

Mainstreaming Social Performance in Microfinance: Implementing the “double-bottom line”

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Social Rating Tool for MFIs

Frances Sinha, M-CRIL (Micro-Credit Ratings International Limited)

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Introducing Social Rating



FRANCES SINHA



Micro-Credit Ratings International Limited



- Starting point of social rating
- What does it cover – and how?
- What are the benefits?
- How many?
- Into the future...

Starting point



**CONSENSUS ON DEFINITION OF SOCIAL
PERFORMANCE**

**PUTTING MISSION INTO PRACTICE IN LINE
WITH ACCEPTED SOCIAL GOALS**

Dimensions of Social Performance



INTENT AND DESIGN

What are the institution's mission, values and policies for social responsibility?
Does it have clear social goals and objectives?

INTERNAL SYSTEMS & ACTIVITIES

What activities will the institution undertake to achieve its social goals ?
Are systems aligned to achieve those objectives?

OUTPUTS

Does the institution reach target areas and clients (including poor, excluded people)?
Are the products and services designed to meet their needs?

OUTCOMES

Has there been positive change for clients, their households, and enterprises?

IMPACT

Can these improvements be attributed to institutional activities?

Why Have a Social Rating?



- Essential double bottom line information: fills the information gap left by financial ratings
- Photos of smiling clients are not enough to demonstrate social returns
- Impact assessment – complex, very costly
- Rating: systematic, focused, relatively quick
- Substantive analysis of core aspects of social performance

Social Rating...



... provides an external opinion on an MFI's capacity to put its mission into practice and achieve social goals

- Highlights areas of strength and issues to address

A Social Rating covers key dimensions of Social performance



Country context

- Country/region development indicators
- Microfinance - regulation and competition

Mission, Strategies, Systems

- Balance of social and financial objectives - governance
- Systems' adequacy to achieve social mission – HR, MIS

Social Responsibility

- Client protection - 6 principles + costs to clients
- SR to staff, community, environment; gender

Outreach

- Geographic distribution
- Client profile, household profile at entry

Quality of services

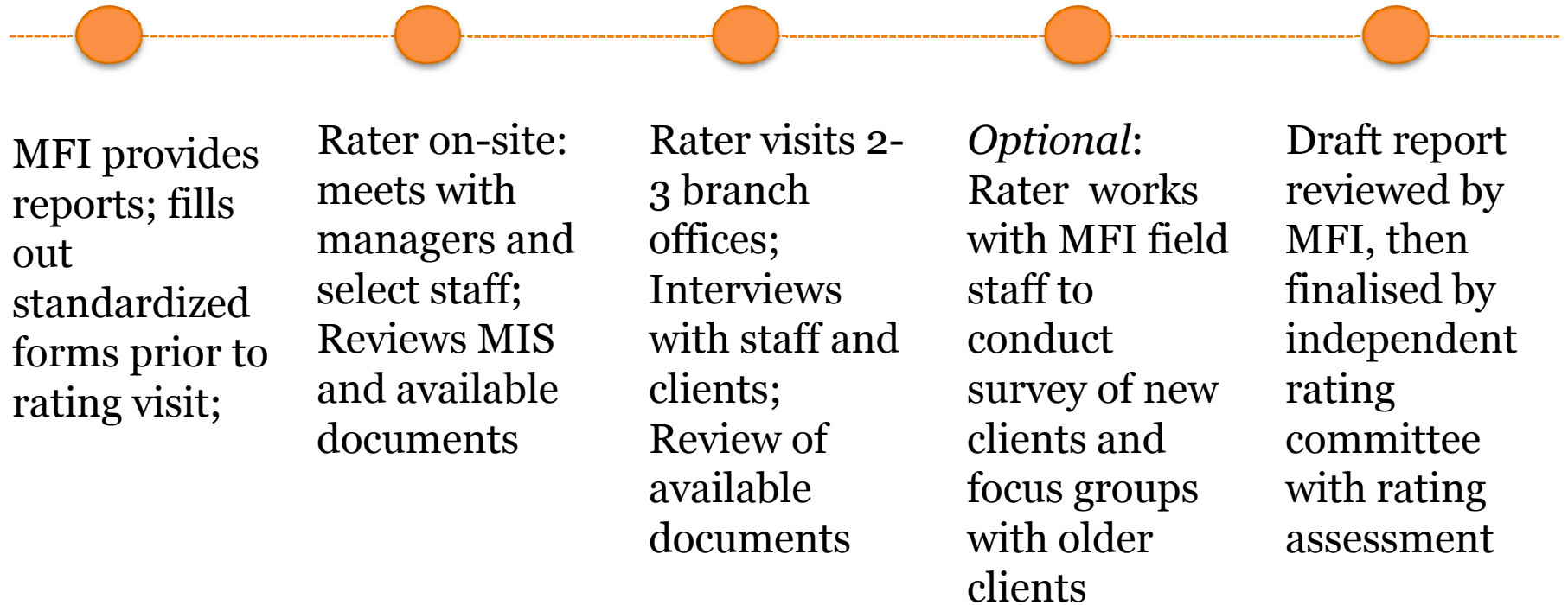
- Diversity of products and services, and access
- Client awareness; satisfaction and feedback
- Exit/dropout

Two Types of Social Ratings



- **Standard Social Rating:** relies on systems and data available with the MFI
- **Enhanced Social Rating: Plus Field Data Collection:**
 - Survey of clients and focus groups with clients
 - Adds field evidence for assessment of : outreach to target clients (low income, ‘poor’, excluded), client awareness of products terms and conditions (credit, savings, insurance as appropriate) and pricing, client feedback on products and services; suggestions to improve
 - Such field level data is *usually* not available from the MFI – is verified and included as part of Standard rating where it is available

The Social Rating Process



Social Rating Benefits (as for Financial Rating)



- **For the Industry**
 - Increases transparency in the industry
 - Allows comparisons in social performance across MFIs
- **For MFIs**
 - Provides a clear diagnostic of social performance strengths and weaknesses, an important step towards the establishment of an effective social performance management system
 - Facilitates access to financial capital
- **For Investors and Donors**
 - Provides information for resource allocation decisions
 - Supplements the due diligence process



Social Ratings on the Rise

4 specialist microfinance rating agencies

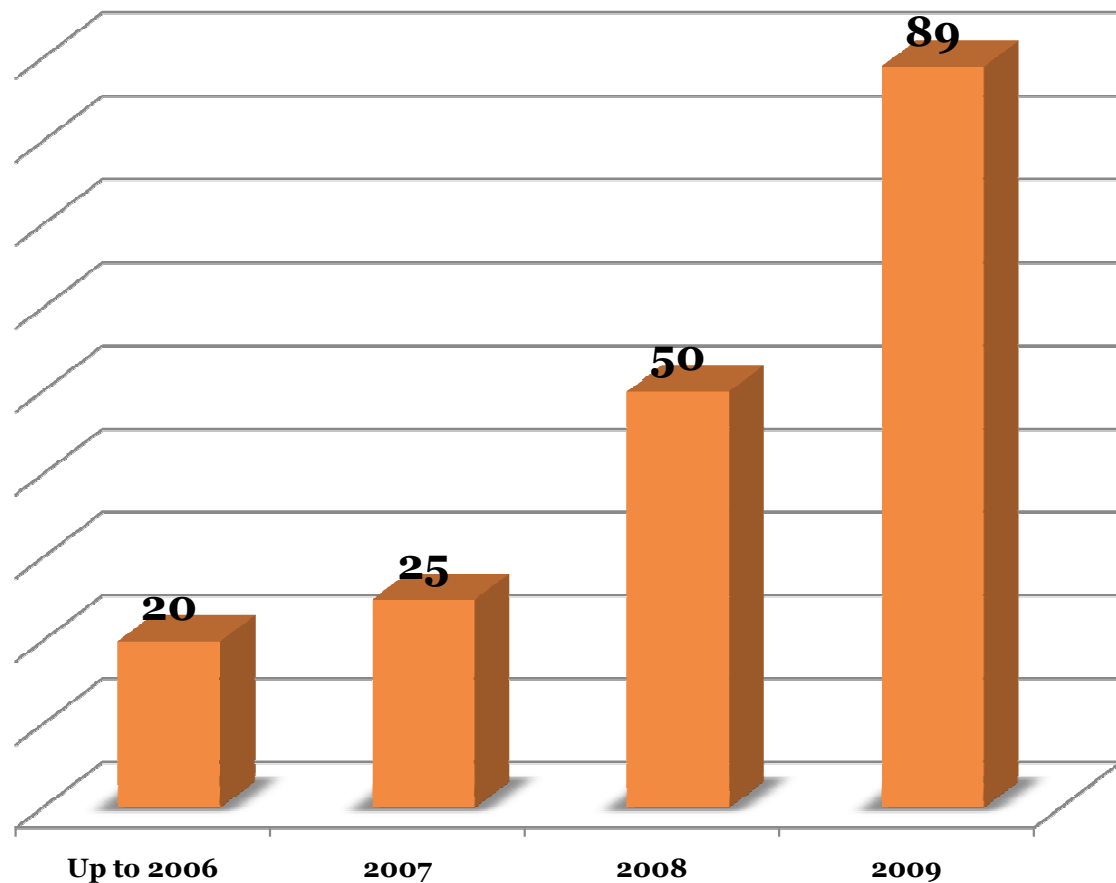
M-CRIL

Microfinanza Rating

Planet Rating

MicroRate

Number of Social Ratings Conducted Each Year



Now, and in the future...?



- Demonstrated how practically to assess social returns in a meaningful and cost-effective way
- Core contribution to development of social performance metrics
- Contributing to metrics for ‘impact investing’ – other sectors

- Corporate raters are also waking up....
- Future – integrate into overall rating: cover financial risks, mission drift and reputation...