

VisionFund

World Vision



» VISIONFUND IMPACT EVALUATION

VisionFund Guatemala: 60 Decibels Follow-Up Survey 2022

Independent studies conducted by 60_Decibels | June 2022

Report by Johanna Ryan – Global Director of Impact



GOOD THINGS COME FROM MICRO-LOANS

On rare occasions, the media will run a story that links the microfinance industry to debt and despair. Bloomberg UK recently aimed at the sector, citing as evidence "dozens" of stories of exploitation. However, as Sacha Dichter, co-founder and CEO of 60 Decibels argues, evidence does not come from "dozens" of stories but from large-scale studies involving hundreds and even thousands of individuals. While Bloomberg's anecdotes are horrifying as personal stories, no proof is offered that these stories typify the experience of millions of micro borrowers the world over. Conversely, over the past 60 Decibels has completed 18,000 interviews with clients of microfinance institutions in 41 countries. Four-fifths say their lives have improved thanks to access to microfinance, and one in three say their lives are very much improved. [The original Bloomberg story and Dichter's riposte can be found [here](#).]

Recovery Lending for Resilience in Guatemala

With generous donations from our supporters, VisionFund continues to work with 60 Decibels to understand the changes experienced by our clients, and the role of VisionFund in making those changes happen.

Most recently we have the results of the second of two surveys of the same sample of clients of VisionFund Guatemala who received a loan through the Recovery Lending for Resilience programme funded through World Vision US. The initial and follow-up surveys were about 12 months apart (Jan-May 2021 and then Feb-Jun 2022), enabling us to understand the changes that clients have experienced since taking the recovery loan.

The recovery loan was offered to clients whose businesses had been forced to close because of lockdowns and other restrictions, or as this survey shows, forced a significant proportion of clients to move to new business sectors. Therefore, the backdrop to these results is one of strife, fear, and threats of worse to come: we all remember the pervasive uncertainty and worry of throughout the COVID panic.

Survey Findings

Even amidst adverse circumstances, we have robust evidence from this survey that good things come from micro-loans:

- **95% say their quality of life improved**

of these

- **52%** very much improved
- **43%** slightly improved

With 90% confidence level and 6% margin of error, we can say that VisionFund Guatemala -- its leaders and its committed field staff -- is transforming the lives of its clients. This is our ministry and our mission, and we give thanks and praise to God for these results.



FROM GUATEMALA CLIENTS

They work well, the way they support us, they are very friendly. ALL the workers are good people, they motivate us a lot and that makes the credit work.

Now I have enough for the things I need. I contribute to buy things for the kitchen, I buy fertilizer for my plantations, and I can invest and reinvest.



FROM GUATEMALA CLIENTS

(VisionFund) has given me an opportunity to get ahead and they supported me during the time I was sick, because I had a stroke, and they understood my situation.

This year I had to spend a lot of money, in books and school uniforms. Thanks to the credit and the profits it heled us a lot to afford those expenses.

» Loans for business growth

This survey shows that 94% of borrowers used the recovery loan funds to invest in their businesses (which is fully aligned with VisionFund's policy to extend credit only where the funds will be invested and the loan will do no harm). Asked how much their businesses were worth in the initial and the follow-up surveys, respondents reported an 18% increase in the value of their businesses, and a 6% increase in their profits over the course of one year.

» Benefits to children

Respondents were also asked how the loan had affected the children in their care. One of the big improvements was to household nutrition: 55% say the quality of their meals improved, and 42% report being better able to pay school fees.

» Lower levels of stress

Closely linked to clients' reported quality of life is the level of stress they report: when we are stressed, life feels difficult, and fear is a constant companion, which, for our clients, is the constant fear about not having enough money to care properly for children and family. During the year separating the two surveys, clients said their stress levels decreased by 22%. Those showing the greatest levels of stress in the first study showed the greatest reductions in stress in the second study. This group had the smallest disbursed loan value, and predominantly are women.

» Interest rates

Another interesting comparison is between the two loans offered in the Recovery Lending Programme. The main difference was the interest rate, which determined by a number of variables including but not limited to the length of time the individual had been a client and their repayment history, and the term of the loan.

The data shows the following:

- Profitability of the client's business positively correlates to the higher interest rate "VisionFund very much increased my ability to achieve my financial goal" positively correlates with the higher interest rate (67% of respondents vs 52%), but no correlation for different interest rates when "slightly increased" is included (84% of respondents vs 82%)
- Repayments "not a burden" correlates positively for higher interest rate (60% of respondents vs 50%)
Similar results for improved quality of life (95% of respondents vs 94%)



The lesson learned here is that where risk and other factors indicate that the lender should charge a higher rate of interest, this does not mean that the borrower derives less benefit; indeed, the data shows that the opposite is the case. Mission-driven lenders do not seek to charge any more interest than required to cover their costs -- including the risk of default by vulnerable borrowers -- and to invest in extending their services to those who otherwise would be financially excluded or under-served.

» Going forward

Our colleagues in VisionFund Guatemala are already pouring over the raw data to work out the specific characteristics of the products and services that lead to the most positive outcomes for clients, for example, loan size and/or type; interest rates; geographic location of the client; sex of the client; type business; client's ability to focus on a business goal -- this data has a lot to give! VisionFund Guatemala is already developing a number of client-focused initiatives that will result in even deeper impact for clients and the children in their care.

There is much more to say about these findings, and the last one to cite is the measure of clients' satisfaction and their loyalty to VisionFund Guatemala as indicated by the Net Promoter Score (NPS). A score greater than 50 is considered to be excellent. In the first survey, the overall score for VisionFund Guatemala was 63. In the more recent survey, the score is 68. This is an extraordinary achievement given the circumstances, and VisionFund Guatemala is to be congratulated and celebrated.

Indeed, let us celebrate, and let us learn from these results how we can do more of what works.

Read the [full report for Guatemala](#).