



Micro-Credit Ratings International Limited

542 JMD Megapolis, Sohna Road, Sector 48
Gurgaon 122 018, India
+91 124 491 1939, 491 1942
gunjangrover@m-cril.com

Microfinance Institutional Rating



Over 1,600 ratings across 34 countries...

M-CRIL

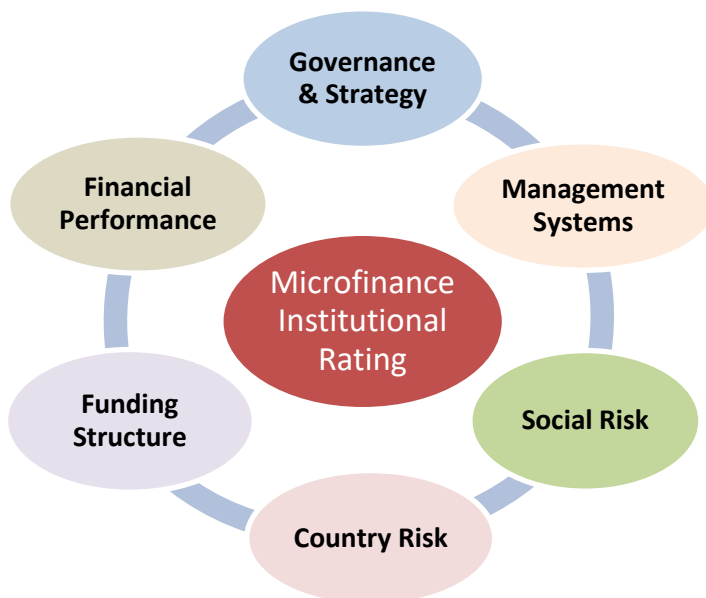


- Premier **microfinance rating and assessment agency** working globally with special focus on Asia, Africa and EECA.
- Domain expertise in the sector incorporates unparalleled knowledge of technical issues, regional characteristics and organizational diversity, and extensive interaction with apex organizations.
- Accredited with **CGAP** and **The Rating Initiative of ADA**, Luxembourg; member of **African Microfinance Transparency Forum**.

Refinement of Rating Methodology – Microfinance Institutional Rating

As part of the global initiative in response to emerging issues in the sector; M-CRIL refined the financial rating tool; the **upgraded rating product** is called Microfinance Institutional Rating (MIR).

Evidence shows that poor practices in terms of Client Protection or misalignment of interests can translate into credit risk or reputation risk, and in the medium to short term harm the sustainability of Microfinance Institutions.



Governance & Strategy Corporate governance Strategy, Leadership, Competition
Management Systems HR, Staff productivity, Operating efficiency, Accounting and MIS
Financial Performance Credit risk, Market position, + Responsible Profits
Funding Structure Reputation, Diversification, Liquidity
Social Risk Client protection + Alignment of interest
Country Risk Microfinance sector, Economic stability

In addition to the risk aspects covered in a traditional Financial Rating, MIR also includes the 7 principles of **client protection**, the **alignment of practices with stated social goals**, and **responsible financial performance**, thus providing a holistic opinion on the long term sustainability and creditworthiness of Microfinance Institutions. Integration of key social issues into the rating framework also addresses public policy concerns on institutional practices in lending to the poor.

Benefits of MIR

- Facilitates **benchmarking**, improving financial, operational and management systems and strategies.
- Facilitates **governance and strategic positioning** for expansion, resource management, pricing and coping with the policy environment.
- Facilitates **addressing priorities** and areas which require corrective interventions on aspects of policy and/or product alignment to client needs.
- Assessment of **organisation and management** covering HR systems, MIS and portfolio tracking, internal audit and other internal control measures.
- **Financial profiling** – portfolio quality, fund supply & utilization, financial performance & sustainability.
- Highlights the **key social risks** and enables the identification of potentially damaging problems.
- MIR eliminates the need for a separate social rating UNLESS a more detailed social analysis is required.

Why M-CRIL?

- **Widely experienced** microfinance rating agency.
- MFIs rated span a **wide range of organizational forms** from NGOs & non-bank finance companies to commercial banks.
- **Sector expertise:** M-CRIL has contributed to the framework for best practices and global sector benchmarks.
- Ratings incorporate **on-site assessment** including surprise visits to branches and clients.
- **Comprehensive assessment** framework updated regularly to incorporate the latest methods.
- **Qualified and experienced team:** Rating is conducted by a team of two specialists to ensure rigour and objectivity.
- **Independent & External Rating Committee,** comprised of international experts, determines the final grade.

Rating Process



Grade	MIR description
$\alpha+$	Strong governance, excellent systems and healthy financial position. Without a foreseeable risk ➤ Most highly recommended
α	Good governance, excellent/good systems, healthy financial position ➤ Highly recommended
$\alpha-$	Good governance, good systems and good financial performance; Low risk, can handle large volumes ➤ Recommended
$\beta+$	Reasonable performance, reasonable systems. Reasonable safety but may not be able to bear an adverse external environment and much larger scale ➤ Recommended, needs monitoring
β	Moderate systems. Low safety ➤ Acceptable only after improvements are made on specified areas
$\beta-$	Weak governance, weak systems. Significant risk ➤ Not acceptable, but can be considered after significant improvements
$\gamma+$	Weak governance, poor quality systems. High risk ➤ Needs considerable improvement
γ	Weak governance, poor systems, weak financial position. ➤ Highest risk. Not worth considering

Outlook

Positive: Suggests that the institution is expected to improve its rating to the next higher level.

Neutral/Stable: Suggests that the institution is likely to retain its rating till the end of one year from the rating.

Negative: Suggests that the MFI's performance is declining and it is likely to lower its rating performance by one level over the next year.