



**University of
Zurich**^{UZH}

**The Relationship between Relative Maturity and Depth of
Outreach of Microfinance Institutions**

**Bachelor's Thesis by
Damian Durrer**

Executive Summary

This thesis is concerned with the interaction of institutional maturity and depth of outreach of microfinance institutions. It consists of:

1. A literature analysis of the concepts *institutional maturity* and *depth of outreach*, presenting an overview and interpretation of previous work on the individual topics and their interaction
2. An empirical analysis of the relation between institutional maturity and depth of outreach, using cross-sectional data of the year 2013 from the Microfinance Information eXchange

The first section argues, that institutional maturity can be seen as the degree to which an institution can sustainably perform its function. Further, it is discussed why this definition implies, that mature microfinance institutions should have a strong social performance.

The tiered framework of relative institutional maturity, suggested by e-MFP (2013) and MicroRate (2013), is presented. The influence of an institutions sustainability, size and transparency on the tier-classifications according to this framework is explored. Finally, the difficulties of measuring social performance are discussed. Depth of outreach is evaluated as one way of measuring social performance.

The second part, empirically tests how institutional maturity and depth of outreach are related in four different regions.

1. The thesis aims to show, that there is a negative relationship between institutional maturity and depth of outreach.
2. It is expected that size is the only dimension of institutional maturity affecting depth of outreach.
3. This negative relationship is expected to come from a large proportion of small, and hence immature, institutions which are exclusively serving one group of excluded clients and thus have a very large depth of outreach.

It is revealed that in Latin America and the Caribbean, transparency, rather than size, is the key factor for the determination of depth of outreach. How increasing institutional maturity affects depth of outreach seems to depend on the level of institutional maturity. For immature institutions, an increase of institutional maturity is connected to a decrease in depth of outreach. For mature institutions, this effect is reversed. Additionally, the thesis confirms, that the level of depth of outreach, as well as its interaction with institutional maturity, greatly depends on the region.