VisionFund | World Vision

》 VISIONFUND IMPACT EVALUATION
Recovery Lending for VisionFund Mexico
Independent study conducted by 60_Decibels
Report by Johanna Ryan, Global Director of Impact

» Investing in people during financial crises

In early 2020, the global disaster that first looked like a health emergency quickly showed itself to be much more an economic and financial disaster for anyone already living in poverty or vulnerable to falling into poverty.

In Mexico, the National Council for the Evaluation of Social Development Policy (Coneval) analysed changes to poverty caused by the government's responses to COVID-19 including lockdowns and distancing restrictions. Their report released in August 2021 compared 2020 data with 2018. Using their own definitions of poverty, Coneval found that:
- An additional 3.8 million people fell into poverty for a total of 56 million, representing 41% of the population, a rise from 36% . (Coneval's definition of poverty in Mexico is approximately $4.70 per day.)
- An additional 11 million people fell into extreme poverty, rising to 8.5% from 7%. (Defined by Coneval to be about $2.50 per day.)
- Those unable to access basic health services grew by 12%, reaching 35 million. This is more than a quarter of the population.

During this period the economy contracted 8.5%; this is more than it shrank as a result of the 2009 financial crisis, which took Mexico 10 years to recover from. According to the World Bank, GDP per capita decreased by 13%. For poor people in a financial crisis of this magnitude means cutting back all expenses and using savings that otherwise might have paid for children's education and healthcare, and business investment.

When this financial crisis exploded in early 2020, VisionFund Mexico rallied behind its clients to help them keep their businesses running, whilst also making sure VisionFund Mexico itself did not succumb to extraordinary financial pressures.

With many borrowers unable to repay their loans, VisionFund Mexico rescheduled and restructured clients' debts and even extended more credit to support the recovery of livelihoods. VisionFund Mexico managed to survive this economic disaster, which is a testament to the dedication and wisdom of the whole team.

Now in 2022, VisionFund Mexico has survived and is thriving. Much more importantly, evidence from an evaluation of clients' experiences shows that VisionFund Mexico has helped its clients, their families, and their businesses to thrive as well.

STUDY FINDINGS

In June 2022, 60 Decibels surveyed 209 clients of VisionFund Mexico who had received a loan to help them recover their businesses through the Recovery Lending for Resilience programme, a donor-funded programme through World Vision US. This objective evaluation was made possible by a generous donation, and the results help VisionFund to understand both the changes that its work triggers and also what improvements are needed.

The survey provides some fascinating and useful demographic data:
- **89%** of clients **are women**
- **47%** of clients **are over the age of 50**
- **1 out of 4** clients **care for at least three children**

Using standard international poverty lines (not the specific poverty measures devised by Coneval), VisionFund's outreach to the poor is on-mission. Almost half (46%) of clients live on less than $5.50 per day, compared to 38% at the national level; and at the international measure of $3.20 per day, 22% of clients versus 17% at the national level.

The main objective of the survey was to understand the changes experienced by clients and the role of VisionFund Mexico in contributing to those changes. There is much to celebrate, but perhaps the headline result is this:

- **87%** clients say the **recovery loan resulted in improved quality of life**

This breaks down as: 87% of women, 92% of men; and 86% of rural, 88% urban clients reporting improved quality of life. This is an astounding result: clients directly link VisionFund Mexico's work to their improved quality of life.

❝ FROM MEXICO CLIENTS

They were very patient, we were afraid because we heard bad stories with other banks, but here they have always been very good to us. They explained everything I ask, the reinvestment, bonus, dates, everything. I never had any problems.

I was going to have to close my business because of the pandemic, but the loan helped me continue and I was able to invest more.

I like the interest rate and payment flexibility, and I really like the organization they have.

❝ FROM MEXICO CLIENTS

Thanks to the credit, I have been able to build a little house, even if it is a small one. I have been able to grow, to supply my business a little more. I have had enough to eat and to buy my clothes for my daughters.

[The loan] is a good support. Before, I felt that I would had to close my business because of the pandemic situation, but [the loan] helped me continue and I was able to buy more supplies.

Whenever I have money, I can buy my grandaughter anything she wants, a few clothes, some shoes.

STUDY FINDINGS

» More control over finances

One factor contributing to this improved quality of life is that clients reported having more control over their finances. Asked to compare their sense of control at the time of the survey in June this year to March 2020, 87% report being more in control and 89% of this group attribute this improved control to the recovery loan from VisionFund.

» Loan supports child well-being

Through surveys such as this, VisionFund also seeks to understand where clients' ability to support children might be adversely affected by taking on more debt. While 48% of respondents said the loan helped them to support children — with ability to pay for education and nutritious food top of the list — none reported that their ability to support children had decreased because of the loan. Asked whether the repayments for the loan were a burden, 88% reported these were not a problem, 11% said somewhat of a burden, and less than 1% a heavy burden. Given the external background, this is an astonishing result, but VisionFund Mexico will work out how to support that very important 1%.

» Reduced levels of stress

VisionFund also seeks to understand the levels of stress reported by clients. Stress can lead to illness, violence, and bad decision-making, and therefore if VisionFund can help to reduce stress that comes from worrying about finances, then the theory is that overall well-being improves. In this survey, 54% said the recovery loan had directly contributed to their reduced stress, with women and urban clients reporting the higher reductions. However, overall 19% reported their stress levels had increased. This is a matter for further investigation.

» Meeting client needs

VisionFund Mexico has already demonstrated that they seek to understand client needs: their Net Promoter Score from this survey, which is a sign of loyalty and satisfaction, is an excellent 86%, where 50% is deemed to be good. The interest rate, the quality of service, and the loan approval process are all cited by the survey respondents as the main reasons for awarding such a high score. By focusing on understanding the reasons for clients' increased stress levels, VisionFund Mexico will continue to improve this rating.

» Going forward

With the raw data from this survey, VisionFund Mexico can draw some further conclusions of its own. One area of further research relates to outcomes by geography: compared to other areas, the clients in Oaxaca state report generally worse outcomes. We cannot know from the data available exactly why, but the data does enable VisionFund Mexico to theorise why this might be the case and then to test their theories in follow-up surveys and interviews with clients.

These results from the objective survey of a statistically valid sample of clients are reasons for celebration. But focused as VisionFund is on transforming the lives of clients and children, we do not rest on the results. These results give us a direction for further study to understand how VisionFund can do even more good for even more families the next time crisis hits, whether natural or man-made.

Read the full report for Mexico.