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## Jody Rasch on Social Performance Rating for MFIs

One of the reasons that debates about microfinance, IPOs and impact generate lots of discussion and very little insight is that investors don't necessarily know enough about what MFIs do from the inside: What are their lending practices? How do they choose clients? How do they access capital? Is there a qualitative difference between the way in which for-profit and nonprofit microfinance institutions provide financial access?

Moody's Investor Services believes the microfinance industry needs a methodology for evaluating how MFIs execute on their social mission.

"We need to look at how microfinance institutions operate, not just at their financials," says Jody Rasch, Senior Vice President of Analytical Data Management at Moody's Investor Services. "A particular institution may get great repayment rates, for example, but if those repayment rates are the result of bank officers putting pressure on clients to repay, forcing them to money lenders or other institutions and creating a cycle of debt, it misses the whole story. An institution that does that isn't performing well socially and probably won't do well financially in the long run. So it is not enough to look at financial results. We need a social performance rating system as a way to evaluate whether MFIs are employing sound business and customer relationship practices, whether they are keeping a social mission at the forefront."

To hear more from Jody, come to the [Microfinance Impact and Innovation Conference](#) in New York City on October 21st-23rd.

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