



Serving the 'Missing Middle'

Growing small businesses to reduce poverty
and increase social impact

Janaki has doubled production, employed 10 additional employees and grown monthly profits by 300% with the SGB loan.

The SGB (Small and Growing Business) Finance program

The SGB Finance program is about investing in change, growth and prosperity.

- Support entrepreneurs with powerful tools for growth
- Empower economic equality and create meaningful employment
- Strengthen the economies of communities around the world

The ultimate aim is to achieve inclusive economic development by enabling SGBs to grow by offering suitable finance and ongoing business coaching in order to produce both financial and social impact.

With seed funding from the Australian Government, World Vision Australia and its microfinance subsidiary VisionFund International, are already helping small businesses to grow in Sri Lanka and Myanmar by providing loans of \$4,000 to \$25,000 USD alongside ongoing business coaching, with the intent to be impact investment ready in the future.

Overview

Problem

SGBs (Small and Growing Businesses) are growth-oriented businesses that drive equitable economic growth and reduction of poverty.



Generate employment



Fair wages



Facilitate trade flows

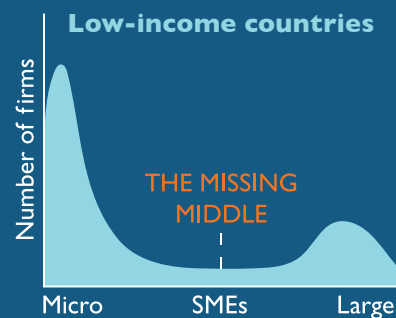
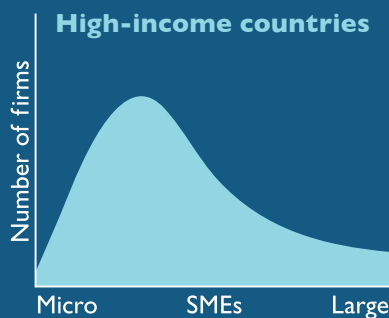


Catalyst for economic growth in community and country

Despite their significant contribution to GDP and employment generation within developing countries, there is a critical lack of suitable finance globally to enable SGBs to grow.

Many small businesses have outgrown microfinance but are unable to access formal finance from banks or other for-profit finance institutions due to the relatively small loan size and associated high operational costs, geographical remoteness, lack of collateral and poor financial record-keeping.

This unmet credit gap is known as the 'Missing Middle' and valued at over US\$2 Trillion globally for Small and Medium Enterprises (SMEs), of which SGBs are a subset.



Solution: Helping those SGBs who are the 'most missing of the missing middle'

World Vision and its microfinance subsidiary VisionFund International, are building upon their existing livelihoods and microfinance programs to address a global gap in the credit market and support those SGBs who demonstrate both high growth and impact potential. VisionFund International will look to identify high-growth entrepreneurs within its existing 1.2 million microfinance clients who require credit beyond the traditional limits of microfinance.

When you invest in Small and Growing Businesses ...



Investing in SGBs

The SGB Finance program will provide the following:

- 1) Offer suitable financing between US\$4,000-\$25,000 to help small businesses grow
- 2) Facilitate ongoing business coaching that will enable the businesses to achieve their goals thereby delivering both financial and social outcomes

Impact

Based on the outcomes identified in the Sri Lanka and Myanmar pilots, the SGB Finance program intends to achieve the following impact across other regions within Sri Lanka and Myanmar, as well as expand into other countries where World Vision and VisionFund are already currently operating. We intend to achieve the following impact in the next five years.

Targeted impact

Employment

 **21k** jobs supported

 **40%** increase in jobs created

 **40%** are women entrepreneurs

 **60%** of employees are women/youth

 **50%** increase in permanent jobs

Poverty Reduction

 **10k** of people moved out of poverty

Formalisation of business

 **90%** of clients with a business plan

 **30%** formally registered

Supply chain growth


 **40%** increase in supplier purchases

Economic and community impact

 **120k** families and children have been impacted

 **\$200m** total economic value added

Targeted input and activities

 Lend and train **3,580** clients

 Disperse **\$20m** of loans in total

 Lend **\$8600** in average loans

 **12** target countries

 **65** client relationship officers hired

Targeted output

 **15%** graduating to formal banking sector

 **30%** increase in profit margins

 **100%** of clients/SGBs coached on management skills

 **80%** of clients with financial rewards

Offer

The SGB Finance program is looking to raise further capital to scale this program across other regions within Sri Lanka and Myanmar, as well as expand into other countries where World Vision and VisionFund are already currently operating and a gap in the credit market for SGBs has been identified.

We are seeking venture philanthropy funding to expand and establish SGB Finance programs in other countries in a revolving-type where loan capital is reinvested back into the program

to maximise the impact that can be achieved by reaching additional SGBs.

Furthermore, we are looking to leverage private capital in the future thereby offering below market-rate returns for truly impact-first seeking investors who understand the considerable challenges associated with supporting the most missing of the missing middle. Our intent is to build a pipeline of successful SGBs that can attract commercial capital in the future having overcome the missing middle successfully whilst achieving significant social impact in the process.



Case study: Rani, Sri Lanka

Name: Karunawathi (Rani) **Age:** 49 **Current employees:** 10

Business: Rani is the founder and manager of the Isuru plant nursery which grows 'idda' flower bulbs used for ceremonies and medicinal purposes.

Rani first started the nursery business after getting the inspiration from using her decorative pot plants in her home as payment for the cost of renting the sewing machine in a failed venture attempting to making clothes.

She started very small with the help of a neighbour who also grew flowers and provided her a plot of land for a small fee.

Rani soon realized the high demand for idda flowers among the surrounding communities and has now grown her business selling approximately 15,000 rupees (A\$130) worth of idda buds daily.

Previously most idda buds were imported from India to Sri Lanka for Tamil weddings, however Rani is one

of the main suppliers now for her region. Her business has six different collection points with the furthest one being 230km from her nursery.

Rani's nursery has now grown to four acres and with the SGB loan Rani recently received she is looking to develop a new sales outlet by the nearby main road to increase profit as well as increase production to export internationally. Rani will employ additional staff to help her reach this goal and employs mostly women from the surrounding communities. The VisionFund staff provide monthly one on one coaching using the Business Model Canvas with Rani to help her achieve her aspirations for the nursery and utilize the loan effectively.



Rani will expand her nursery with the SGB loan.

Who we are

World Vision Australia (WVA) has a strong track-record in economic development, having hosted the Social Entrepreneurship and Economic Development (SEED) unit for over 10 years. The SEED unit is a dedicated team of technical experts who have been integral in the development of global innovative programming models spanning micro and small enterprise development, agricultural value chain development, youth livelihoods, micro-franchising and digital learning platforms for field-based staff. WVA currently funds and supports 282 Economic Development projects with a total lifetime budget of US\$171 million.

VisionFund International (VFI), the microfinance subsidiary of World Vision, is a not-for-profit social enterprise operating in 30 countries globally. It provides financial access to some of the world's poorest families with over 1.2 million clients, and has created and sustained 2.4 million jobs while impacting the lives of over 4.4 million children. In 2016, VFI served 800,000 female clients which comprises 72 percent of its total client portfolio (in Asia, female clients comprise 92 percent of its total client portfolio). It has a US\$500 million global loan portfolio and a repayment rate of 98.7 percent (global average).



For more information, please visit worldvision.com.au/SEED or call +61 3 9287 2233 to speak with a representative of the SEED unit.

1 Vision Drive, Burwood East, Victoria, Australia, 3151