

Microfinance Initiatives: MicroFinanza Rating

(offers "enhanced/comprehensive" and "simple/thin" rating)

Microfinanza Rating has so far conducted 10 social ratings: 2 simple social rating tests (methodology without survey) in the Europe/Central Asia region; 1 enhanced social rating test in Africa; 4 enhanced social ratings (SR with survey) in Latin America (Nicaragua, Mexico, Peru); 1 additional enhanced social rating (SR with survey) in Nicaragua; and 2 enhanced social ratings (SR with survey) in Romania. Several other social ratings are already planned for 2008 (commissioned by social investors/MFIs/donors).

Microfinanza Rating offers two main types of social ratings: simple social rating (also called social rating without survey) and enhanced social rating (also called social rating with survey). Both versions address four areas of analysis:

1. Social mission, strategy, and systems (SPM System)
2. Social responsibility
3. SG1: Outreach
4. SG2: Quality of services³

Based on quantitative and qualitative elements of analysis, the social rating report includes:

- a. The description of the socio-economic context of the MFI operations;
- b. For each of the four areas of assessment: a detailed analysis of the MFI performance, a summarized assessment of strengths and weaknesses and an overall judgment;
- c. A final opinion of the MFI's overall social performance; once the piloting phase is completed, social rating scores will begin to be assigned as well.

The two social ratings differ mostly in terms of sources of information used. The simple rating (SR without survey) is largely based on information that the MFI can provide itself, such as data captured in the MIS and information provided in staff interviews (i.e., proxies to estimate client poverty such as loan size, gender, lending methodology, sectors financed). The enhanced rating methodology integrates these sources of information with firsthand client data (such as the % of households living below national and international poverty lines⁴, the % of clients without access to financial services, % of clients without access to basic services, household members educational level and occupation) gathered through field work-surveys to a representative sample of clients, individual interviews and focus groups. Measuring clients' socio-economic profile and getting their direct feedback results is a significant enrichment of the analysis of outreach and of service quality.

More details available at www.microfinanzarating.com and contact Micol Guarneri at micol.guarneri@microfinanzarating.com to receive an example of an enhanced social rating report.