

September 2009 MICRO AFRICA LTD (KENYAN OPERATIONS) Kenya Social Rating



Low social return overall through the combination of **Weak Social Results** and **Weak Social Commitment**.

Note: The social rating stars compare all MFIs, assuming that microfinance has a *de facto* positive impact on human development.

Social Results	Weak
Social Commitment	Weak

Date of Visit	Jul-09
Previous Social Rating	n.a.
Date of Previous Social Rating	n.a.
Social Rating Completed	1 st

Principal Performance Indicators

Social Profile of Kenya*	Dec-08
Poverty Index	50%
Extreme Poverty Index	n.a.
Unemployment Rate	40%

MK's Indicators	Dec-08	Jun-09
Number of Borrowers	1,845	1,937
% of Rural Clients	28%	37%
% of Women Borrowers	26%	27%
Average New Loan (US\$)	n.a.	859
Avg. Loan/GNI per capita	135%	n.a.
Client Turnover	n.a.	47%
Cost per Borrower (\$)	102	156
Effective Interest rate	n.a.	66.1%

* Source: World Bank and UNDP
Effective Interest rate (group loans)

¹See Annex

Summary Description

Micro Africa Limited (“MAL”) is a holding company registered in Kenya with lending operations in Kenya, Uganda, Rwanda, Tanzania and Sudan. The present report focuses exclusively on “Micro Kenya” (“MK”), the Kenyan division of MAL. With headquarters based in Nairobi, MK primarily offers individual loans to around 1,400 salary workers and entrepreneurs amounting to \$1.7 million. With an average individual loan of \$1,221 and approximately 70% of the portfolio in consumer loans, MicroRate does not consider MK to be offering microcredit.

In 2009, however, management reintroduced group lending to help the MFI reach the lower-end niche; the average group loan size is \$237 which is comparable with other Kenyan MFIs. As of June 2009, group lending represented 7.6% of the portfolio and reached around 500 clients.

Rating Rationale

Compared to best practices in microfinance, both MK’s social results and commitment are weak. MK has historically concentrated on consumer credit for salaried employees (still 63% of the portfolio) and quick emergency loans for small businesses. It is good to see that the institution recently introduced group loans targeting the lower-end of the market.

Despite high effective lending rates, MK has incurred substantial losses for the last two years. The institution will find it difficult to become sustainable in a highly competitive market unless it can reduce its operating expenses substantially.

MK shows moderate social responsibility in its relations with staff. In all other respects – with the exception of the new group lending program – policies and business practices are determined by commercial rather than by social concerns.

Highlights


Social Results

- Low depth of service despite the development of new products
- Does not serve the poorest urban microcredit niche
- Unsustainable financial situation
- Low institutional responsibility towards clients

Social Commitment

- + Implementation of a new incentive system, although lacking a social component
- + Moderate client service
- + New experienced staff in place
- Low social commitment

ANNEX

MicroRate Grading Scale for Social Reports	
Social Rating	<p>Measures the social return of an investment in an MFI through the evaluation of Social Results and Social Commitment.</p> <p style="text-align: center;">  </p>
Social Results	<p>The MFI is judged on its social results, the poverty focus of its target Microfinance niche, the cost and efficiency of its services, its social responsibility, and fulfillment of its social mission.</p> <p style="text-align: center;"><i>Excellent – Good – Fair – Poor</i></p>
Social Commitment	<p>Measures the social focus and level of commitment of an institution and assesses the probability of a MFI deviating from its social mission in the future.</p> <p style="text-align: center;"><i>Excellent – Good – Fair – Poor</i></p>

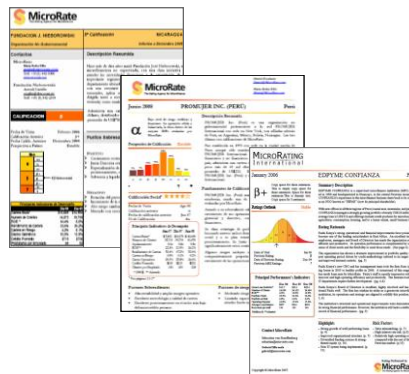
Interested in the full report?

The full Social Rating includes detailed information on the following:

- Social Results
- Depth and Diversity of Services
- Efficiency, Cost to the Customer and Sustainability
- Institutional Responsibility
- Social Commitment

This social report is available for purchase. If you are interested in purchasing a report, please contact MicroRate at 1-703-243-5340 or email info@microrate.com.

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