

Social Rating

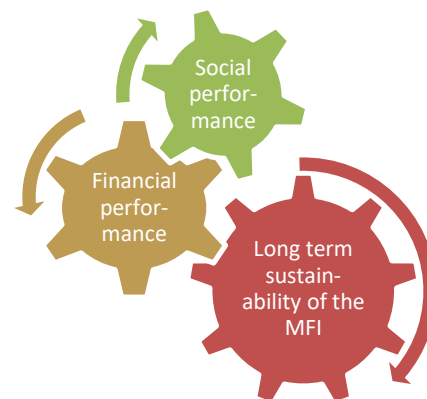
Extensive rating experience in Asia, Africa and EECA

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...contributing to social reporting & social performance management in microfinance

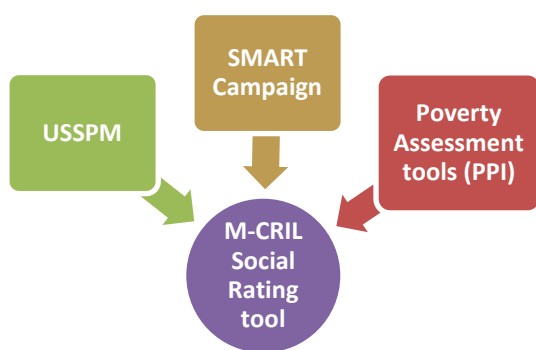
By catering to a segment normally excluded from formal financial services, Microfinance Institutions and those who support them (investors, bankers, donors and policy-makers) seek to bridge the financial access gap to support financial inclusion for low income and poor households. Responsible financial inclusion demands that financial services are provided with clear understanding of client markets, appropriate product design and delivery systems, and a focus on delivering value for clients. This requires a balancing of social and financial goals, so as to serve clients effectively, ensure appropriate conditions for staff and build institutional sustainability over the long-term.



Social rating – a tool for social performance assessment

The social rating tool has evolved with current thinking around social performance in terms of strategically analyzing the steps that are necessary to create and measure desired outcomes. Social performance is defined as ***the effective translation of an institution's mission into practice in line with accepted social values.***

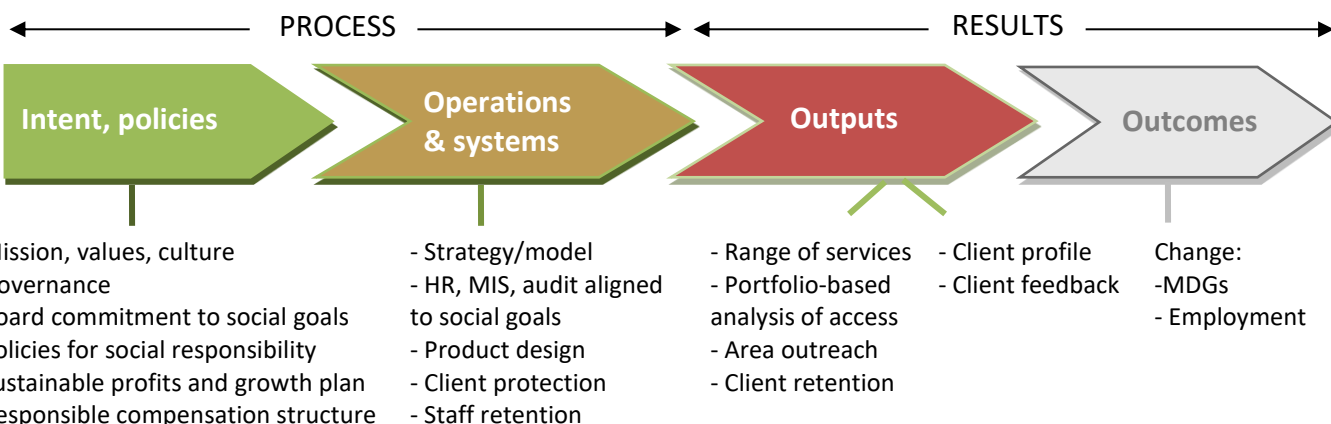
[Social Performance Task Force – (SPTF)]



M-CRIL's Social Rating tool draws on and supports the emerging standards in social performance, as defined by global initiatives to provide an MFI with a comprehensive assessment of its social performance, systems and results.

It incorporates the SPTF's Universal Standards for Social Performance Management (USSPM – SPI4), the Client Protection Principles (V2.0) of the SMART Campaign, and poverty assessment tools such as the Progress out of Poverty Index (PPI).

The definition of social performance emphasises governance and management processes, outputs and outcomes (not impact), and generic values around outreach and social responsibility. This approach has the inbuilt flexibility to be relevant to all MFIs, with varying models of microfinance, diverse client segments and different articulations of mission. Social rating covers the first three steps of the ***social performance pathway.***



Why Social Rating?

Social rating is useful both as an **internal management** tool and as a **reporting** tool for MFIs, funders and discerning social investors.

It serves to:

- 1) Promote **awareness and transparency** on social performance issues, including reputation risk
- 2) **Diagnose** gaps in social performance and indicate measures for MFIs to improve
- 3) Provide a basis for **benchmarking** and comparing social performance
- 4) **Decrease risk of deviation from social mission** by identifying early warning signals
- 5) **Promote investment** in MFIs with a double bottom line orientation, and strong social performance

Types of Social Rating

Standard-Comprehensive – covers context, mission clarity, alignment of systems, social responsibility to clients, portfolio analysis + client profiling and client feedback regarding MFIs’ products and services. The process uses the MFI’s internal reports, internal and external studies, as well as field level data available with the MFI.

Enhanced-Comprehensive – covers all the topics in Standard-Comprehensive. In addition, field level data is collected during the Social Rating visit (through a comprehensive Client Survey and Focus Group Discussions)

Why M-CRIL?

- **First microfinance agency** to develop a social rating product. **69 social ratings in 19 countries** across Asia, Africa and EECA.
- Comprehensive assessment framework updated regularly to incorporate latest tools and methods - **relevant across** institutional form and operational methodology.
- **Qualified and experienced team** – rating is conducted by a specialist team (SPI4 qualified auditors) to ensure rigour and focus.
- **Field-based appraisal** – Branch visits and interaction with clients are integral part of M-CRIL’s social rating methodology.
- **Sector expertise** – M-CRIL has contributed to frameworks for best practices and global sector benchmarks.
- Independent **Rating Committee** comprising international experts finalises the grades.

Rating Criteria



Customized Additions

- SPI4 Audit
- Client Protection certification
- Truelift Assessment
- PPI Certification
- Country specific regulations and compliance (eg. Unified Code of Conduct Assessment & Third Party Evaluation for India)
- Investor Covenants

Social Rating description	Grade
Strong social commitment, excellent systems, evidence for strong and comprehensive adherence to social mission and values.	$\Sigma\alpha_+$
Strong social commitment, very good systems, evidence for good adherence to social mission and values.	$\Sigma\alpha$
Strong social commitment, good systems, evidence for good adherence to social mission and values.	$\Sigma\alpha_-$
Good social commitment, reasonable systems, evidence for reasonable adherence to social mission and values.	$\Sigma\beta_+$
Good social commitment, moderate systems, evidence of partial adherence to social mission and values. Many aspects of social performance need to be institutionalized.	$\Sigma\beta$
Weak social commitment, weak systems, evidence of partial adherence to social mission and values.	$\Sigma\beta_-$
Weak social commitment, weak systems, no evidence reflecting social mission or values.	$\Sigma\gamma_+$
Very weak social commitment, very weak systems, no evidence reflecting social mission or values.	$\Sigma\gamma$