

**Micro-Credit Ratings International Limited (M-CRIL)** is the premier rating and assessment agency working globally with special focus on Asia, Africa and former Soviet Union. Backed by over a decade's experience, M-CRIL's domain expertise in the microfinance sector incorporates unparalleled knowledge of technical issues, regional characteristics, organizational diversity and extensive interaction with apex organizations. As a socially conscious enterprise with a concern for development impact, M-CRIL pioneered the social rating service in 2005. Besides, credit and social ratings, M-CRIL undertakes sector research on aspects like benchmarks and standards, best practices, markets and means of expanding the scope and outreach of microfinance services through regional and commercial banks and provides technical assistance to sector players on business planning and financial forecasting.

This newsletter highlights some initiatives by M-CRIL since April 2010 including:

- Progress with M-CRIL's rating of MIVs – draft ratings of Dexia Micro-Credit Fund, Incofin cvso, Rural Impulse Fund and Oikocredit
- Credit Rating of Kshetriya Gramin Financial Services (KGFS), Tamil Nadu, India
- Credit Rating of Pagasa, Philippines
- Systems Evaluation and Loan Portfolio Audit of SKS Microfinance
- Assessment and ratings of Low Cost Private Schools
- *Key forthcoming assignments:* Assessments of Community Loan Funds in Indonesia, Loan Portfolio Audit of Bandhan, Social Rating of Cashpor

▪ **Rating of Microfinance Investment Vehicles – *another pioneering service of M-CRIL***

A workshop was held in Amersfoort, Netherlands to discuss M-CRIL's draft ratings of four MIVs: Dexia Micro-Credit Fund (managed by Blue Orchard Finance), Incofin cvso, Rural Impulse Fund (managed by Incofin Investment Management) and Oikocredit. The effort has been supported by Anthos, a private investment office based in Amsterdam and SDC. Further work in product development is to be undertaken and the results presented at the European Microfinance Week in Luxembourg at the end of November.

▪ **Credit Rating of Kshetriya Gramin Financial Services (KGFS), Thanjavur, TamilNadu**



The Kshetriya Gramin Financial Services (KGFS) model is being implemented by Pudhuaru Financial Services Private Limited (PFSPL), a financial institution based in Thanjavur, Tamil Nadu. PFSPL promoted by IFMR Rural Finance Ltd, has the mission of providing financial services in remote rural areas of two districts, Thanjavur and Thiruvarur of Tamil Nadu. Currently, it operates only in Thanjavur district.

The KGFS model aims to address some of the shortcomings of the existing models of microfinance. Compared to the limited loan products offered by most of the existing models, KGFS offers multiple products to clients that include savings/investments, insurance,

remittances and a choice of loan products. The products are enabled by establishing linkages with various external institutions including banks, insurance companies, mutual funds and other financial institutions. The branches are set up in remote rural locations without banking services and offer to clients the convenience of undertaking financial transactions at any time during the working day. It aims to achieve higher efficiency by offering multiple products, use of technology and standardisation. Another unique and important feature of this model is that its design allows a much stronger relationship with clients.

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▪ **Financial Rating of Pagasa Philippines Lending Company Inc (Pagasa)**

Pagasa Philippines Lending Company Inc (PPLCI) was established in 2007 by ASA International Holdings Ltd for undertaking microfinance operations in the Philippines on the model of ASA Bangladesh. Its Head Office is located in Manila. The Financial Rating of Pagasa was conducted during August 2010.

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▪ **Financial Rating of Cashpor Micro Credit (Cashpor)**

The financial rating of Cashpor Micro Credit (CMC) a not for profit company, was conducted in July 2010. Cashpor is the leading MFI operating in Eastern UP and Bihar – some of the poorest parts of India. This is the fifth financial rating of this MFI by M-CRIL.

During its 12 years of operations, it has made significant changes in its model of credit delivery before settling in 2007 with the mini branch model, similar to that of ASA, Bangladesh. The new model has helped CMC strengthen its internal controls. In the last two years, CMC has been able to improve its staff productivity and reduce its OER while also maintaining good loan portfolio quality.

An able leadership, a strong Board, high quality senior management, good reputation and strong institutional linkages have helped CMC in reaching a commendable size and quality of operations.

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▪ **Systems Evaluation and Loan Portfolio Audit (LPA) of SKS Microfinance Ltd**

A Systems Evaluation and Loan Portfolio Audit (LPA) of the biggest MFI in India, SKS Microfinance Ltd., a Non Banking Finance Company (NBFC) was conducted.

The objectives of the assignment were, to assess the portfolio quality of SKS and capture key risk factors through borrower level checks and an examination of field operations. The M-CRIL team visited the Head Office and interviewed the senior management of SKS. Field visits were carried out to 35 branches. The team studied the organizational policies and processes at these

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branches. Discussions were held with the heads of various management divisions including the internal audit and risk management division to understand the critical areas of focus for the organisation.

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▪ **Social Rating of Bandhan Financial Services Pvt Ltd (Bandhan)**

Bandhan started its operations in Howrah district of West Bengal in July 2002 through its NGO, Bandhan Konnagar. After getting NBFC status, Bandhan Financial Services Pvt Ltd took over the entire portfolio of Bandhan NGO in 2009. The MFI offers credit products through the joint liability group model, as well as through an individual lending model. The organisation has recently introduced health loans and plans to offer education loans in the near future for its clients' children. Bandhan's operations are concentrated in the eastern part of the country with 75% of its clients in West Bengal. A Social Rating of Bandhan was undertaken in August 2010.

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▪ **Microfinance Ratings undertaken**

During the period April-August 2010, a total of 28 ratings were carried out. Out of these, 17 were domestic financial ratings and 3 were international (one each in Kazakhstan, Ghana and Philippines), 8 social ratings were carried out of which 6 were ungraded domestic ratings, 1 was a domestic graded social rating and 1 was international (Ghana).

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**Forthcoming**

▪ **Loan Fund Assessments in Indonesia**

The National Community Empowerment Program or Program Nasional Pemberdayaan Masyarakat-Mandiri (PNPM-Mandiri) is a community development programme of the Government of Indonesia (GoI) launched in 2008. The World Bank is a major financier of PNPM and provides supervision and management assistance through its Social Development Unit based in Jakarta. This project is jointly implemented by the World Bank Financial & Private Sector Development Unit and the Social Development Unit in Indonesia.

M-CRIL has been selected to undertake assessments of Unit Pengelolaan Kegiatan (UPKs) which manage community based revolving funds in Indonesia. The assessments will contribute to making UPKs operationally effective and economically viable by identifying their needs for capacity building. A total of 370 such assessments are to be conducted within the next 10 months.

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**Loan Portfolio Audit of Bandhan Financial Services Pvt Ltd (Bandhan)**

Systems Evaluation and Loan Portfolio Audit of Bandhan will be undertaken during September 2010 for a consortium of commercial banks. Audit of 30 branches will be undertaken.

▪ **Social Rating of CASHPOR Micro Credit (Cashpor)**

A Social Rating of Cashpor will be conducted during September-October 2010.

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• **Assessments and ratings of Low Cost Private Schools**

M-CRIL's methodology for the assessment of Low Cost Private Schools (LPS) is gaining increasing acceptance. Developed with the support of Gray Matters Capital, the programme is increasingly in demand from LPS in Hyderabad. M-CRIL's target for 2010-11 is to assess 325 LPS. Of these, 64 assessments have been undertaken so far.

**M-CRIL now has an office in Hyderabad** with a full school assessment team in Hyderabad with 9 Analysts and Executives and a Senior Analyst (Shraddha Jha) to lead the team. The office was established by N Tirupathaiah as the Senior Analyst initially responsible for the work.

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