

JSC MFO Crystal - Georgia

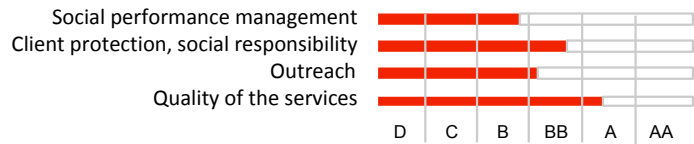
SOCIAL RATING

S^sB+

Moderate social performance management and client protection systems. Partial alignment to the social mission

Social Rating Committee: July 2014. **Previous Social Rating:** None

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SOCIAL RATING RATIONALE

SOCIAL PERFORMANCE MANAGEMENT SYSTEM

Crystal's governance and management displays clear commitment to the mission, even though it is not uniformly shared at management level. The mission statement is incomplete (lack of SG3) and the key terms are yet to be defined. Crystal strategy is moderate and the social objectives are not defined. As a result, it is difficult to give the organisation a social direction. The institution has moderate monitoring systems to track achievement toward the social goal. Financing structure is adequate and combined with clear profitability targets. Personnel are fairly aligned to the mission but the evaluation and incentive scheme lack of social indicators.

CLIENT PROTECTION AND SOCIAL RESPONSIBILITY

Overall, Crystal's good labour climate and adequate compensation ensures staff adherence to the company. Client protection systems are overall adequate but require further improvement in certain areas. The institution shows adequate capacity to tailor product design to clients' needs. Fair mechanisms to prevent client over-indebtedness are in place, but not applied in a consistent manner. The institution demonstrates good level of transparency, despite prices are not on public domain. Prices are slightly higher than market average, thus offering room for better value distribution. There is further need of formalising collection policies, implementing productivity targets and continuous training of staff to insure homogeneous dissemination of adopted practices. Crystal carries out adequate social and environmental initiatives.

OUTREACH

Alignment of Crystal outreach to the mission is moderate. Crystal's breadth of coverage is intermediate, since most branches are concentrated in Western Georgia. The depth of geographical outreach remains moderate, as operations focus on richer regions. At the same time the breadth of outreach is adequate with majority of clients served in rural areas. The allocation by sector, although indicates support for business sectors, deeper analysis of the MIS demonstrates half of the portfolio to be in consumer lending.

QUALITY OF THE SERVICES

Crystal offers an adequate range of financial services that suit clients' needs thanks to flexible repayment schedules and appropriate guarantee requirements. Access to credit and non-credit products is adequate thanks to network of branches. Crystal is aware of the importance of good customer service to increase client loyalty. However, standards of service could be further improved through better management of client feedback.

Institutional data		Mar-14	Social indicators		Mar-14
Active borrowers		33,532	Individual methodology, clients		100%
Gross outstanding portfolio, US\$		28,546,562	Rural coverage, loans		69%
Branches		23	Female clients		52%
Total staff		261	Average loan balance, US\$		851
Legal form	Joint Stock Company		Average balance per borrower / GNI pc		16%
Year of inception	JSC since 2007 (operations since 1998)		Average disbursed loan amount, US\$		931
Network	Georgian MFI Association; MicroFinance Center; UN Global Compact.		Average loan disbursed (\$PPP)		1,356
Area of intervention	Rural, semi-urban and urban		Client drop-out ratio		13%
Credit methodology	Individual Lending		PAR30		0.33%
Financial services	Credit, currency exchange, money transfers		Clients at third loan cycle		12.17%
Non financial services	none		Clients at ≥ fourth loan cycle		19.87%
Geographical coverage	Western Georgia		Female staff		51%
			Female staff in management		0%
			Staff turn-over ratio		9%
			Portfolio yield		38%
			Average annual percentage rate (APR)		44%
			Average transparency index		84

See annex 2 and 4 for more details.

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Area	Factor	Assessment	Main results
Social Performance Management system	Social mission	Moderate	- The mission statement is incomplete with absence of third social goal of intended impact. Key terms are yet to be defined.
	Social governance	Moderate	- Clear commitment of BoD and top management to the mission, although not uniformly shared at the top management level. - Little guidance on social indicators from the BoD, moderate reporting on social indicators.
	Social Strategy	Moderate	- Overall moderate strategy and adequate product alignment to the mission. - SMART social objectives are yet to be included in Business Plan.
	Social and financial balance	Adequate	+ Adequate awareness of financial returns, with clear profitability targets. Financing structure is adequate and growth in line with the market. Improvable value distribution and fair top management compensation.
	Social monitoring and reporting	Moderate	- Moderate monitoring systems to track achievement toward social goals. - Moderate monitoring of client satisfaction despite of presence of several feedback channels such as post disbursement surveys and mystery shopping. - Client profile information is not fully exploited in decision making process and tracking of the progress towards achieving of the mission is improvable.
	HR alignment to the mission	Adequate	+ Fair alignment of staff recruitment to the mission. Improvable training on the mission to all staff. Evaluation and incentive scheme lack social indicators.
Client protection and social responsibility	Product design and delivery	Moderate	- Somewhat adequate capacity to design products suitable to clients' needs. Pawn shop loans are not aligned to institution's core business.
	Prevention of over-indebtedness	Moderate	- Adequate client profile assessment tools in place. Lack of formalization of client repayment capacity analysis and prevention of over-indebtedness policies to insure its uniform application. Moderate control over loan officer productivity.
	Transparency	Adequate	+ Good cost structure and documentation transparency. Improvable communication of terms and conditions to clients. The pricing of the product is not disclosed in public domain.
	Responsible pricing	Adequate	+ Room for better value distribution. Efficiency level is in line with peers.
	Fair and respectful treatment	Adequate	+ Lack of the list of acceptable and unacceptable behavior in Code of Ethics and Collection Manual.
	Privacy of client data	Adequate	+ Privacy policy in place. Improvable security of physical client files. Consent form is present for credit purposes, but not marketing.
	Mechanisms for complaint resolution	Moderate	- Some written guidelines on how to handle complaints. Adequate complaint channels, but no clear reporting line and poor dissemination.
	Social responsibility towards the staff	Good	+ Good labor climate + Staff compensation is in line with the market - Adequate opportunities for professional growth and training.
	Responsibility: community and environment	Adequate	+ Some community and environmental initiatives, with an ad-hoc environmental policy. 4-5% of the profit allocated for projects benefiting community and environment.

Area	Factor	Assessment	Main results
Outreach	Breadth of outreach	Adequate	- Adequate geographical coverage with presence in 6 out of 9 regions of Georgia, second largest NBFi in the country. + Intermediate breadth of geographical coverage with 86% of clients served in Western Georgia with significant presence in richer regions. + High growth in both portfolio and clients (+68% and + 72% yoy as of March 2014)
	Alignment to the mission of geographical outreach	Moderate	- Moderate breadth of outreach (69% of clients) due to branch network expansion in 2013. Moderate depth of geographical outreach with more than half of clients concentrated in the region with poverty incidence below the national average.
	Alignment to the mission of clients vulnerability and financed activities	Adequate	- Low vulnerability of the household: 52% of clients are women, the median age is 43 years and 79% of clients are married - Intermediate alignment of financed activities to the mission with 26% of clients are micro-entrepreneurs and 14% are agro clients. MIS data indicates 56% of loans used for consumption purposes. + Flexible guarantee terms as of active borrowers: 25% gold based collateral, 40% personal guarantee, 3% mortgage and 30% no guarantee
	Alignment to the mission of client poverty and financial exclusion	Adequate	+ Lack of complete information to analyze income/expense level of clients. + Geographic expansion suggests willingness to reach financially excluded - Decreasing average loan size, mainly due to disbursement of small household and consumption loans.
Quality of the services	Variety of financial services	Adequate	+ Adequate variety of financial services including credit, money transfers, currency exchange + Quick loan application processes and disbursement, satisfactory client service
	Accessibility of credit services	Good	+ Good accessibility of financial services through existing network branches. Pay point kiosks available for repayment and other services.
	Flexibility of credit services	Good	+ Quite flexible credit terms and conditions matched to clients' cash flow. Opportunities of prepayment are available.
	Customer service and client drop-out rate	Adequate	+ Additional efforts in analysis of reasons behind the drop out is required. No consolidated report available.
	Quality of other financial services	Adequate	+ Adequate variety of services inclusion money transfers, international remittances, utility payments and foreign exchange fees do not bear excessive fees.

Annex 5 – Social Rating Scale

Grade	Definition
^s AA	Excellent social performance management and client protection systems. High likelihood of achieving the social mission.
^s A	Good social performance management and client protection systems. Social mission likely to be achieved.
^s BB	Adequate social performance management and client protection systems. Satisfactory alignment to the social mission.
^s B	Moderate social performance management and client protection systems. Partial alignment to the social mission
^s C	Weak social performance management and client protection systems. Medium risk of mission drift
^s D	Poor social performance management and client protection systems. Risk of mission drift.

The modifiers “+” and “-” which can be added to the rating grade denote small relative differences within each rating category.

For more information please review the **Social Rating Methodology** in the [Social Rating](#) section of our website www.microfinanzarating.com. The correspondence table between the Universal Standards of Social Performance Management (USSPM) and the Social Rating criteria is available in the Social Rating Methodology (annex 1).

The information used in the social rating has been partly provided by the evaluated institution and partly collected during the meetings with the head executives, the staff and the clients of the institution. The analysis is based on internal MIS data and other official sources. MicroFinanza Rating cannot guarantee the reliability and integrity of the information, as it does not conduct auditing exercises, and therefore does not bear responsibility for any mistake or omission coming from the use of such information. The social rating has to be considered as an external and independent opinion and it has not to be considered as a recommendation to realize investments in a specific institution.