

Abstract

Microfinance has emerged on the global scale as a key strategy to reduce poverty and promote development. Most of the relevant literature, however, tends to concentrate on *breadth* as opposed to *depth* of programme outreach. This paper is based on a primary household survey of 1,132 respondents in the Punjab Province of Pakistan to assess *which category* of the poor is being served by microfinance institutions. Are they the *very poor*, *middle poor* or *less poor* households? In order to make comparisons, borrower (treatment) and non-borrower (control) households are interviewed and, by employing Principal Component Analysis (PCA), each household is allocated a specific poverty score in relation to all other households in the sample. Once the poverty index is obtained, sampled households are ranked in order of varying poverty levels. Comparisons are later made between borrower and non-borrower households to estimate programme outreach. The paper concludes with findings that the depth of poverty outreach is significantly lower than what has been hitherto proclaimed by service providers and reflects on policy implications to enhance depth (as opposed to breadth) of programme outreach to address the needs of the *poorest of the poor*, in order to contribute meaningfully and effectively towards combating poverty.

Keywords: microfinance, poverty alleviation, depth of programme outreach, South Asia, Pakistan

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