Does Microfinance Reach the Poorest? Empirical Evidence of Programme Outreach from Rural Pakistan

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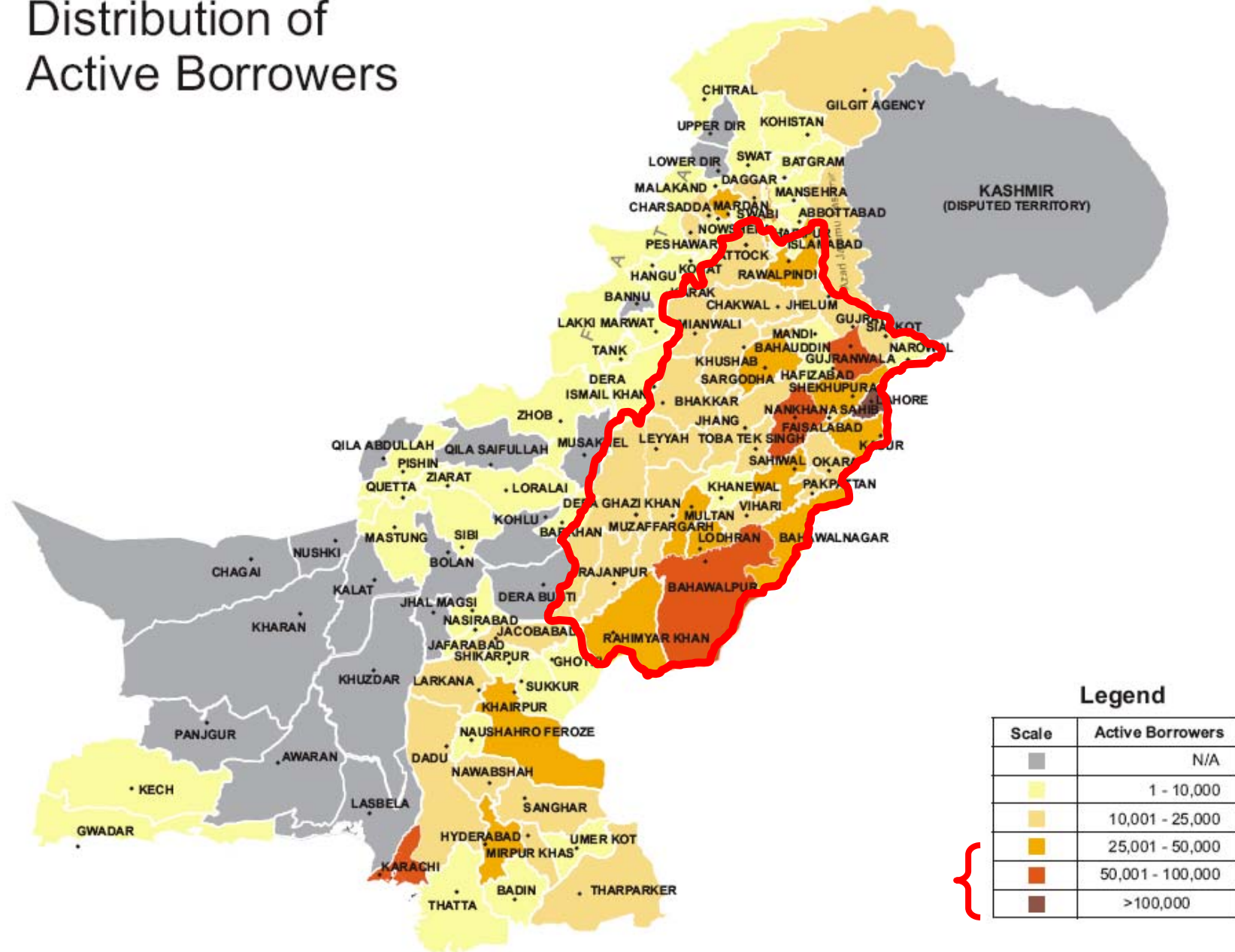**University of Manchester**
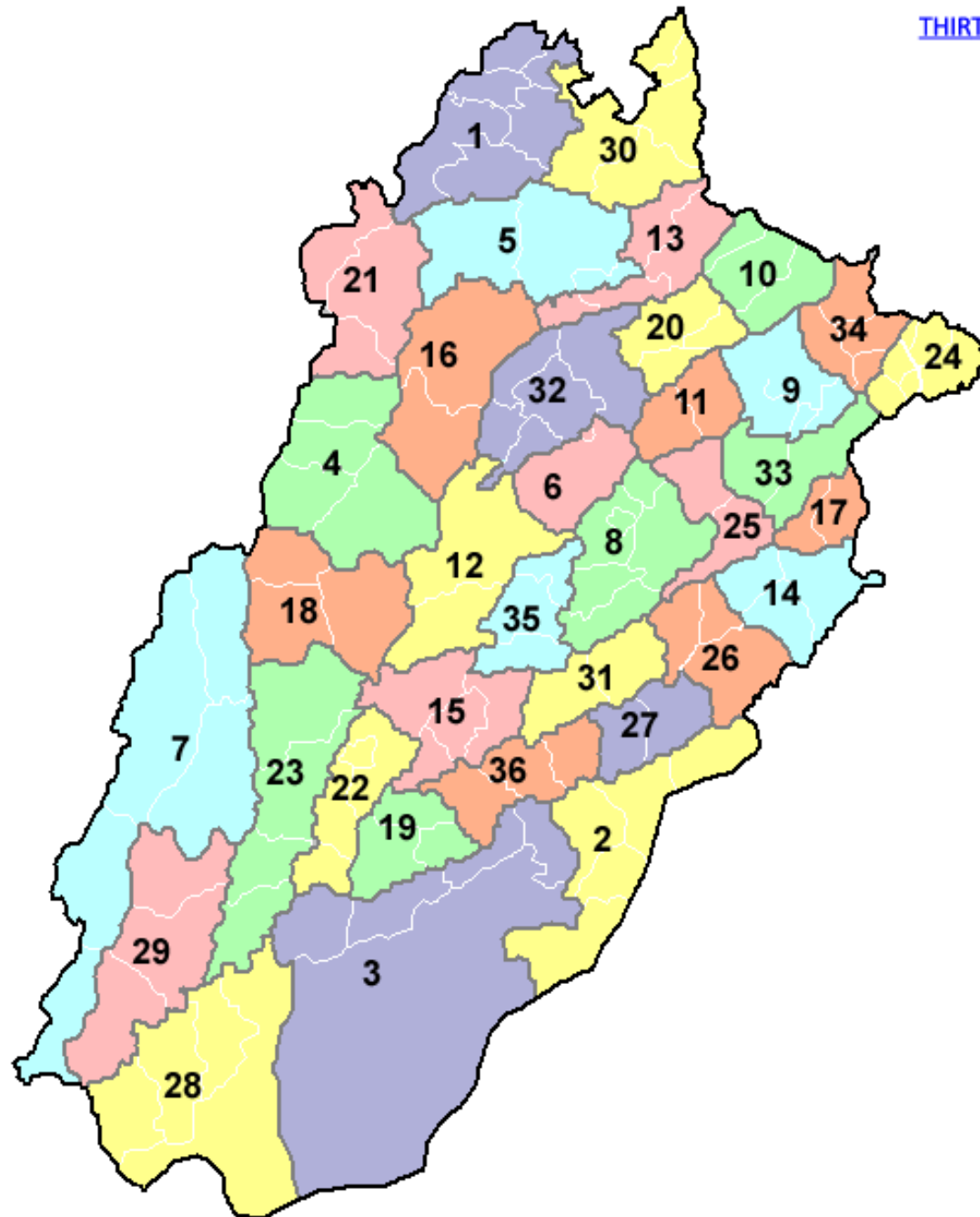
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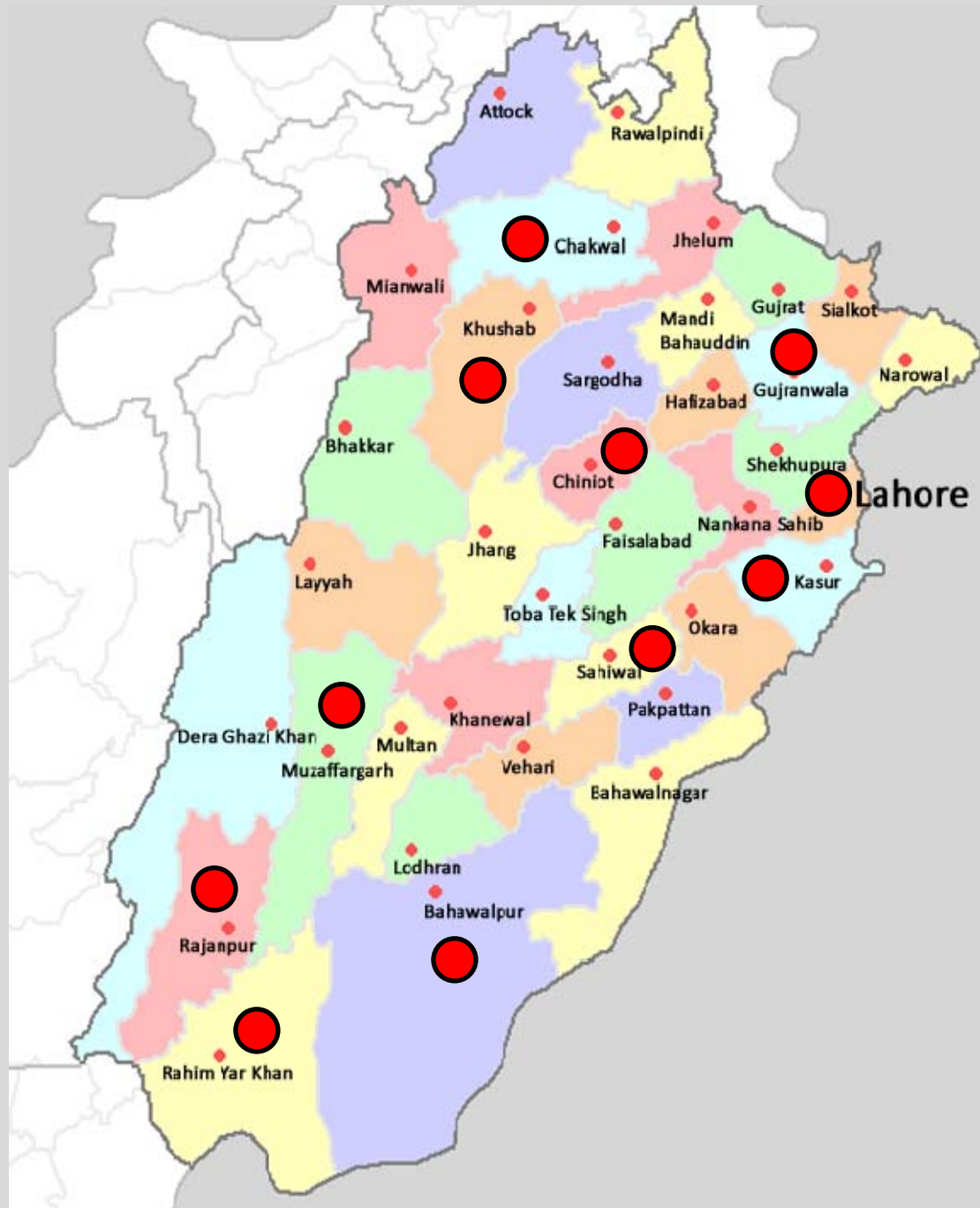The University of Manchester

Distribution of Active Borrowers

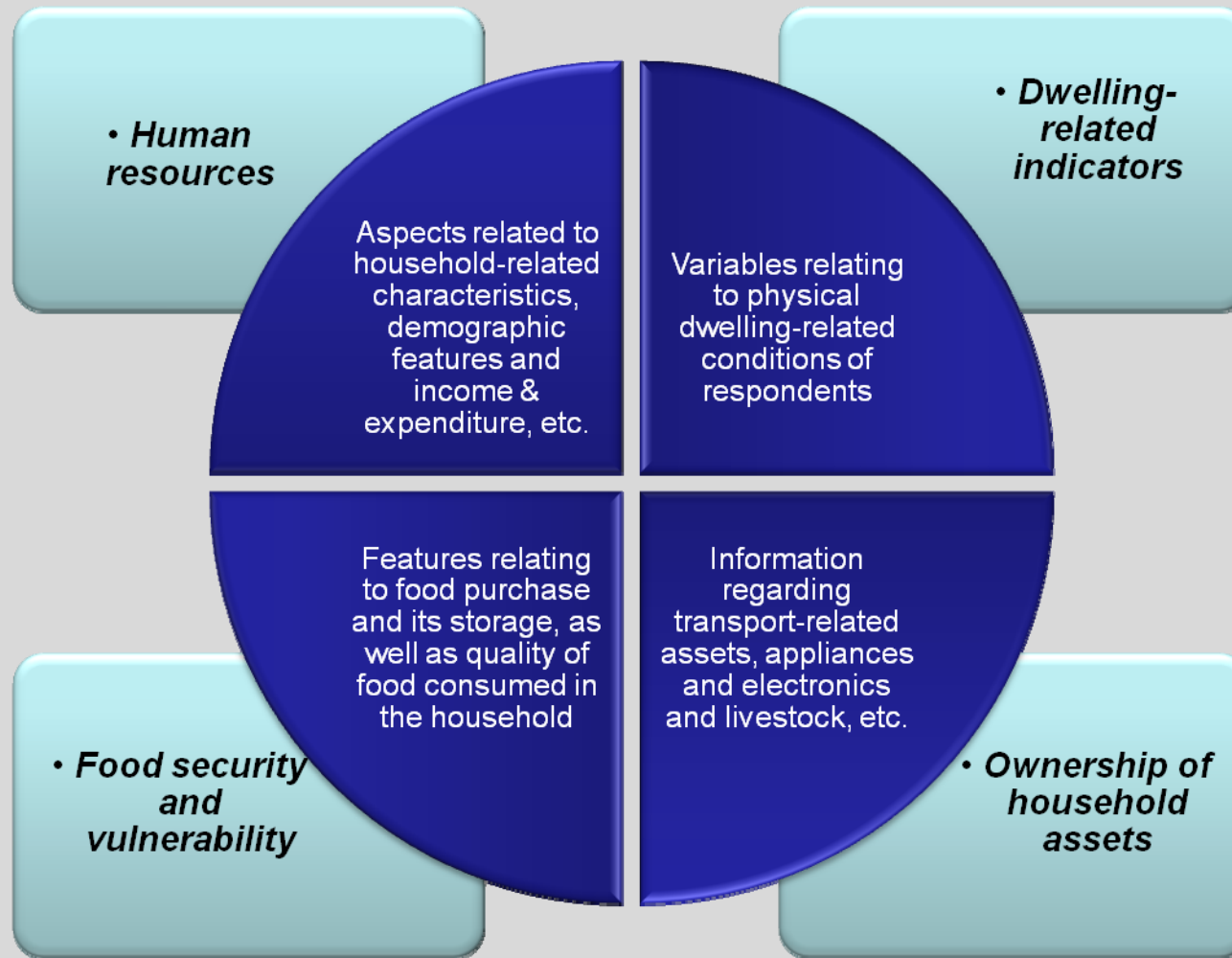| Scale	Active Borrowers
	N/A
	1 - 10,000
	10,001 - 25,000
	25,001 - 50,000
	50,001 - 100,000
	>100,000

Legend

THIRTY SIX DISTRICTS OF PUNJAB (PAKISTAN)

1. Attock
2. Bahawalnagar
3. Bahawalpur
4. Bhakkar
5. Chakwal
6. Chiniot
7. Dera Ghazi Khan
8. Faisalabad
9. Gujranwala
10. Gujrat
11. Hafizabad
12. Jhang
13. Jhelum
14. Kasur
15. Khanewal
16. Khushab
17. Lahore
18. Layyah
19. Lodhran
20. Mandi Bahauddin
21. Mianwali
22. Multan
23. Muzaffargarh
24. Narowal
25. Nankana Sahib
26. Okara
27. Pakpattan
28. Rahim Yar Khan
29. Rajanpur
30. Rawalpindi
31. Sahiwal
32. Sargodha
33. Shekhupura
34. Sialkot
35. Toba Tek Singh
36. Vehari

Indicators for Capturing Household Data

- *Human resources*

Aspects related to household-related characteristics, demographic features and income & expenditure, etc.

- *Dwelling-related indicators*

Variables relating to physical dwelling-related conditions of respondents

Features relating to food purchase and its storage, as well as quality of food consumed in the household

Information regarding transport-related assets, appliances and electronics and livestock, etc.

- *Food security and vulnerability*

- *Ownership of household assets*

Data captured

- Household-related data

- Dwelling-related indicators

- Data regarding ownership of household assets

- Other asset-based indicators

- Assessment of food security and vulnerability

Household-related data

- Household size (number of children, ages, etc)

- Level of education (HH adults and school aged children)

- Incidences and reasons of children's school drop out

- Annual expenditure on clothing and footwear

- Household Expenditure and Income

Dwelling-related indicators

- Ownership of accommodation

- Materials used for roofing and floor

- Number of rooms per member of household

- Availability and quality of toilet and sanitation facilities

- Type of fuel used for cooking

- Source of water supply and its disposal

Ownership of household assets

- Livestock: cattle and buffalo, sheep and goats, poultry, horses, etc.

- Transportation-related assets: motorcycle, bicycle, carts, etc.

- Appliances and electronics: television, refrigerator, washing machine, mobile phone, sewing machine, etc.

- Ownership of agricultural land

- Participation in any ROSCA/Savings scheme

Food security and vulnerability

- Number of days when 'luxury' food items were served

- Number of days when 'inferior' food items were served

- Frequency of purchase: staple food items

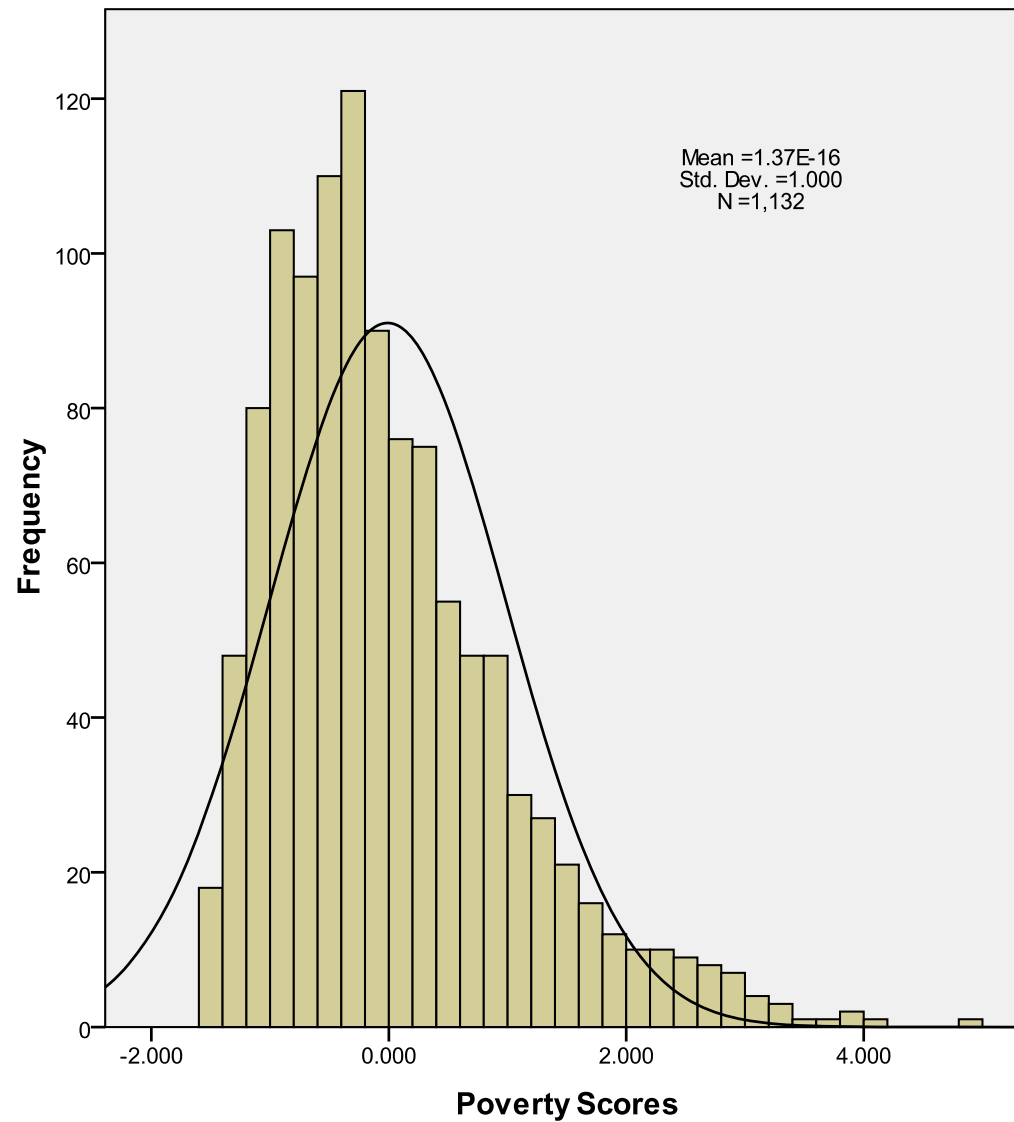- Weeks of stock held of storable staple food items
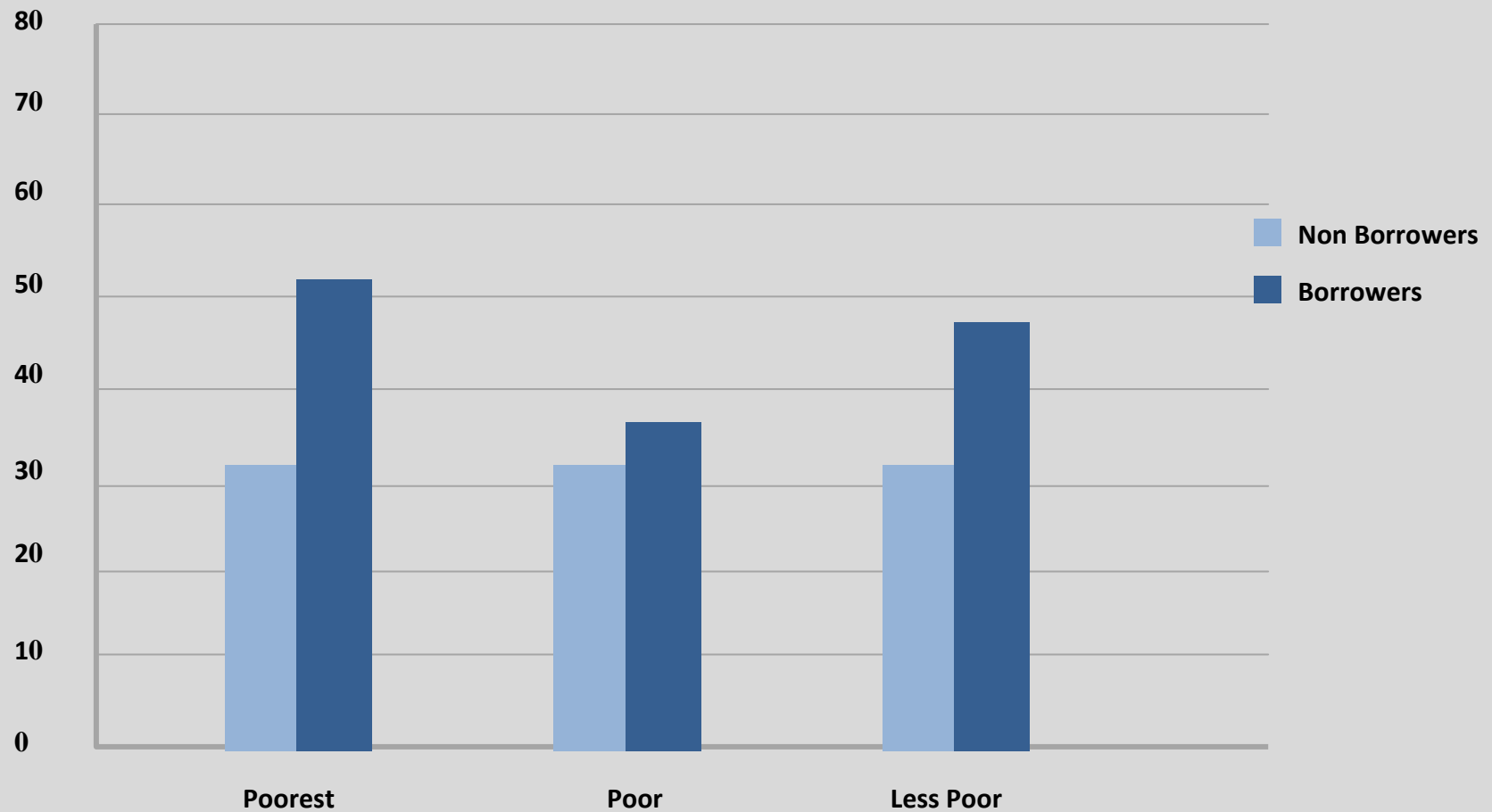
Developing a Household Poverty Index

- Screen indicators by correlation with baseline indicator: per capita expenditure on clothing and footwear

- Select those indicators that show highest correlation with baseline indicator

- Run Principal Component Analysis (PCA) model to generate household poverty scores

- Rank all surveyed households in order of decreasing poverty
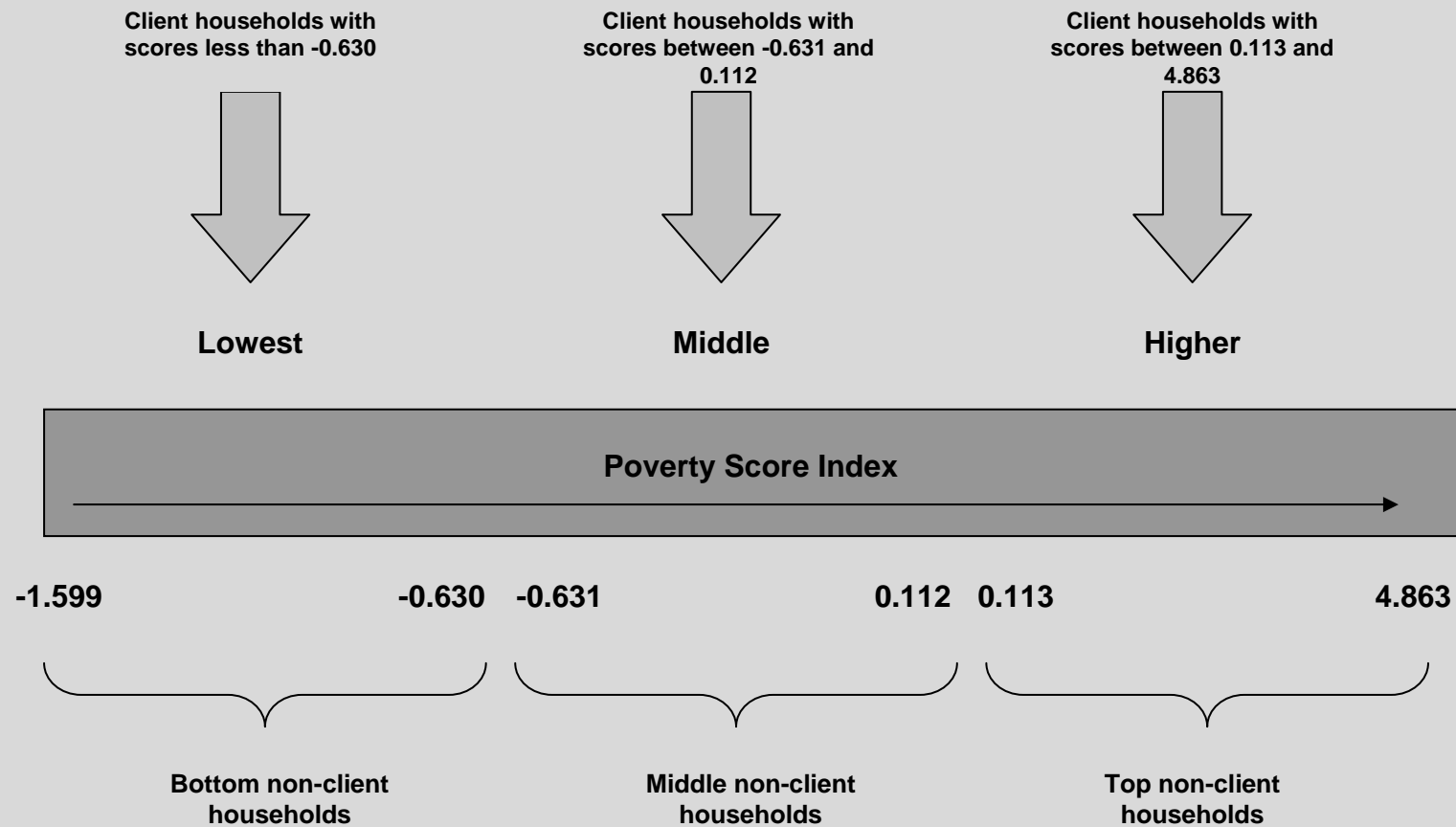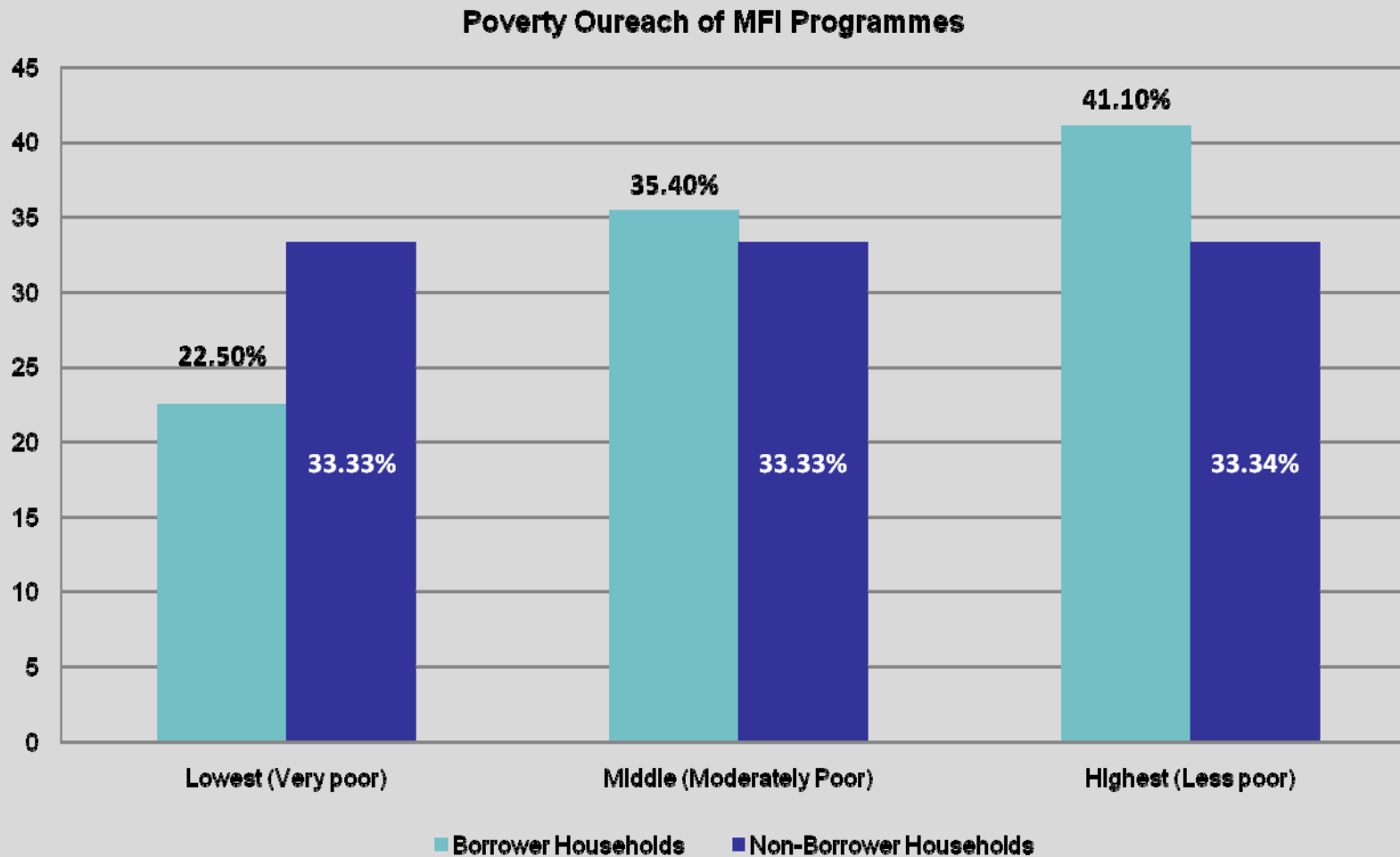
Histogram of household poverty scores

Mean =1.37E-16
Std. Dev. =1.000
N =1,132

Constructing Poverty Groups

Extensive poverty outreach
Low poverty outreach

Cut-off scores and terciles for the three classes of the poor

Client households with scores less than -0.630

Client households with scores between -0.631 and 0.112

Client households with scores between 0.113 and 4.863

Lowest

Middle

Higher

Poverty Score Index

-1.599   -0.630   -0.631   0.112   0.113   4.863

Bottom non-client households

Middle non-client households

Top non-client households

Poverty Groups

Poverty Oureach of MFI Programmes

Legend: Borrower Households, Non-Borrower Households

Policy Implications for Deepening Outreach

- Enhanced screening of potential borrowers to identify genuine

  need

- Restructuring staff incentives to target and identify the core-poor

- Developing an institutional culture and 'organizational mission' to reach the extreme poor

- Simplification of branch operations to be low-cost, decentralized, approachable and congenial to clients.

- Diversification of the product mix and designing services and products that better suit the extreme poor

- Proximity of services to homes and clients for ease of access to services.

Thank you for your attention

Questions and comments will be appreciated

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