B2K analytics

BYTES TO KNOWLEDGE

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Micro Finance Institution (MFI) Grading

An independent assessment for the sustainable operations of the Micro Finance Institutions.

B2K analytics (B2K) offers "MFI Grading" which reflects the sustainability of the operations of the Micro Finance Institution.
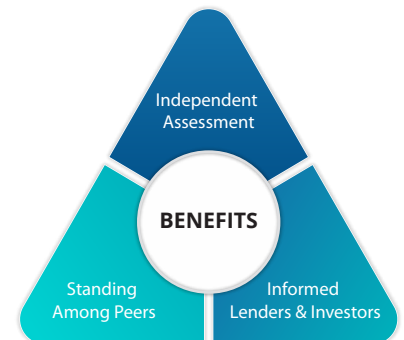
The Need for Micro Finance Grading (MFI)

Micro Finance Institutions, by nature of their operations, face high operational costs. In order to be sustainable, they need to

- Be operationally efficient
- Conduct a business while meeting the margin cap set by the regulator
- Infuse funds to meet the Minimum Net Owned funds (NOF) OF requirements
- Be able to convince lenders that their operations are sustainable and profitable

Benefits

- A third party independent report on its operations, strengths and weaknesses
- A benchmark with its peers in different geographies
- An independent report that it can use as a part of its interactions with lenders and investors
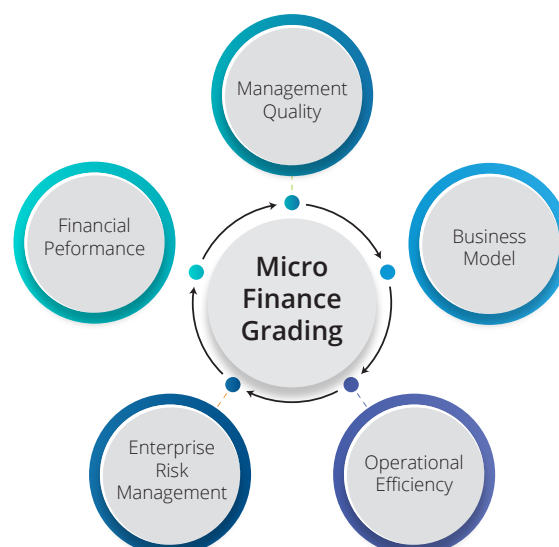
Independent Assessment

BENEFITS

Standing Among Peers

Informed Lenders & Investors

MFI Grading Scale

The MFI Grading Scale at B2K is on an 8 point scale from B2K MF 1 to BWR MF8 with B2K MF 1 to be the highest grade while B2K MF 8 is the lowest grade. The MFI grades assigned referring to the ability of the MFI to manage its operations on a sustainable manner; they do not refer to the credit quality of the MFI and should not be used as a proxy for the creditworthiness of the company.

| MF 1 | MF 2 | MF 3 | MF 4 | MF 5 | MF 6 | MF 7 | MF 8 |

Highest ← → Lowest

MFI Grading Criteria

Management Quality

Financial Peformance

Business Model

Micro Finance Grading

Enterprise Risk Management

Operational Efficiency

MANAGEMENT QUALITY

- Knowledge & Competence
- Business Strategies
- Financial & Accounting Policies
- Corporate Governance Policies & Processes
- Management Consistency
- Vision & Social impact of the organization

OPERATIONAL EFFICIENCY

- Operational Cost
- Profitability per Branch & Employee
- Fund Management & Sourcing
- Managing & Sourcing of funds

FINANCIAL PEFORMANCE

- Capital Adequacy & Components of capital
- Portfolio of Risk
- Coverage Ratios, Provision Expense Ratio, Operating Expense Ratio
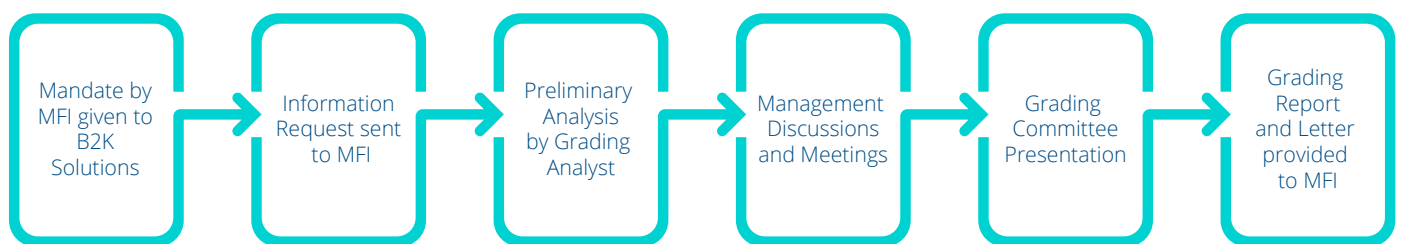- Cost of Funds & Cost Per Borrower
- Return on Assets & Equity

BUSINESS MODEL

- Portfolio Diversity
- Market Penetration and Financial Services
- Effective Management of Systems & Processes
- Competency in Interaction with borrowers

ENTERPRISE RISK MANAGEMENT

- Independent Risk Management
- Monitoring & Supervision
- Loan Sanction & Disbursal Policies
- Management of credit, Market & Operational Risks
- Management of Legal & Compliance Risks
- Fraud Detection & Reputation & Strategic Risk

MFI Grading Process

Mandate by MFI given to B2K Solutions → Information Request sent to MFI → Preliminary Analysis by Grading Analyst → Management Discussions and Meetings → Grading Committee Presentation → Grading Report and Letter provided to MFI

The Grading process begins with request from MFI. The Business team will obtain Mandates in standard form from prospective client. B2K will assign a team of analysts and they will request for a list of information required from the MFI followed by management discussion. The team would then collate the information obtained and based on their analysis would submit recommendation to the grading committee.

The verdict of the committee for the assigned grading would be communicated to the management along with detailed copy of rationale for grading acceptance from the management. On acceptance BWR will disseminate the grading information on a wider basis through print, internet & other media. Apart from this, the MFI may use the Grading in their marketing literature. The initial g`rading will be valid for one year from the date of assignment. BWR will review the grading at the end of this period at the request of the MFI.

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About B2K analytics

B2K analytics Private Limited is a boutique risk advisory and management consulting firm offering services in risk advisory, research, analytics, transaction advisory, and skill development.

B2K analytics is built on the foundation of trust and confidence that investors, issuers, Governments, multilateral agencies, and regulators have placed on B2K Ratings. We offer our clients a multidimensional approach to addressing their problems. We adopt a customized, responsive and personal approach to client service and offer a comprehensive range of services across various industries. Our product and solutions will benefit corporate houses, banks and Financial institutions, AMCs, infrastructure companies, multilateral agencies and government.

B2K analytics is a 100% subsidiary of B2K Ratings.

B2K analytics provides grading services for businesses and projects to with an unbiased and independent approach to determine its strengths of its model. B2K analytics' grading services include:

- Real Estate Project
- Hospitals
- Tourism
- IREDA Service Providers
- Educational Institutions

- B2K Placement Reporting Services (BPRS)
- Non-Government Organisation (NGO)
- Micro-Finance Institutions (MFI)
- Ministry of New and Renewable Energy (MNRE) Service Providers

More information on B2K analytics and its services is available at **www.b2kanalytics.com**

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