

TITLE VII

Microfinance

Minimum Requirement F.Y. 2022

\$278.3 million

F.Y. 2021 Enacted

\$265 million

Access to financial services and the development of microenterprises are **essential to the stable growth of developing countries.**

DESCRIPTION

Microfinance funding provides people with access to financial services such as credit, savings, and insurance, ensuring economic growth is broad-based and reduces poverty. Those struggling in the developing world, particularly women, often lack access to safe places to keep their savings, making it difficult to obtain credit to start and grow their businesses.

WHAT DOES IT BUY?

Programs improve the quality and affordability of financial services; extend access to excluded populations such as women, people with disabilities, and those living in remote areas; and assist small-holder farmers and small-business entrepreneurs in selling their products by linking them with buyers and suppliers of good and services.

WHY IS IT IMPORTANT?

- According to the World Bank, “Globally, about **1.7 billion adults** remain unbanked—without an account at a financial institution or through a mobile money provider—56% of all unbanked adults are women.” These funds help close that gap.
- Funds improve the lives of the very poor, helping them recover from shocks such as a flood or death in the family, protect themselves against risks such as illness or drought, and steady home food and family purchases to create “breathing space.”
- Funds support programs that help small businesses access new inputs, technology, and services that improve their products, attracting purchasers.
- By strengthening new business associations, funds increase and expand access to microfinance lending, build an institution’s technical capacity, and support entrepreneurship and employment opportunities.

- Access to capital for small and medium enterprises steadies personal incomes and communities, grows local markets, and helps pave the way to independence. Increased funding could reduce the need for foreign assistance in the long-term.

WHY SHOULD AMERICANS CARE?

- Access to financial services and the development of microenterprise are essential to the stable growth of developing countries and the development of free, open, and equitable international economic systems.
- It is in U.S.’s interest to facilitate access to financial services and assist in developing micro-enterprises worldwide—it helps develop future trading partners and export markets for American-made goods.

COVID-19 IMPACTS

- Forms of microfinancing are under increasing pressure as COVID-19 continues to curtail business opportunities for micro, small, and medium enterprises.
- The Consultative Group to Assist the Poor (CGAP) found that loans in arrears for more than 30 days **increased by 41%** since the beginning of the pandemic, compared to a pre-pandemic baseline.

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WHAT MORE COULD BE DONE?

- Added investment could increase the number of people with access to banks, strengthen markets, and better stabilize communities while promoting the development of emerging economies and further encourages the inclusion of women in markets.
- Additional funding could allow more people in developing countries to access and secure capital, resulting in improved financial stability, equality, and wealth, and reinforce the path to resilience as foreign assistance becomes less necessary.

FUNDING HISTORY



■ House ■ Senate

Funding levels may not exactly reflect those in the appropriations bills and/or reports due to rounding

