



# FUND-AN-ENTREPRENEUR

## Frequently Asked Questions

### About Microfinance and Economic Empowerment

What is microfinance and how does it work?

Microfinance refers to a range of small-scale financial services such as loans, savings, and insurance.

Microloans, in particular, involve lending small sums of money to people wanting to start a sustainable business for their livelihood. Microloans helps those who do not have a measurable credit history, enough assets to secure a bank loan, or access to mainstream financial providers. When loans are repaid, the loan amount is recycled to provide another loan to the next microfinance borrower to maximise the impact of the donation.

**The goal is to empower poverty-stricken families to generate their own income and not rely on charity in the long term.**

How does microfinance help children and families?

**For every 3 women who receive a microfinance loan, 10 children are impacted, and 1 additional job is created or sustained.**

Studies have shown that microfinance leads to substantially better impacts on access to education and household needs for both microfinance clients and their children. Specifically, adult caregivers who have access to financial services are able to afford better goods and services for the children in their care. A child living in a household that has access to financial services is more likely to have nutritious food on the table, a full education, and the health services they need to grow up thriving.

Why does World Vision charge interest on the loans and what is the interest?

World Vision's microfinance borrowers pay interest on loans each month as a **part of a strategy to create a mind shift that encourages independence and self-development**. This encourages responsibility, accountability and ownership. People take control of their businesses and their lives. We charge a reasonable interest rate to:

- Help people become financially independent
- Ensure that as people move out of poverty and start to need the support of larger financial organisations, they understand and are familiar with the need for paying interest charges
- Cover the cost of running a microfinance programme and help it become operationally sustainable

The interest rate varies across countries depending on their respective context. In Vietnam, traditional money lenders charge ~4.5%-6% per month while government banks charge between 8%-8.5% per annum but they require collateral while also requiring very big loan amounts (between US\$ 2,500 – US\$ 22,700). As such, in Vietnam, World Vision provides loans at 1% flat interest rate per month with no collateral required.

How does World Vision ensure that loans are repaid?

### **98% of loans provided by World Vision are repaid without delay.**

One of the key ways we do this is through the Group Lending Methodology, particularly for new borrowers. We frequently disburse a loan to an established community group of friends and neighbours who know and trust each other. Women in the group can borrow the portion of the loan they require, without the need for collateral or a deposit. The strength of the relationships in the group mean that everyone is supported, and held accountable if there is any difficulty repaying the loan.

We also ensure that the repayment schedule, loan term and loan size are customised to fit their needs and ability to repay. For instance, women can choose a shorter loan term that fits their business needs. Short discussions on topics of interest such as savings, insurance, budgeting and borrowing wisely are facilitated during group meetings, enabling women to increase their financial knowledge and control.

## **About Fund-an-Entrepreneur Initiative**

What happens if insufficient funds are raised?

To ensure maximum impact on our beneficiaries, World Vision strives to ensure that each entrepreneur and group receives the required amount of funds needed to start or grow their business. Fundraising will continue and/or be supplemented by the excess funds raised by other entrepreneurs, if available.

What happens if excess funds are raised?

Excess funds raised will go towards supporting another entrepreneur to ensure that impact is maximized and we can help as many families as possible.

Why are the profiles mostly women?

Women in rural areas of developing countries face unique challenges when it comes to accessing financial products and services. Factors such as unfinished education, early marriage and motherhood, and the demands of family and community support roles can leave women without the same opportunities as men, and without the tools and resources to economically empower themselves and their families.

We know that when women have access to loan capital, they're more likely to spend their income to care for their families. This means that when a woman invests that loan capital in developing her own small business, her family benefits from nutritious food on the table, school fees paid on time, and other household needs met. Even her community benefits from increased economic activity. Small businesses allow women to balance family needs with their micro-enterprises, that fit their capacity and available time. The transformative nature of women's economic empowerment can help close the gender gap and allow generations of women and their children to thrive.

What kind of follow-up or reporting will I receive post-donation?

Two updates on the entrepreneur and/or group will be provided via email. These updates will highlight the progress the entrepreneur and her community has made so you can witness first-hand the transformational impact your donation has made on their journey to uplifting themselves out of poverty.