

**How does a social investor assesses social impact  
of an MFI in view of an investment decision?**



## Alterfin in a nutshell



- started 1995
- as a co-operative society
- initiative of NGO's and banks
- now: 856 shareholders
- of which 812 private shareholders hold 66% of total capital
- Total capital: 5.3 million eur
- Alterfin invests in and gives credit to MFI's and directly to producer-groups linked with "fair trade"
- Total portfolio: 5.1 million USD (36 partners)



# Alterfin is a social investor



This means it uses a double bottom-line for its investment decisions

- Financial sustainability    ® Best practices    ® Rating    ® benchmarks
- Social impact                ® ??????                ® ??????                ® ??????



# Social performance assessment and social impact prediction



## Three approaches

- Income – consumption approach
- Social capital approach
- Intention approach



## Social performance assessment and social impact prediction



Income – consumption approach

Use of proxy – indicators such as:

- average loan size
- repayment rate
- client graduation
- client retention rate



# Social performance assessment and social impact prediction



## Social capital approach

### Qualitative analysis:

- On the level of the client
- On the level of the clientele as a group
- On the level of the MFI



## **Social performance assessment and social impact prediction**



How does the MFI integrate the social objective in its mission, objectives, governance, methods and management?



# Social performance assessment and benchmarking



## Assumptions

- **Financial sustainability**    ® **Best practices**    ® **Rating**    ® **Benchmarks**
- **Social impact**    ® **Poverty outreach??**    ® **SPI ???**    ® **?????**
  - ® **Quality of services??**
  - ® **Social capital??**
  - ® **Social responsibility??**

## Assumptions

