest, within six months to one year.

Individual Loans

After someone has successfully paid back several loans and has accumulated some capital through their business to serve as collateral, he or she is eligible for a larger, individual loan.

There are many ways in which you can help break the cycle of poverty.

How can you help?

Help a family start a business

<https://catalogue.worldvision.ca/Gifts/Forms/Gift.aspx?giftId=1669>

Sponsor a Child

<https://children.worldvision.ca/sponsorship/Forms/Child.aspx?service=page/Child&lang=en&mc=3335312>

Learn More

MED website

http://www.wvmed.org/Finance/MED_website.nsf/maindocs/6217E6E3A696E4168825719A006BDEFE?opendocument

VisionFund website

<http://www.visionfundinternational.org/VisionFund/VisionFundweb.nsf>



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