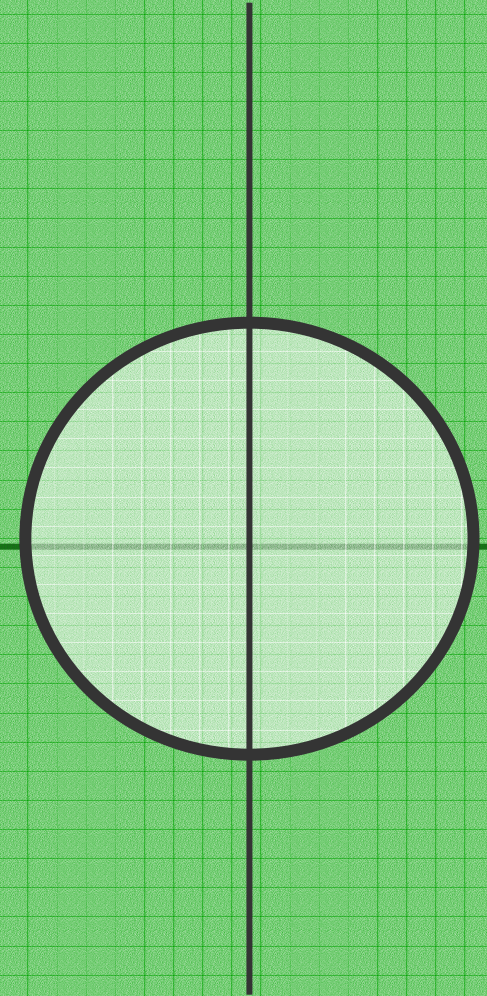


P E S O

*“Performance Standard for All Types
of Microfinance Institutions in the Philippines”*

OUTREACH

*“Expanding Outreach to the
Frontiers”*



OUTREACH

“Expanding Outreach to the Frontiers”

Module Overview

Section 1: What Outreach is all about?

Section 2 : Why is Outreach important?

Section 3 : Some Best Practices on Outreach

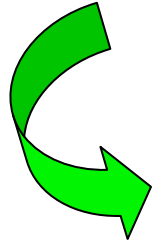
Section 4 : Assessing MFIs current level of Outreach

Section 5 : Formulating Steps and Action to Improving Outreach

Section 1: What Outreach is all about?

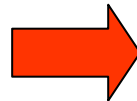
Outreach is...

MFI's



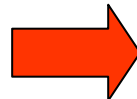
Extent of REACH

GROWTH



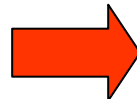
No. Active Clients

EXPANSION



Microfinance Portfolio

DEPTH



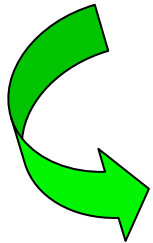
Outreach

OUTREACH

“Expanding Outreach to the Frontiers”

Section 2: Why Outreach is important for viable & sustainable
microfinance services

OUTREACH



To have significant *impact*, the MFI must have *outreach*.

Refers to the ability of the MFI to reach large number of clients.

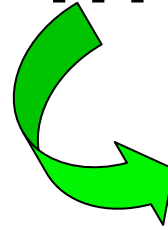
MFI's effectiveness in identifying and reaching its target clients.

OUTREACH

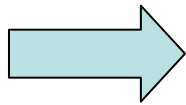
“Expanding Outreach to the Frontiers”

Section 2: Why Outreach is important for viable & sustainable
microfinance services

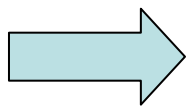
OUTREACH ...



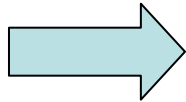
MFIs Impact



**Growth in No. of Active
Microfinance Clients**



**Growth in Microfinance Loan
Portfolio**



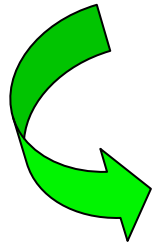
Depth of Outreach

OUTREACH

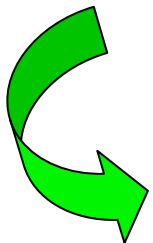
“Expanding Outreach to the Frontiers”

Section 2: Why Outreach is important for viable & sustainable microfinance services

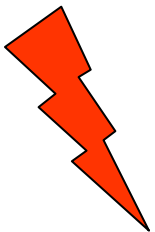
Growth in No. of Active MF Clients



MEASURES the ability of the MFI to expand its operations through increases in its active clients.



REFERS to those with outstanding MF loans with the institution



Indicates MFIs scope of outreach

OUTREACH

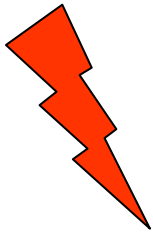
“Expanding Outreach to the Frontiers”

Section 2: Why Outreach is important for viable & sustainable microfinance services

Growth in No. of Active MF Clients

STANDARD: $\geq 5\%$

$$\frac{\text{Ending No. of Active MF Clients} - \text{Beg. No. of Active MF Clients}}{\text{Beg. No. of Active MF Clients}}$$



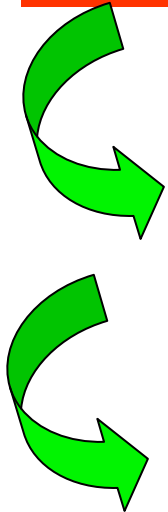
Given the unserved demand for financial services in hard-to-reach areas, the ability of the MFI to expand to these areas is very important.

OUTREACH

“Expanding Outreach to the Frontiers”

Section 2: Why Outreach is important for viable & sustainable microfinance services

Growth in MF Loan Portfolio



DETERMINES the rate of expansion of the MF loan portfolio.

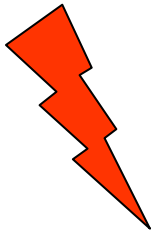
May be a **RESULT** of an increase in the number of active clients or in the loan amounts, or a combination of both.

Section 2: Why Outreach is important for viable & sustainable
microfinance services

Growth in MF Loan Portfolio

STANDARD: $\geq 5\%$

$$\frac{\text{Ending MF Loan Outstanding} - \text{Beg. MF Loan Outstanding}}{\text{Beg. MF Loan Outstanding}}$$



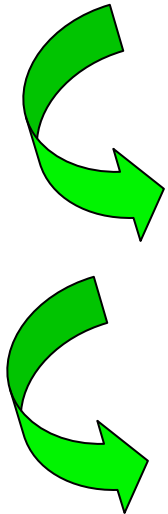
Expansion of MF Loan Portfolio has significant impact on sustainability.

OUTREACH

“Expanding Outreach to the Frontiers”

Section 2: Why Outreach is important for viable & sustainable microfinance services

Depth of Outreach



INDICATES whether the MFI provides micro-financial services to clients belonging to the lower income segment of the economy

ABILITY to effectively identify and reach the intended client group of the MFI

OUTREACH

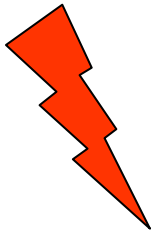
“Expanding Outreach to the Frontiers”

Section 2: Why Outreach is important for viable & sustainable
microfinance services

Depth of Outreach

STANDARD: Not Exceeding 20 %

$$\frac{\text{Total Loan Outstanding}}{\text{Total No. of Active Borrowers}} \div \text{Per Capita GNP}$$



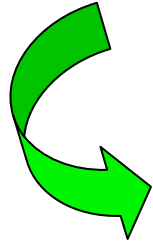
*Has something to do with MFIs
Client targeting method*

OUTREACH

“Expanding Outreach to the Frontiers”

Section 3: Some Best Practices

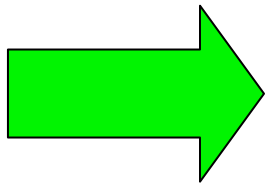
OUTREACH...



Depth

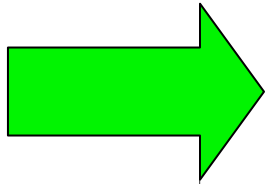
Effective Client Targeting Mechanism

“ENSURE HIGH NUMBER OF TARGET CLIENTS ARE REACHED using cost effective targeting “



Poverty Targeting

Use of Housing Index



Geographic

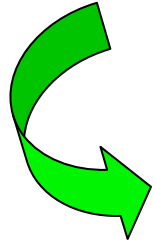
Serving Hard-to-reach areas

OUTREACH

“Expanding Outreach to the Frontiers”

Section 3: Some Best Practices

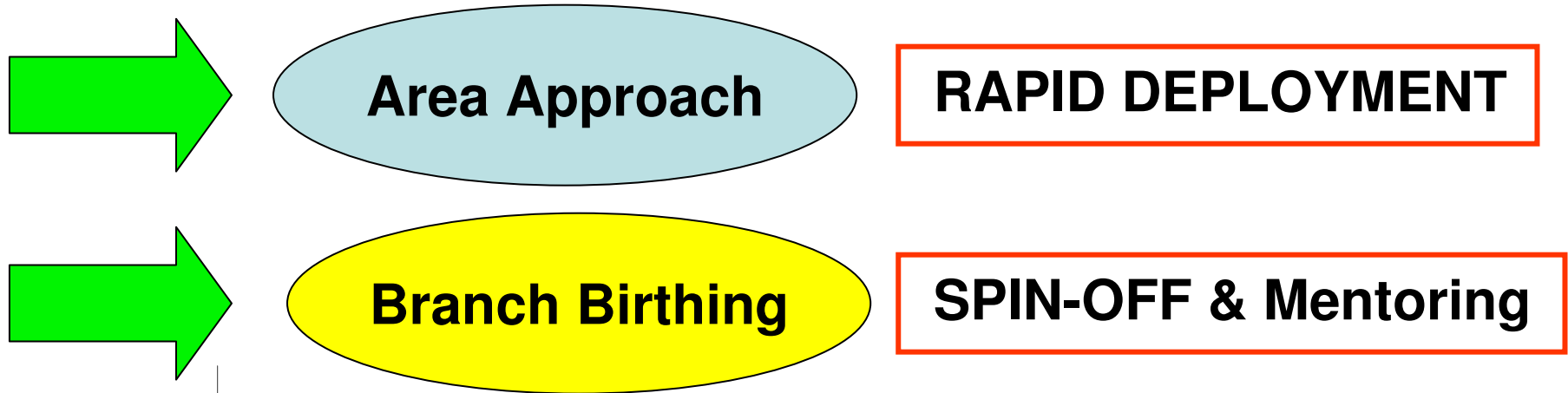
OUTREACH...



SCOPE

Effective Area Selection & Expansion

“Least cost approach in expanding to other areas “

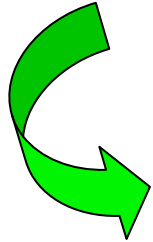


OUTREACH

“Expanding Outreach to the Frontiers”

Section 3: Some Best Practices

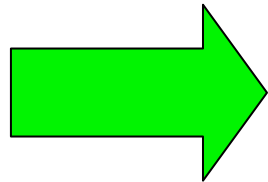
OUTREACH...



MF Loan Portfolio Growth

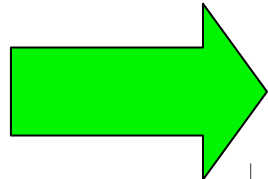
Maintain High level of Productivity

“Achieve operational self-sustainability ASAP”



Franchise Zone Approach

LOAN STAFF



Funding Sources

Diversify/Expand

OUTREACH

“Expanding Outreach to the Frontiers”

Section 3: Some Best Practices

OUTREACH...

ASA Income Increasing Factors

1. No Group Liability, Hence Non-defaulters are not punished
2. Regular payers are Getting Loan
3. Quick Expansion into New Areas by District Officer
4. Loose Group Formation, no guaranty requires hence takes less time for borrowers selection
5. Fast Provision of the First Loans to New Members
6. Strict Control on Weekly Installments
7. Savings Collection as service to borrowers
8. Building Institutional Capacity for Outreach
9. Quick Information on Default
10. Default Management (Zero Tolerance)

OUTREACH

“Expanding Outreach to the Frontiers”

OUTREACH...

KEYS TO EFFECTIVE OUTREACH

- 1. Firm vision/mission to reach the poor**
- 2. Simple and innovative Products**
- 3. Cost conscious organization**
- 4. Diversified funding sources**
- 5. Standardized procedures/methodology**

OUTREACH...

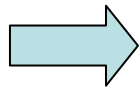
FRONTIER Areas

- **Group Approach is the most cost effective way of reaching poorer clients in hard-to-reach areas**
- **Highly decentralized operation/autonomous units**
- **Serve diverse client type with variety of economic activities**
- **Very simple and affordable products**
- **Efficient fund liquidity management**
- **Highly transparent operation and simple procedures**
- **Address peace and order situation**

Section 4: Assessing MFIs current Level of Outreach

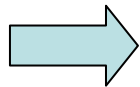
OUTREACH indicators...

1. Growth in No. of Active Microfinance Clients



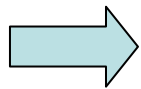
$$\frac{\text{Ending No. of Active MF Clients} - \text{Beg. No. of Active MF Clients}}{\text{Beg. No. of Active MF Clients}}$$

2. Growth in Microfinance Loan Portfolio



$$\frac{\text{Ending MF Loan Outstanding} - \text{Beg. MF Loan Outstanding}}{\text{Beg. MF Loan Outstanding}}$$

3. Depth of Outreach



$$\frac{\text{Total Loans Outstanding} \div \text{Total Number of Active Borrowers}}{\text{GNP per Capita}}$$

OUTREACH

“Expanding Outreach to the Frontiers”

Section 4: Assessing MFIs current Level of Outreach

Why measure your Outreach?

- ➡ ***Is my MFI reaching enough clients for impact and sustainability?***
- ➡ ***How fast are getting to our goal in terms of reaching more target clients?***
- ➡ ***Are we generating enough loan portfolio for impact and sustainability?***
- ➡ ***How fast are we moving in terms of growth in our loan portfolio?***
- ➡ ***Are we contributing to the overall goal of reaching poorer clients?***

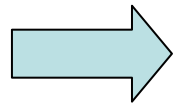
OUTREACH

“Expanding Outreach to the Frontiers”

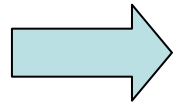
Section 4: Assessing MFIs current Level of Outreach

1. Growth in No. of Active Microfinance Clients

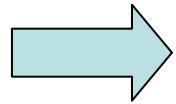
Why measure Growth in No. of Active clients?



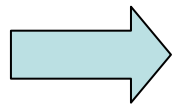
Provides a picture of the rate at which the MFI is reaching its more clients.



Increasing outreach is important to the goal of achieving impact and sustainability.



Could be an indicator of the appropriateness of MFIs products and services



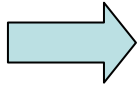
An increasing growth in number of active clients is positive and should be the target.

OUTREACH

“Expanding Outreach to the Frontiers”

Section 4: Assessing MFIs current Level of Outreach

1. Growth in No. of Active Microfinance Clients



$$\frac{\text{Ending No. of Active MF Clients} - \text{Beg. No. of Active MF Clients}}{\text{Beg. No. of Active MF Clients}}$$

2005	
<u>Beg. No. of Active MF Clients</u>	
<u>Ending No. of Active MF Clients</u>	

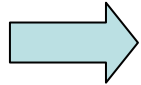
SCORE- Growth in No. of Active Microfinance Clients

OUTREACH

“Expanding Outreach to the Frontiers”

Section 4: Assessing MFIs current Level of Outreach

2. Growth in Microfinance Loan Portfolio



$$\frac{\text{Ending MF Loan Outstanding} - \text{Beg. MF Loan Outstanding}}{\text{Beg. MF Loan Outstanding}}$$

2005	
<u>Beg. MF Loan Outstanding</u>	
<u>Ending MF Loan Outstanding</u>	

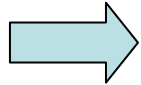
SCORE- Growth in Microfinance Loan Portfolio

OUTREACH

“Expanding Outreach to the Frontiers”

Section 4: Assessing MFIs current Level of Outreach

3. Depth of Outreach



$$\frac{\text{Total Loan Outstanding} \div \text{Total Number of Active Borrowers}}{\text{GNP per Capita}}$$

2005	
<u>Total Loan Outstanding</u>	
<u>Total Number of Active Borrowers</u>	
GNP per Capita	

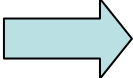
SCORE- Depth of Outreach

OUTREACH

“Expanding Outreach to the Frontiers”

Section 5: Steps and Actions to improve outreach

1. Growth in No. of Active Microfinance Clients



2005	
<u>Actual Performance</u>	
<u>Standard</u>	$\geq 5\%$

EQUIVALENT POINTS

OUTREACH

“Expanding Outreach to the Frontiers”

Section 5: Steps and Actions to improve outreach

1. Growth in No. of Active Microfinance Clients

What are the factors affecting your current level of SCOPE OF OUTREACH?

HINDERING	ENABLING

OUTREACH

“Expanding Outreach to the Frontiers”

Section 5: Steps and Actions to improve outreach

1. Growth in No. of Active Microfinance Clients

ACTIVITY	Resources Needed	Persons Responsible	Time Frame	Expected Output
<i>Review Target Client Definition</i>				
<i>Improve Loan Officer Productivity</i> <i>-Set Periodic targets</i>				
<i>Review/Develop Expansion Plan</i> <i>- Branching Strategy</i> <i>- Area Selection</i>				

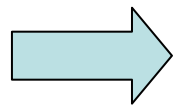
OUTREACH

“Expanding Outreach to the Frontiers”

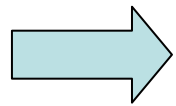
Section 4: Assessing MFIs current Level of Outreach

1. Growth in Microfinance Loan Portfolio

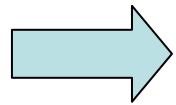
Why measure Growth in Microfinance Loan Portfolio?



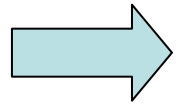
Provides a picture of the rate at which the MFIs loan portfolio is expanding.



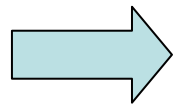
A growing loan portfolio is critical to long-term viability.



An increasing loan portfolio contributes significantly to improving efficiency and rising interest income.



Maybe an indicator also of the level of appropriateness of the MFIs loan products.



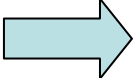
An increasing growth in loan portfolio is positive and should be the MFIs goal.

OUTREACH

“Expanding Outreach to the Frontiers”

Section 5: Steps and Actions to improve outreach

2. Growth in Microfinance Loan Portfolio



2005	
<u>Actual Performance</u>	
<u>Standard</u>	$\geq 5\%$

EQUIVALENT POINTS



OUTREACH

“Expanding Outreach to the Frontiers”

Section 5: Steps and Actions to improve outreach

2. Growth in Microfinance Loan Portfolio

ACTIVITY	Resources Needed	Persons Responsible	Time Frame	Expected Output
<i>Review Loan Size Limits</i>				
<i>Improve Loan Officer Productivity</i>				
<i>Review Lending Methodology</i>				
<i>Diversify funding sources</i>				
<i>Improve Loan Processing Procedure</i>				
<i>Review type of Target Clients</i>				

OUTREACH

“Expanding Outreach to the Frontiers”

Section 5: Steps and Actions to improve outreach

2. Growth in Microfinance Loan Portfolio

What are the factors affecting your current level of MICROFINANCE LOAN PORTFOLIO?

HINDERING	ENABLING

Section 4: Assessing MFIs current Level of Outreach

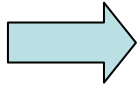
1. Depth of Outreach

Why measure Depth of Outreach?

- ➡ ***Provides a picture of the type of clients the MFIs is reaching.***
- ➡ ***Allows the MFI to determine if the clients being served are indeed the poor or the poorest.***
- ➡ ***Maybe an indicator also of whether, overtime, the MFI clients are benefiting from the services provided.***
- ➡ ***Deeper outreach means reaching the poorest. Positive for MFIs who target the bottom-of-the pyramid market***

Section 5: Steps and Actions to improve outreach

3. Depth of Outreach



2005	
<u>Actual Performance</u>	
<u>Standard</u>	< 20%

EQUIVALENT POINTS



OUTREACH

“Expanding Outreach to the Frontiers”

Section 5: Steps and Actions to improve outreach

3. Depth of Outreach

What are the factors affecting your current level of DEPTH OF OUTREACH?

HINDERING	ENABLING

OUTREACH

“Expanding Outreach to the Frontiers”

Section 5: Steps and Actions to improve outreach

3. Depth of Outreach

ACTIVITIES	Resources Needed	Persons Responsible	Time Frame	Expected Output
<i>Review Client Targeting Method</i>				
<i>Review Lending Methodology</i>				
<i>Review Product Design</i>				

OUTREACH

“Expanding Outreach to the Frontiers”