

August 2009  
 Social Rating

RWANDA MICROFINANCE LTD

Rwanda



Low social return overall through the combination of **Moderately Poor Social Results** and **Low 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                  | June-09         |
| Previous Social Rating         | n.a.            |
| Date of Previous Social Rating | n.a.            |
| Social Rating Completed        | 1 <sup>st</sup> |

#### Principal Performance Indicators

##### **Social Profile of Rwanda\***

|                                |       |
|--------------------------------|-------|
| Poverty Index (2007)           | 57.8% |
| Extreme Poverty Index (2006)   | 37%   |
| Urban Unemployment Rate (2006) | 11.9% |

##### **RML's Indicators**

|                           | <b>Dec-07</b> | <b>Dec-08</b> |
|---------------------------|---------------|---------------|
| Number of Borrowers       | 1,325         | 1,529         |
| % of Rural Clients        | 0%            | 0%            |
| % of Women Borrowers      | n.a.          | n.a.          |
| Average Loan (US\$)       | 803           | 1,024         |
| Avg. Loan/ GNI per capita | 188%          | 240%          |
| Client Turnover           | n.a.          | 99%           |
| Cost per Borrower (US\$)  | 227           | 321           |
| Effective Interest rate** | 96.3%         | 96.3%         |

\* Source: World Bank and UNDP

\*\* For small business and consumer loans

<sup>1</sup>See Annex

#### Summary Description

Rwanda Microfinance Limited (RML) was created in 2004 as a subsidiary of the holding company Micro Africa Limited.

Operating in the capital city of Kigali, it provides individual small business loans and consumer to 1,500 clients. Most of these are recipients of consumer loans rather than microcredits; the remainders are small businesses. Because of their relatively large average size (\$1,608) small business loans account for nearly 60% of the gross portfolio of \$1.6 million and 34% of the loans outstanding. RML does not provide non-financial services.

#### Rating Rationale

RML's social results and commitment are both weak by microfinance standards. Although RML fulfills a need in the demand for the emergency liquidity loans that supplement existing small business loans and consumer loans, it targets a middle and upper middle income client niche with only two main products. The high operating expenses and cost per borrower result in low social efficiency. Furthermore, they charge a relatively high effective interest rate in order to reach sustainability. On a positive note, RML shows adequate social responsibility towards its staff and good client protection. Its staff is dedicated to deal with clients' problems as quality and quick service is RML's main competitive advantage.

The company is generally more profit-oriented than socially-oriented even in its strategy to diversify into group lending with smaller amounts. As a consequence, the majority of processes are geared towards profitability, which leaves little room for social orientations. Social monitoring, strategic planning as well as an incentive system to reach social objectives are virtually nonexistent. On the other hand hiring practices, client protection and social mission communication and leadership are fairly adequate.

#### Highlights


##### **Social Results**

- + Moderate social responsibility towards staff and clients
- Medium-income target niche
- Narrow product offering
- High cost to the client

##### **Social Commitment**

- + Good customer care and client protection
- + Good internal communication
- No social focus, business-driven organization
- No social performance management and monitoring

ANNEX

| <b>MicroRate Grading Scale for Social Reports</b> |   |
|---|---|
| <b>Social Rating</b>                              | <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>                                    |
| <b>Social Results</b>                             | <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> |
| <b>Social Commitment</b>                          | <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>  |

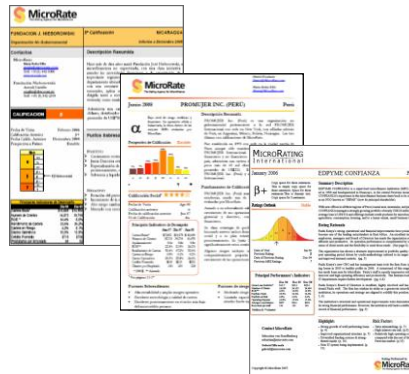
### Interested in the full report?

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](mailto:info@microrate.com).*

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**MicroRate Latin America**  
Mayor Armando Blondet 261  
San Isidro, Lima, 27  
Lima – Peru  
**Phone:** (511) 628-7054  
**Fax:** (511) 628-8729

**MicroRate Headquarters**  
3300 North Fairfax Drive  
Suite 202  
Arlington, VA 22201  
United States  
**Phone:** (703) 243-5340  
**Fax:** (703) 243-7380

**MicroRate Africa**  
Espace A11-10ème étage  
357 Boulevard Mohammed V  
Casablanca-Morocco  
**Phone/Fax:** +212 5 22 49 10 94

[info@microrate.com](mailto:info@microrate.com)

[www.microrate.com](http://www.microrate.com)

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