

## MICROLOAN FOUNDATION RESPONDS TO MISSED OUTREACH TARGETS BY ADDRESSING BARRIERS

**MicroLoan Foundation (Malawi)** made strategic improvements based on social data. The FSP has a strong social mission, and initially it assumed it was reaching rural poor women, given that it was working in communities with many poor people. But after tracking baseline poverty data, MicroLoan Foundation realized that nearly half (46%) of new clients were *above* US \$1.25/ day purchasing power parity (PPP), making them *less poor* than the average rural Malawian. Following workshops with branch staff and management, a number of barriers were identified that were stopping the poorest from having access to loans, including organizational culture (lack of awareness that outreach to the poorest could be improved, lack of data, belief that the poor could not repay reliably, staff incentives based on portfolio size); product design details (minimum loan sizes too high for the poorest, compulsory savings requirement to access a loan not feasible for the poorest); and client self-exclusion (risk aversion, lack of confidence).

To address these barriers, MicroLoan Foundation conducted workshops with staff to ensure clearer understanding of the social mission and how to serve the poor better, and they launched a pilot with significant methodological changes, including: the design of a new pro-poor loan (smaller loan size plus savings), client mentoring, loan rescheduling options, quality checks on group members, and prevention of over-indebtedness by tracking individual clients' missed savings and repayments. Staff incentives were accordingly revised to promote inclusion of the poor.