



# Poverty Scoring Tool for First Microfinance Foundation Egypt

PlaNNet Finance Egypt  
Hanover

# RESEARCH OBJECTIVES

- ✓ **Main objective:**  
To help FMF maximize its socio-economic impact on different target entrepreneur segment
- ✓ **Client Segmentation:**  
Segment target clients into five segments based on certain socio-economic characteristics
- ✓ **Needs Assessment:**  
Assess needs of the 5 clients segments
- ✓ **Poverty Scoring Tool:**  
Develop a tool to measure clients' poverty level



# METHODOLOGY AND SAMPLING SELECTION

- ✓ Conducted in 2009 - 6 months for FMF
- ✓ Qualitative and Quantitative survey: questionnaires and focus group discussion
- ✓ Assess needs for:
  - Microcredit
  - Business Development Services
  - Micro-insurance
- ✓ 569 clients, non-clients and drop-out located in Urban, semi-rural and rural areas (Cairo, Aswan and Qena )
- ✓ Variety of socioeconomic levels and gender representation

# Impact Knowledge Market IKM TOOLS

1. **Index** : Attribute scores to clients
2. **Segmentation** : Assess needs of the 5 clients segments
3. **Poverty Scoring Tool**: Develop a tool to measure clients' poverty level

# 1 - INDEX

This index tries to grasp the whole spectrum of poverty through the three following aspects:

- ✓ **Asset ownership Index:** 11 selected relevant variables out of 30 in the questionnaire, **defining the level of household assets.**
- ✓ **Working Assets and income:** The sum of the selling value of each working asset, merchandise, and income — **microentrepreneurs own their working tools** and this is therefore a primary element to consider in the definition of poverty.
- ✓ **Human Capital variables:** Poverty is not only about possession, but also about **less “tangible” elements**; these are variables such as number of meals a day, education etc...
- ✓ **Total Score:** sum of all the scores. A score is given to each client.

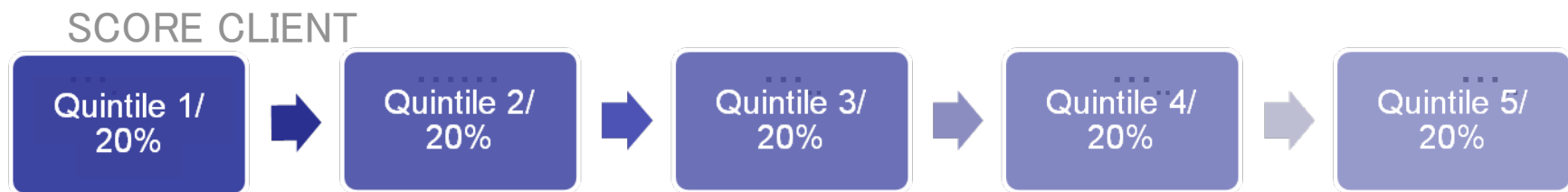


## 2 - SEGMENTATION QUINTILES

Two ways of dividing the score:

### 1. QUINTILES

- ✓ A quintile is the portion of a frequency distribution containing one fifth of the whole sample
- ✓ The methodology of **dividing the score into 5 quintiles** (used by PF research team) distributes the whole population into 5 equal groups:



SCORE NON CLIENT

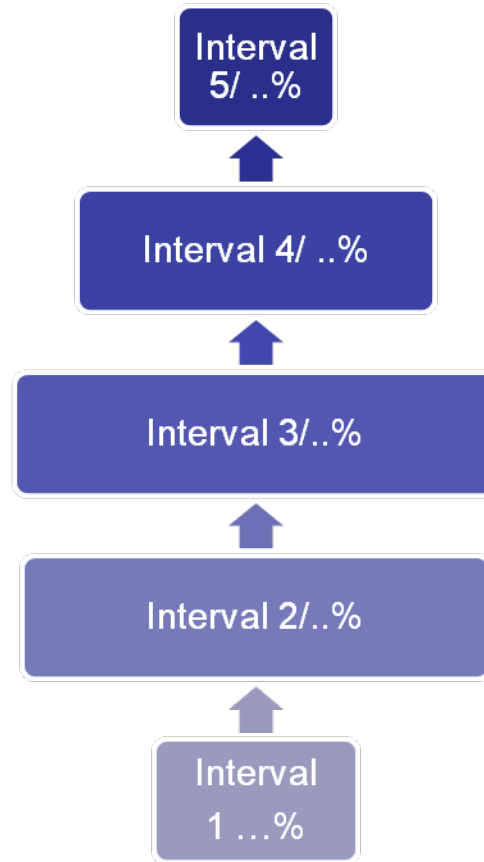
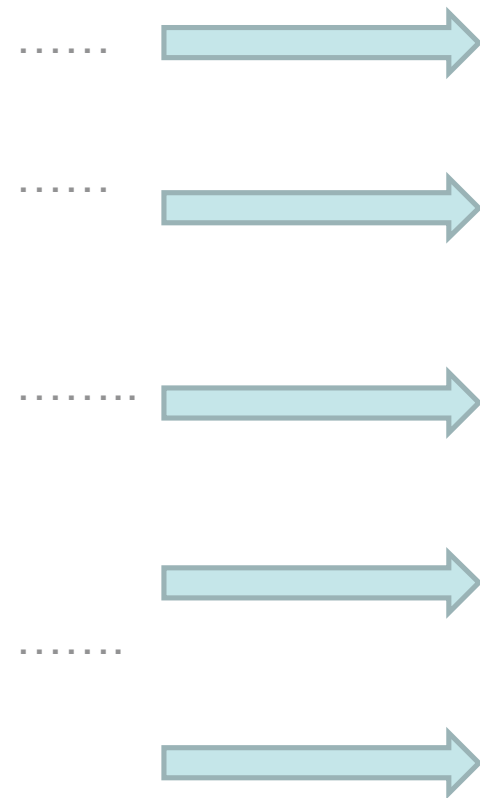
.....

## 2 - SEGMENTATION INTERVALS

**2. INTERVALS:** Dividing the score into 5 intervals of the same size:

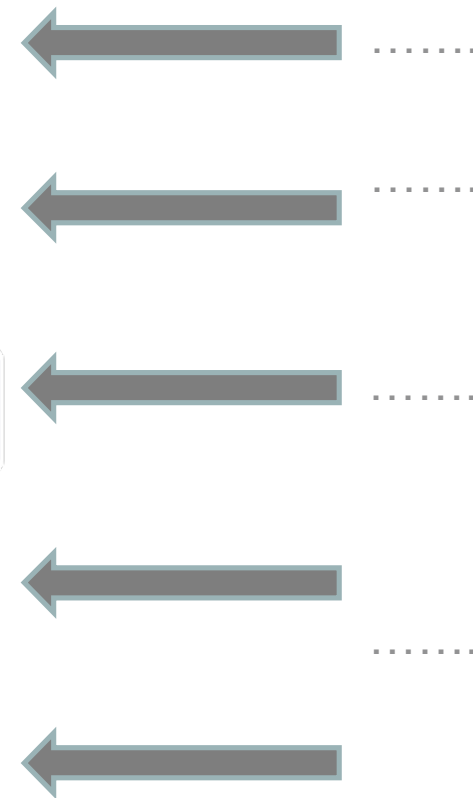
Index score

CLIENT



Index score

NON CLIENT



## 3 - POVERTY SCORING TOOL

- ✓ Develop a tool that reflects the multi-dimensionality of poverty in Egypt and enables FMF-E to:
  - ✓ Measure poverty levels at client entry stage and use as base-line
  - ✓ Categorize clients into one of the five target client intervals
  - ✓ Track graduation of clients to the next tier segment over time
  - ✓ The tool takes into account Human Capital, Working and Household indicators.
- ✓ The questions are easy to answer and tailored to the Egyptian context
- ✓ The aggregated sum of the scores of all questions is the basis for categorizing the client into one of the 5 segments





# IMPACT FOR FMF

- **The Client's need assessment and segmentation** study allows FMF to:
  - ✓ Design special products for target segments
  - ✓ To better focus on the efficiency on the loans process
  - ✓ Innovative BDS per target client segments
  - ✓ Develop a Marketing Strategy
  
- **Poverty Scoring Tool** allows FMF to:
  - ✓ Raise awareness and train staff on this tool
  - ✓ Monitor impact and level of lives of clients served
  - ✓ Plan to integrate the tool into MIS



# MAIN CHALLENGES & OPPORTUNITIES

- ✓ Identification of the needs of FMF EGYPT
- ✓ Organization and leading of Focus Group Discussions
- ✓ Collecting consistent data from the field
- ✓ Technical challenges of designing of the Poverty Scoring Tool: new tool based on the IKM methodology
- ✓ Network Aga Khan Agency for Microfinance (AKAM)

