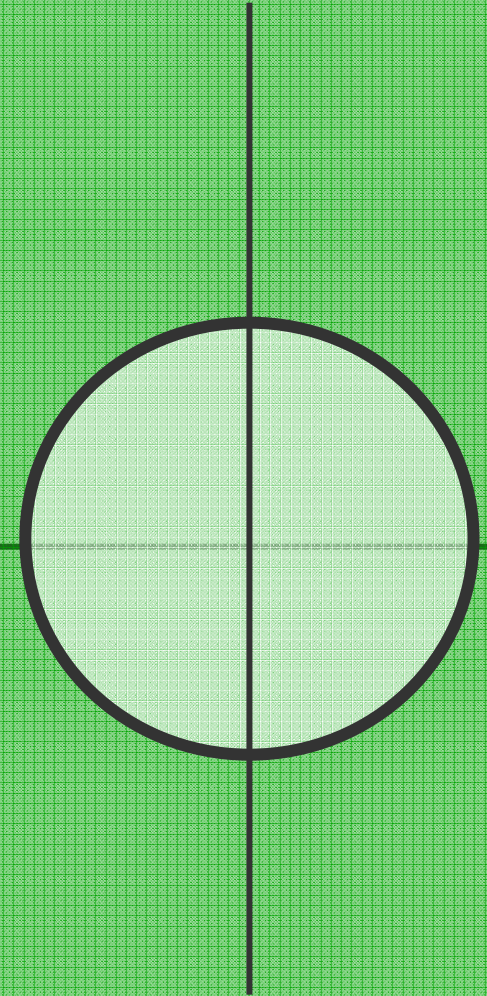


P E S O

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

# OUTREACH

*“Expanding Outreach to the  
Frontiers & Beyond”*



OUTREACH

“Expanding Outreach to the Frontiers and Beyond”

# Module Overview

**Section 1: What Outreach is all about?**

**Section 2 : Why is Outreach important?**

**Section 3 : Some Best Practices on Outreach**

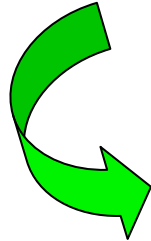
**Section 4 : Assessing MFIs current level of Outreach**

**Section 5 : Formulating Steps and Action to Improving Outreach**

Section 1: What Outreach is all about?

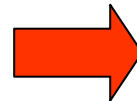
# Outreach is...

*MFI's*



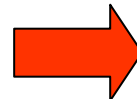
**Extent of REACH**

**GROWTH**



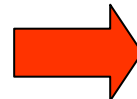
No. Active Clients

**EXPANSION**



Microfinance Portfolio

**DEPTH**



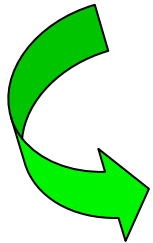
Outreach

**OUTREACH**

“Expanding Outreach to the Frontiers and Beyond”

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.

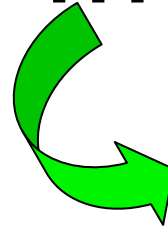
MFI's effectiveness in identifying and reaching its target clients.

OUTREACH

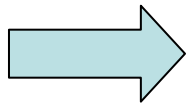
“Expanding Outreach to the Frontiers and Beyond”

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

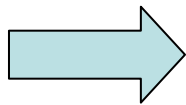
OUTREACH ...



**MFIs Impact**



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



**Growth in Microfinance Loan  
Portfolio**



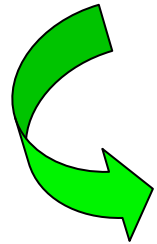
**Depth of Outreach**

**OUTREACH**

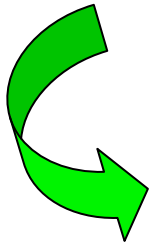
“Expanding Outreach to the Frontiers and Beyond”

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

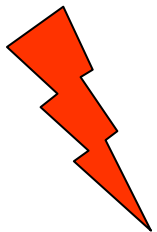
## Growth in No. of Active MF Clients



**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**

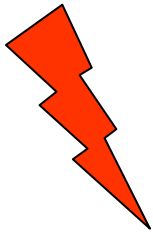
“Expanding Outreach to the Frontiers and Beyond”

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

## Growth in No. of Active MF Clients

**STANDARD:  $\geq 5\%$**

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



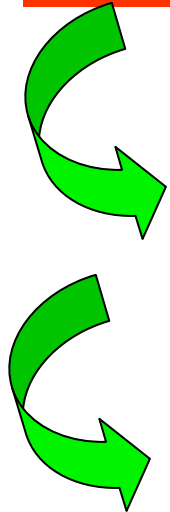
*Given the unserved demand for financial services in hard-to-reach areas, the ability of the MFI to expand to these areas is very important.*

**OUTREACH**

“Expanding Outreach to the Frontiers and Beyond”

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.

**OUTREACH**

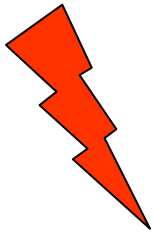
“Expanding Outreach to the Frontiers and Beyond”

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

# Growth in MF Loan Portfolio

**STANDARD:  $\geq 5\%$**

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



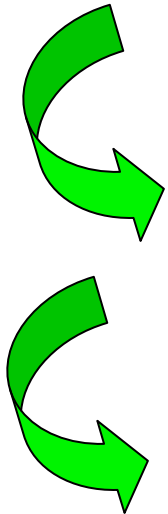
*Expansion of MF Loan Portfolio has significant impact on sustainability.*

**OUTREACH**

“Expanding Outreach to the Frontiers and Beyond”

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**

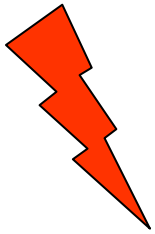
“Expanding Outreach to the Frontiers and Beyond”

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

# Depth of Outreach

**STANDARD: Not Exceeding 20 %**

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



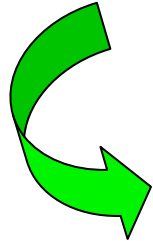
*Has something to do with MFIs  
Client targeting method*

OUTREACH

“Expanding Outreach to the Frontiers and Beyond”

Section 3: Some Best Practices

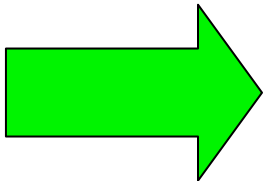
# OUTREACH...



**Depth**

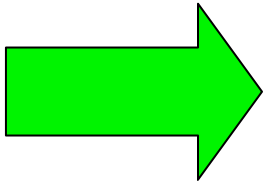
**Effective Client Targeting Mechanism**

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



**Poverty Targeting**

**Use of Housing Index**



**Geographic**

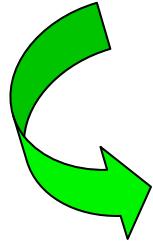
**Serving Hard-to-reach areas**

**OUTREACH**

**“Expanding Outreach to the Frontiers and Beyond”**

Section 3: Some Best Practices

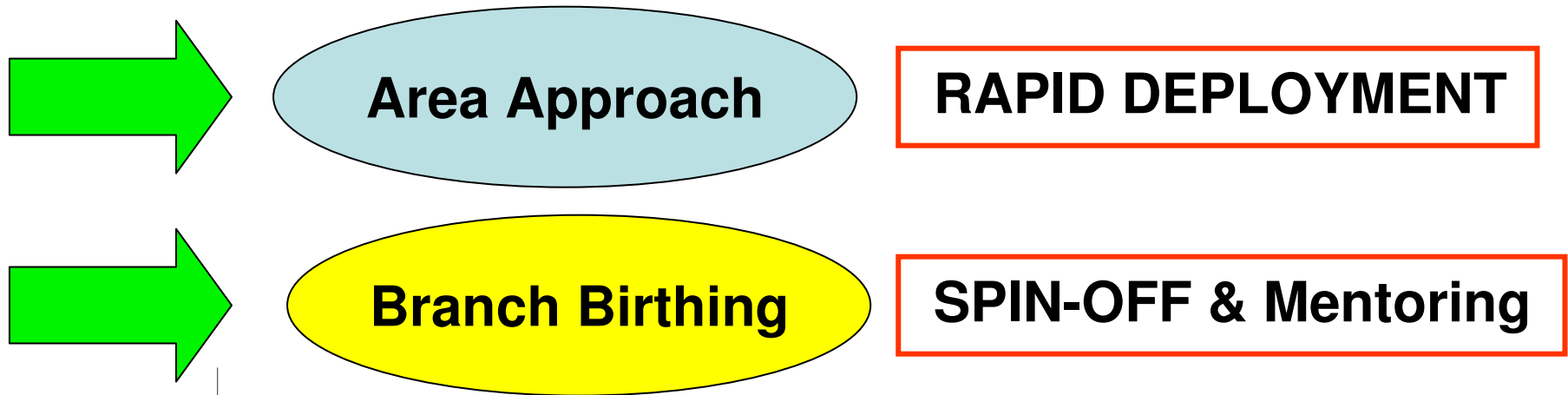
# OUTREACH...



**SCOPE**

**Effective Area Selection & Expansion**

“Least cost approach in expanding to other areas “

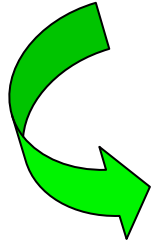


**OUTREACH**

“Expanding Outreach to the Frontiers and Beyond”

Section 3: Some Best Practices

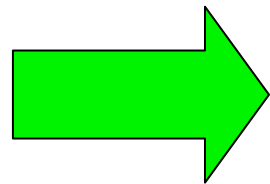
# OUTREACH...



**MF Loan Portfolio Growth**

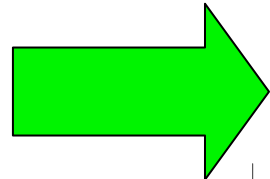
**Maintain High level of Productivity**

**“Achieve operational self-sustainability ASAP”**



**Franchise Zone Approach**

**LOAN STAFF**



**Funding Sources**

**Diversify/Expand**

**OUTREACH**

**“Expanding Outreach to the Frontiers and Beyond”**

## 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 and Beyond”

# 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...

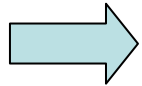
## ***FRONTIER Areas***

- **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

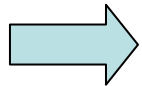
# OUTREACH indicators...

### 1. Growth in No. of Active Microfinance Clients



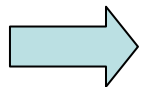
$$\frac{\text{Ending No. of Active MF Clients} - \text{Beg. No. of Active MF Clients}}{\text{Beg. No. of Active MF Clients}}$$

### 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 and Beyond”

## 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 and Beyond”

## Section 4: Assessing MFIs current Level of Outreach

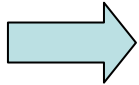
### 1. Growth in No. of Active Microfinance Clients

#### 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.*

## 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> |  |

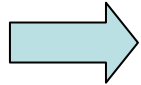
SCORE- Growth in No. of Active Microfinance Clients

**OUTREACH**

“Expanding Outreach to the Frontiers and Beyond”

## Section 4: Assessing MFIs current Level of Outreach

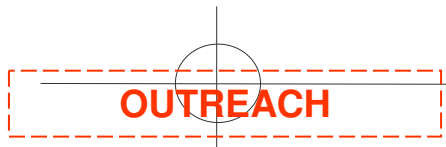
### 2. Growth in Microfinance Loan Portfolio



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

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

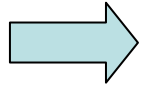
SCORE- Growth in Microfinance Loan Portfolio



“Expanding Outreach to the Frontiers and Beyond”

## 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 and Beyond”

## 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 and Beyond”

## 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 and Beyond”

## Section 5: Steps and Actions to improve outreach

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

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

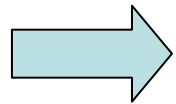
**OUTREACH**

“Expanding Outreach to the Frontiers and Beyond”

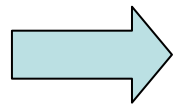
## Section 4: Assessing MFIs current Level of Outreach

### 1. Growth in Microfinance Loan Portfolio

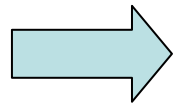
#### Why measure Growth in Microfinance Loan Portfolio?



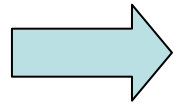
*Provides a picture of the rate at which the MFIs loan portfolio is expanding.*



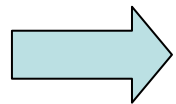
*A growing loan portfolio is critical to long-term viability.*



*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.*



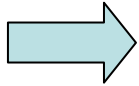
*An increasing growth in loan portfolio is positive and should be the MFIs goal.*

**OUTREACH**

“Expanding Outreach to the Frontiers and Beyond”

## 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 and Beyond”

## 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 and Beyond”

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 |
|-----------|----------|
|           |          |
|           |          |
|           |          |
|           |          |
|           |          |
|           |          |
|           |          |

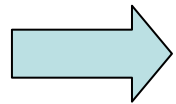
**OUTREACH**

“Expanding Outreach to the Frontiers and Beyond”

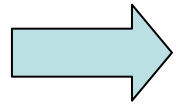
## Section 4: Assessing MFIs current Level of Outreach

### 1. Depth of Outreach

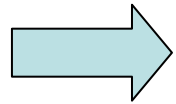
#### Why measure Depth of Outreach?



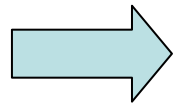
***Provides a picture of the type of clients the MFIs is reaching.***



***Allows the MFI to determine if the clients being served are indeed the poor or the poorest.***



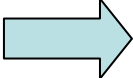
***Maybe an indicator also of whether, overtime, the MFI clients are benefiting from the services provided.***



***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 and Beyond”

## 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 and Beyond”

## 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 and Beyond”