

The Small Enterprise Foundation

Non-Profit Company {2nd update}

Tzaneen, Limpopo, South Africa

Social Rating

Standard Comprehensive¹

June 2019

Mission: To work aggressively towards the elimination of poverty by reaching the poor and very poor with a range of financial and non-financial services to enable them to realize their potential.

Along with this Social Rating, SEF has qualified as a **Truelift Leader, aligned fully with Pro-Poor Principles**

Full compliance with CPP (client protection principles) is expected by October 2019, currently in the progress phase

This report updates the previous rating by M-CRIL in 2012

All data – as of December 2018 unless otherwise stated
Financial year – 1 July to 30 June
1 US\$ = 14.46 ZAR

	2008	2012	2019
SOCIAL RATING	$\Sigma\alpha$	$\Sigma\alpha$	$\Sigma\alpha+$
RATING OUTLOOK		Positive	Positive
Rating dimensions		2012	2019
Process/organisational systems			
Governance and strategy		$\Sigma\alpha+$	$\Sigma\alpha+$
Monitoring social goals		$\Sigma\alpha$	$\Sigma\alpha$
HR & responsibility to staff		$\Sigma\alpha-$	$\Sigma\alpha$
Client protection		$\Sigma\beta+$	$\Sigma\alpha$
Results/outputs – client level information¹			
Depth of outreach		$\Sigma\alpha+$	$\Sigma\alpha+$
Quality of services		$\Sigma\alpha-$	$\Sigma\alpha-$

¹Client level information based on data collected by SEF.

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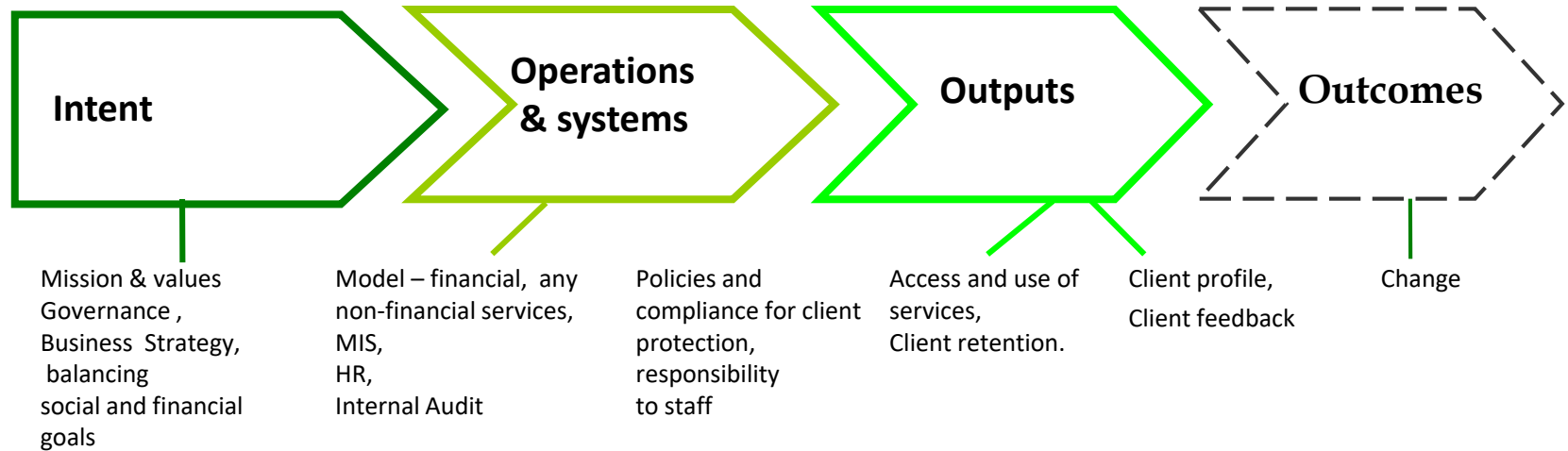
Structure

- ▶ Introduction – Social Performance Pathway
- ▶ Synopsis
- ▶ Rating Rationale
- ▶ Intent: Mission, Governance and Strategy
- ▶ Systems alignment
- ▶ Client protection
- ▶ Results: outputs and outcomes
- ▶ Annexes

Key for bullets:

- ✓ Positive
- Issue
- Description

Social Performance Pathway



- ▶ Social performance is: the ***effective translation of an institution's mission into practice in line with accepted social values***. This definition is reflected in the Universal Standards of Social Performance Management (USSPM www.sptf.info).
- ▶ This standard comprehensive social rating covers the first four steps of the social performance pathway, drawing on FI data for results and outcomes.
- ▶ This rating includes SPI4 (<http://www.cerise-microfinance.org/>) as a systems measure of the Essential Practices of USSPM.

Context – South Africa Country Development

- Leading economy in the South African Development Community (SADC) region with 75% of the largest African companies. ^a
- The ruling African National Congress (ANC) has been driving the policy agenda since 1994. ANC retained its majority (with a reduced vote share) during general elections of May 2019.
- GDP per capita growth close to nil since 2014 due to weak government policies and corruption. Economy grew by 0.8% in 2018 and projected to grow at 1.3% in 2019. ^b
- Services sector employs 71% of workforce and contributes 61% of the country's GDP; agriculture represents only 2.3% of the GDP and employs 6% of workforce. ^b

Population (Census, 2011)	51.77 million
Black African population (Census, 2011)	80%
Urban population (Statista, 2017)	66%
Av. Household size (Community Survey, 2016)	3.3
Adult literacy rate (%) women/men (Statista, 2015)	93/95
Per capita GNI (World Bank, 2017)	\$5,430
GNI rank (ibid)	92/191
HDI rank (UNDP, 2017)	113/189
GDI (ibid)	High equality

Poverty and vulnerability ^c

- One of the highest inequality rates in the world: in 2015, richest 10% of the population held 71% of the net wealth.
- There has been a general decline in reported poverty rates between up to 2015, but no decline since then: people below the national lower-bound poverty line 50% in 2006, 36% in 2011, 40% in 2015.
- Poverty levels are highest amongst female headed households and black South Africans.
- Multidimensional poverty has declined since 1994 with improved access to electricity, water and sanitation.

^a South Africa: Economic and Political Outline (<https://en.portal.santandertrade.com/analyse-markets/south-africa/economic-political-outline>)

^b The World Bank in South Africa (<http://www.worldbank.org/en/country/southafrica/overview#1>)

^c Overcoming Poverty and Inequality in South Africa (<http://documents.worldbank.org/curated/en/530481521735906534/pdf/124521-REV-OUO-South-Africa-Poverty-and-Inequality-Assessment-Report-2018-FINAL-WEB.pdf>)

Context – South Africa: Microfinance and Financial inclusion

- The National Credit Regulator (NCR) is responsible for regulating the South African credit industry, including the registration of credit providers, credit bureaux and debt counsellors. It is responsible for enforcing compliance with the National Credit Act (NCA) of 2007.
- Microfinance in South Africa usually refers to consumer lending mainly to salaried people. There are more than 1200 Microfinance Institutions (MFIs) registered with the NCR. Just 7 Development Microfinance Institutions have an explicit mandate to serve clients excluded by other formal institutions of credit.
- South Africa's efforts to improve financial inclusion received a boost with signing of \$4.6 million Trust Fund by the World Bank Group and the Swiss State Secretariat for Economic Affairs (SECO) in September 2018. This program underlines government commitment to improve financial inclusion by – strengthening consumer protection for the most vulnerable, supporting a renewed strategy on co-operative banks, introduction of a deposit insurance scheme for smaller banks and development of a regulatory framework for Fintechs.

Global Findex 2017 indicates levels of financial inclusion similar to 2014:

- High ownership of formal accounts (69% of adults). No gender gap but 11% points gap between high and low income households.
- More than 85% of account owners use digital payments.
- 80% of government payments are direct benefit transfers.
- Only 30% of accounts used for formal savings.
- No gender gap in access to mobile phones.



Synopsis

- The Small Enterprise Foundation (SEF) was set up as a Non-Profit Company in 1992 and is the largest amongst the 7 Development Microfinance Institutions in South Africa.
- Headquartered in Tzaneen (Limpopo province; the poorest in SA), it has branches now in 5 provinces through 89 branches.
- Financial services include credit (Grameen model) and linked savings in local banks.
- Non-financial services - training and capacity building of clients
- The loan portfolio as of December 2018 was ZAR 613 million (US\$42 mn) while savings mobilized through clients (group savings accounts held at Postbank or Nedbank) amounted to ZAR 126 million (US\$9 mn)

Organizational overview	Dec-2018
Number of provinces operating in/total in South Africa	5/9
Number of branches	89
Number of clients	196,344
% group clients	99.5
Gross loan portfolio (ZAR/US\$ Mn)	613/42
Savings mobilized (ZAR Mn)	126/9
Total number of staff (women staff)	857 (667)
Clients per Development Facilitator (DF)	336

Outreach Profile	Dec-2018
Women clients	~100%
Rural (and peri-urban) clients	100%
Clients in poorer provinces	100%
Black/coloured	100%
New clients < Upper Bound line [SA] ^a	74% [55%]
New clients < Food Line [SA] ^a	33% [18%]
Av. loan outstanding (group loans only)	R 3,106/\$215
Av. Loan outstanding per client/GNI	~4%
Av. Savings per client	R 644/\$45
Av. Savings per client/GNI	0.8%

^a Simple Poverty Scorecard – Poverty Assessment Tool; based on South Africa's 2014/15 National Income Dynamics Survey (NIDS)

Rating rationale

Strengths

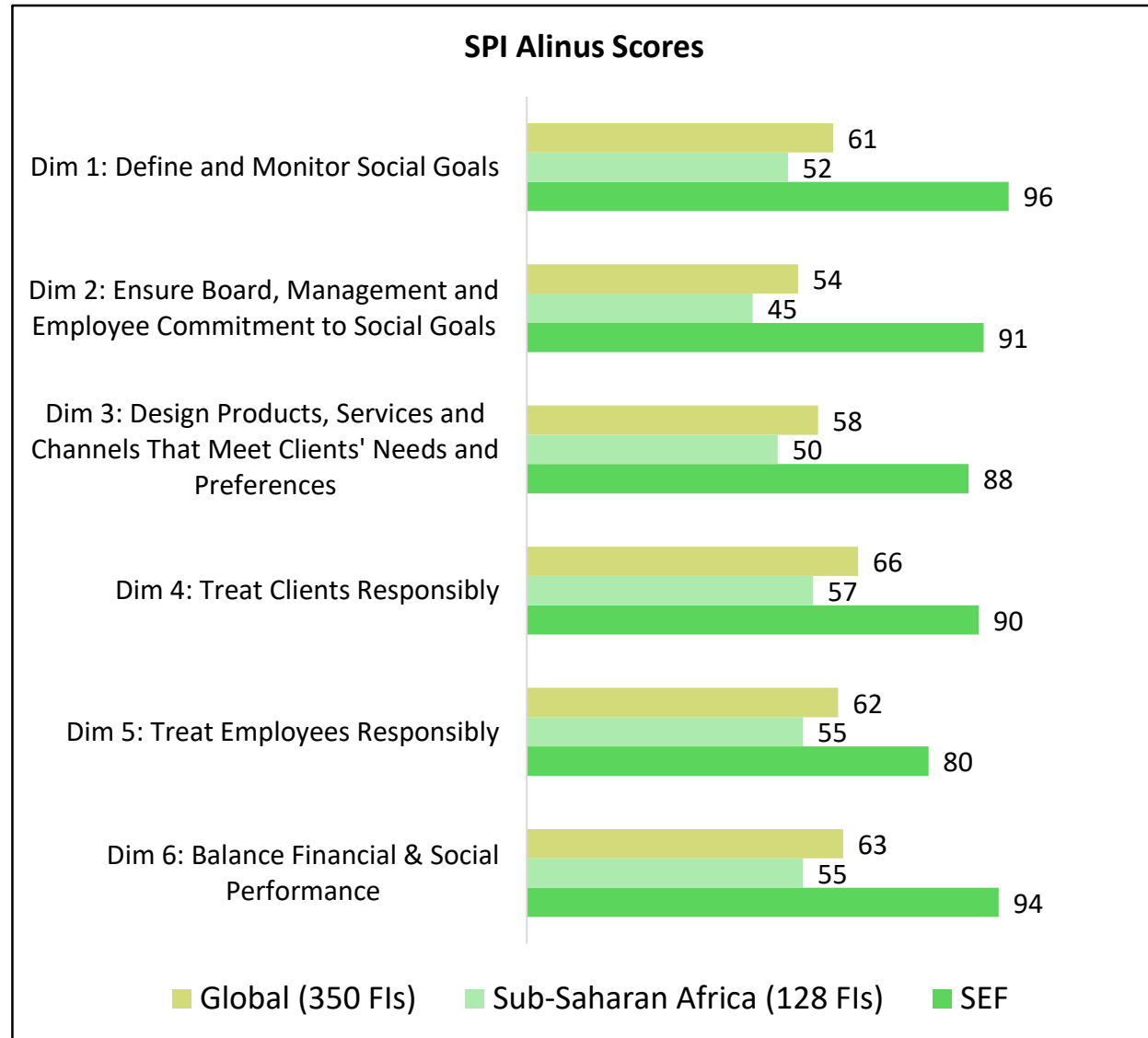
- ▶ Continued double bottom line focus; permeated across the organisation through policies and employee orientation on SEF's values.
- ▶ Strong SPM reporting; board committee reviews data to monitor value for clients; evidence of use.
- ▶ Reasonable range of financial products combined with training and capacity building of clients; new products are piloted and tested based on feedback from clients.
- ▶ High levels of client satisfaction on most features of the loan.
- ▶ Emphasis on poverty targeting using Participatory Wealth Ranking (PWR) tool; poverty outreach monitored through PPI adapted to SEF's context

Gaps

- ▶ Complaints mechanism can be strengthened to include complaints from branches.
- ▶ More than half the clients are struggling to save the 'compulsory' 2% of loan amount per fortnight.
- ▶ The scope of Quality and Compliance function can be further widened to monitor for risky parameters.

SPI (Alinus)

- ✓ SEF scores well above the Global as well as the Sub-Saharan Africa average for all six dimensions, and emerges as a global leader
- ✓ SEF scores particularly well on Defining & Monitoring Social Goals.
- A lower score on Dimension 5 is largely attributable to the lack of formal assessment and analysis of the health and safety risks that employees face on the job.



Note: Scores above derived from 68 SPI indicators, based on the USSPM

Intent: Mission, Governance & Strategy

← Process →

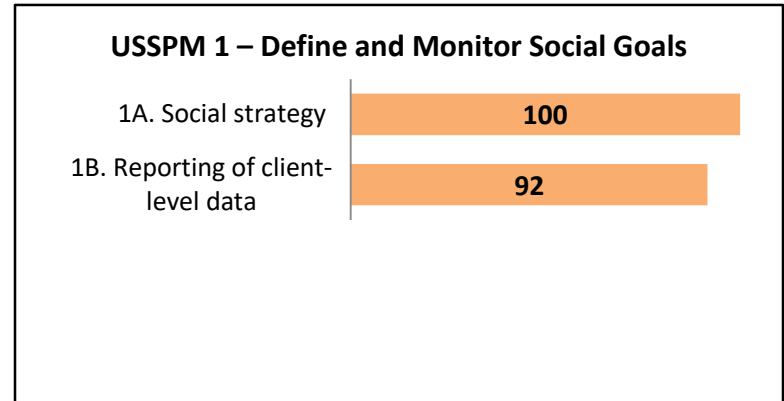
← Results →

Intent

Mission: goals and objectives
Governance and strategic planning

Mission: Goals and Objectives

- Continuing clear mission statement.
- ✓ Key terms in the mission are broken down and explained in the Operational Policy and strategic documents; no change in social goals since last rating in 2012.
- ✓ Strong commitment to monitoring mission parameters as evinced by the Social Performance (SP) dashboard that was designed in 2018 and is still being built upon.
- SP data is collected on an ongoing basis and reported annually.



	Goal Statement	Indicators/reporting
Target Area	➤ Rural areas	➤ Extent of penetration in rural and peri-urban areas
Target clients	➤ Poor and very poor clients	<ul style="list-style-type: none"> ➤ Specifically, those living below the poverty line and the bottom half from amongst those who are targeted through Participatory Wealth Ranking (PWR) in new areas. ➤ PPI tool redesigned and used to verify poverty outreach
Services	➤ Range of financial and non-financial services (NFS)	<ul style="list-style-type: none"> ➤ Credit with linked compulsory savings in group bank account ➤ NFS - trainings/capacity building in enterprise skills, health
Outcomes	➤ Elimination of poverty	➤ Longitudinal surveys in the past to measure change in poverty level of clients.



Governance

- ✓ Strong board with active participation. Board reflects experience in banking, finance, development sector and microfinance (see Slide 31 in Annex for details).
- ✓ High representation of women on the board.
- ✓ Board strengthened with recent addition of two independent women directors leading to good all round capacity on matters like HR, social performance, outreach and impact.
- Board meetings held every quarter and well documented. Elaborate discussions on progress made by SEF on its strategic objectives (financial, social and operational)
- Reports to board include updates on financial and social performance.
- There is a Board Social Performance Committee which aims to protect SEF's mission and scrutinise SP indicators.
- ✓ Holistic approach to evaluating MD's performance by the board; financial, social, operational and strategic outcomes are evaluated.
- Reasonable remuneration ratio of MD to field staff (24, up from 15 in 2012); but ratio not assessed by the Board.

Board	Performance
Directors	8
Independent directors	6
Women directors	4
Directors with SP related skills	4
Number of meetings prev. year	4
Use of social performance indicators for strategic direction	Yes
SPM committee	Yes
Achievement of social goals is part of the evaluation of the MD's performance	Yes
Ratio of MD's total remuneration to average field staff	24

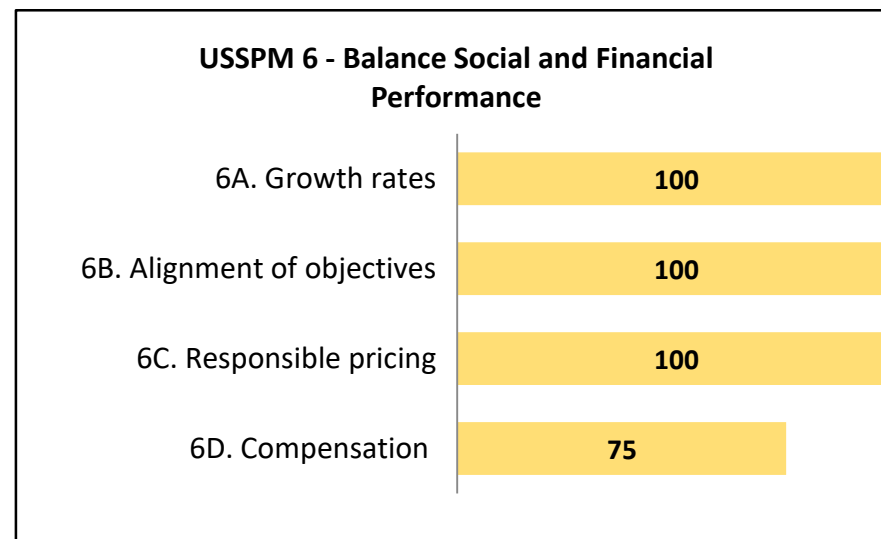
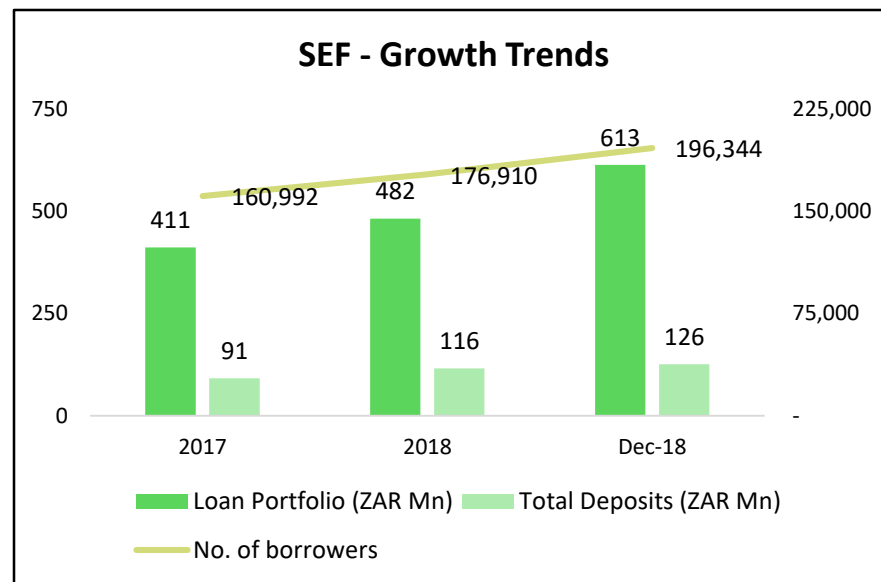
Strategic planning

Growth

- Growth in savings mobilized between June-December 2018 (10%) has not mirrored the 27% growth between June 2017 – June 2018.
- SEF's growth strategy is twofold -
 - ✓ Conservative and no more than 15% per annum in terms of clients
 - Fulfilling covenants of funders while aiming for OSS > 110% and Solvency (net worth/assets) > 20%.

Efficiency and profitability

- Productivity of DFs has steadily risen over the past few years. Average clients per DF is 336.
- Plans to cap caseload at 72 groups (~ 360 clients per DF) have been implemented.
- ✓ The Operating Expense Ratio improved significantly in the past five and half years (dropped from 55% in June 2014 to 44.7% in December 2018). This is due to increase in staff productivity and reducing staff attrition.
- Given their legal structure and operating environment, SEF does not find it appropriate to set targets for RoA and RoE. The growth targets are instead capped in terms of increase in client base.



Alignment of systems

← **Process** → ← **Results** →

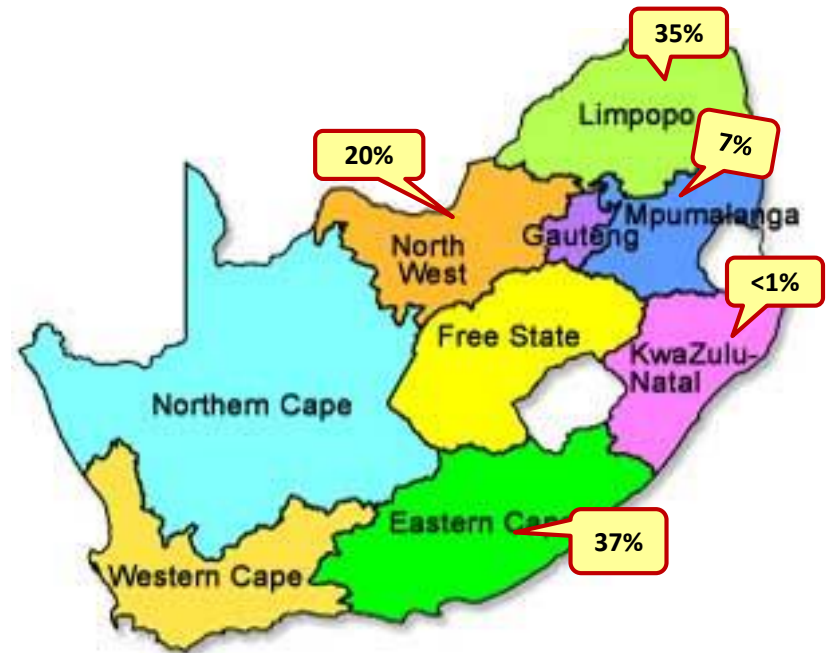
**Operations
& systems**

Market strategy
Products & services, non-financial services,
Information and reporting on social performance,
HR systems, internal audit

Market strategy – Areas, Clients & Systems

- SEF is presently operating in 5 out of 9 provinces and services clients in rural and peri-urban areas.
- ✓ Portfolio concentration in Limpopo went from 65% at the time of last rating (2012) to 35% as of December 2018; supported by expansion in contiguous provinces.
- SEF has plans of starting operations in Free State and expanding in KwaZulu-Natal with greater focus on the latter given the high poverty rate and largely rural areas.
- ✓ SEF continues to use the Participatory Wealth Ranking (PWR) exercise; members of the community classify households into categories based on their perception of how poor the households are.
- Each category is scored from 1-100 and very poor are those with PWR scores above 90. As wealth levels vary across communities and within sections of the same community, a cut off score is determined for every village by the Zonal Manager.
- SEF is in the process of digitizing its workflow (client onboarding, group formation, group recognition, PPI scores, business evaluations, loan application and loan repayment); the Digital Field Application project was initiated in February 2018 and is being executed in five phases.
- Project is expected to be completed by October 2019

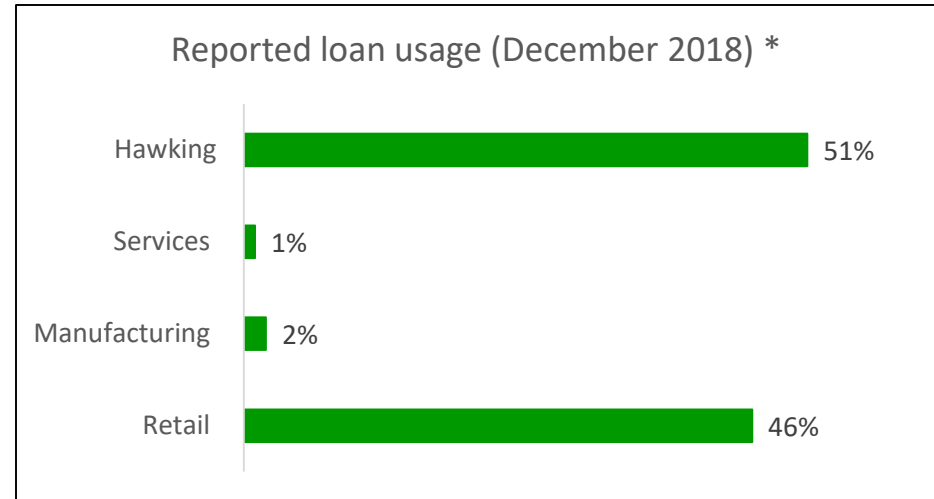
SEF's portfolio share by province



Financial Services

Credit [product summary in Annex, Slide 32]

- 97% of loans disbursed are reportedly used by clients in trade activities (e.g. clothes, local store, fruits, vegetables etc.).
- Loan usage by portfolio amount not tracked.
- Loans given on the understanding that they will be put to business use only.
- 43% of loans disbursed between R 1,001-2,000 reflects the borrowing pattern of most 1st loan cycle clients.
- Clients from the 8th cycle onwards are likely to borrow in excess of R 4,000; 24% of loans disbursed are in excess of R 4,000 (\$280)
- Two current pilots: loans in groups but with individual liability (similar size, more flexibility; individual larger loans (R25,000/\$1,750 to R100,000/\$7,000) targeting mature group loan clients looking to grow their business for wider market opportunities.



*By number of loans disbursed

*Loans disbursed by size – December 2018

Loan size (R)	Proportion
1001-2000	43%
2001-3000	22%
3001-4000	12%
4001-5000	9%
5001-7000	7%
> 7000	8%

*Group loans only

Services ...continued

Savings

- All clients are encouraged to save 2% of their loan amount per fortnight in a group account at a nearby bank. The idea is to inculcate a savings culture amongst clients while preparing them for a higher loan.
- ✓ These savings are not held as collateral: clients are urged to keep them for use in case of emergency (strictly not to repay SEF's loan), and they can indeed withdraw at any time
- ✓ This savings requirement does not appear to be compulsory: as of December 2018, only 42% of clients were saving 2% of their loan amount (from SP dashboard), recognizing the challenges for low income clients

Non-financial services

- ✓ Training and learning sessions are provided to clients as part of the centre meetings.
- These are currently:
 - Financial Education (FE): To assist clients in growing their skills in personal finances and business management.
 - Personal Initiative Training for "Larger Loan" clients.
 - Goal Card Programme: To assist clients in accruing more significant savings and be able to better absorb shocks in the future.



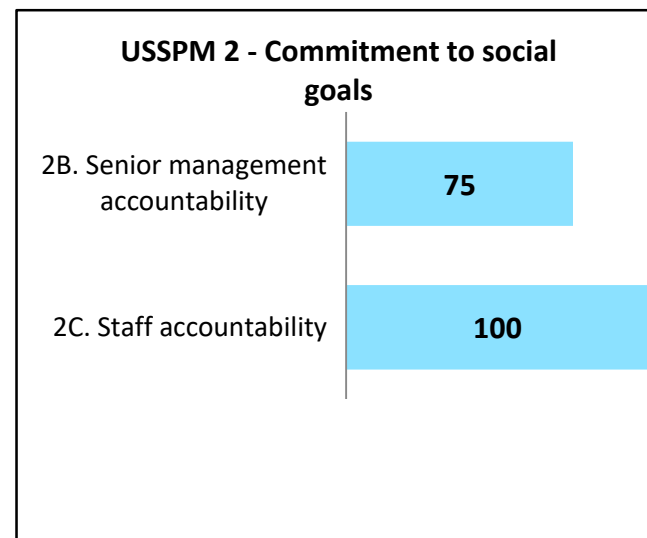
Social Reporting

- Strong focus on collecting and reporting Social Performance (SP) data.
- Data collection audited by a supervisor from the Research and Development (R&D) team which oversees the collection and reporting of SP data.
- Data collection is done by Social Survey Officers (SSOs) who fall under R&D team and who are independent of operational staff.
- ✓ SEF has undertaken (and paid for) the development and testing of an appropriate PPI for its client base (rural & Coloured households). This is based on data from the 2014/15 National Income Dynamics Survey.
- ✓ SP dashboard was developed in 2018; targets for each indicator are being developed.
- Dashboard can be viewed online and historical data trends are viewable for each indicator (list below)
 - Client outreach
 - Avg. client savings
 - % clients saving 2% of loan amount per fortnight
 - Clients in business
 - Growth in business across loan cycles

SP Data	Description
Poverty outreach	✓ Outreach to poor households measured using PPI.
Client satisfaction	✓ Level of satisfaction with processes, terms and conditions associated with the group loan and compulsory savings.
Clients' business value	✓ Average value of clients' businesses per loan cycle; business value as a proportion of loan amount.
Client exit interviews	✓ Analysis of reasons for exit
Client service score	✓ Analysis of the net promoter score.

HR aligned to Mission and Values

- ✓ 6 month induction training (classroom + field) includes introduction to mission, social goals and code of ethics amongst others. Refresher trainings (4 times a year) focus on loan appraisal, delinquency management and customer service.
- Performance Appraisal (PA) for field employees (up to Regional Manager) includes (i) formation of new groups (ii) retention of clients (iii) portfolio quality (iv) client service (v) quality & compliance (vi) culture and (vii) administration. Salary increments are adjusted for inflation.
- ✓ Monthly commissions paid to DFs are a function of portfolio quality (groups in arrears) and client retention. To be eligible for a monthly commission, DFs need to have a client retention of at least 80%.
- Annual incentives (bonus) are dependent on organizational as well as individual performance. The maximum annual incentive as % of annual salary is linked to the job grade and varies between 8% (BM) and 30% (MD). It is lower for field employees as they are also entitled to monthly commissions.
- Annual performance awards for top 20% of performers.
- ✓ High representation of women staff across all levels; two women amongst the senior management (up from 1 in 2012)



Staff data (December 2018)

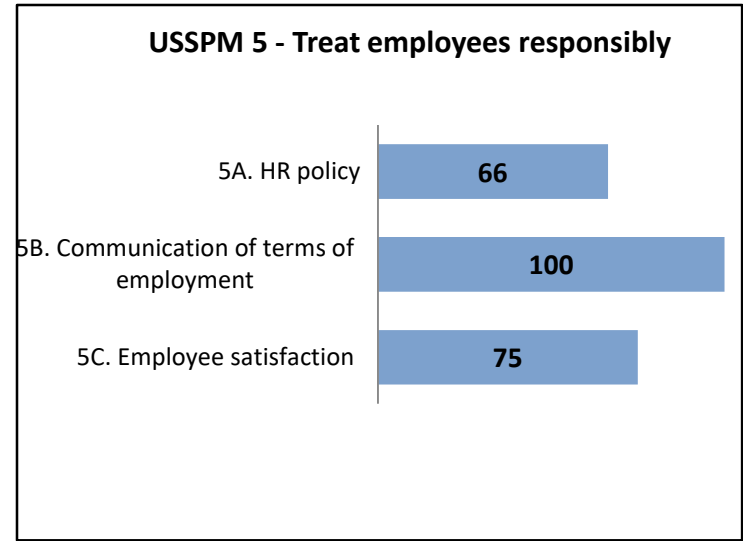
Management levels	No. of staff	Women (%)
Senior management	9	22%
Middle management (upto BMs)	120	60%
Field staff (DFs)	585	84%
Administrative staff	137	70%
Support staff	6	67%
Total	857	78%

Responsibility to staff

- Well staffed HR team that handles recruitment, trainings, compensation, appraisals, transfers, promotions, exits and grievances.
- Comprehensive and elaborate HR manual with separate sections on different polices; any change in policies is approved by the MD.
- ✓ Last staff satisfaction survey done in 2018. 81% of employees participated and overall staff satisfaction was 82%.
- Survey results were analysed by department and geography but not by gender of respondents.
- ✓ Staff turnover has been around 13% during the last three years. This also includes significant number of staff who were dismissed on account of fraud (~50% of exits between June and December 2018 were on account of dismissals)

High levels of satisfaction exhibited during staff interactions (14 staff) by the rating team (Annex, Slide 34)

- In spite of low growth opportunities, field staff were happy to remain associated with SEF as it compared well to other alternatives (local stores; supermarkets).
- ✓ Staff spoke highly of the clientele they helped build and nurture over the years and of the close relation that clients have with them.



Staff Turnover

	No. of staff	2017	2018	2019*
a	At the beginning of year	689	736	781
b	New during the year	160	155	136
c	At the end of year	736	781	857
	Turnover [(a+b-c)/(a+b)]	13%	12%	13%

* Annualized on basis of December 2018 figures



Internal audit

- Quality and Compliances team audits the branches; team comprises of 3 members and hiring for 6 new members is underway.
- ✓ Department has recently undergone a structural change; in future it will report to the Board Audit Committee which was not the case at the time of the last rating in 2012.
- Branches undergo two regular audits a year; audits take 5 days and focus on the key activities carried out by Development Facilitators and verifications done by the Branch Manager.
- As part of the new structure, SEF has developed a system of raising red flags when certain operational parameters are breached. Three red flags at a branch is construed as high risk and leads to a special audit.
- Key red flag parameters – arrears, dropouts, rescheduled loans, centre meeting discipline (attendance & savings) and client satisfaction.

CPP related aspects verified by Q & C

- ✓ Evaluation of clients' businesses
- ✓ Loan utilization
- ✓ Verification of PPI scores
- ✓ Relationship of clients with DFs
- ✓ Completeness of client loan cards
- ✓ Follow up on cases where members have assumed liability for a default in the group
- ✓ Dropouts amongst clients





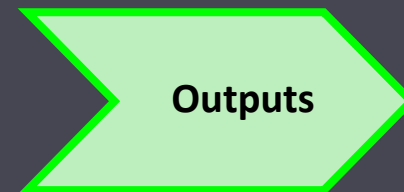
Client Protection

Client Protection Principles

- SEF underwent a SMART Certification concurrently with this rating in March 2019
- Following are some of the gaps which will need to be addressed during the progress phase –
 - Mechanism to document complaints received at the field level and integrating them with the Customer Support Log.
 - Widening the scope of the Quality and Compliance function to monitor the following – sample of complaints originating from a branch, growth that may be construed as aggressive (no. of new groups added) and fair & respectful treatment of clients.
- Full compliance for the check-in is expected by October 2019.
- Interest rates and other fees are in line with the National Credit Act (and its amendments). In some cases, SEF is charging lesser than the cap/ceiling prescribed. For a typical first loan client (loan of R 1,500 and repayable in 8 fortnights), the APR works out to be 80.8%.
- While the APR might appear high when compared to global rates, it is reflective of the high business-related expenses incurred in South Africa. SEF's Operating Expense Ratio (OER) as of December 2018 was 44.7% and personnel expenses accounted for 40% of the operating expenses. We do not have directly comparable data, but SEF staff maintain that their total costs to clients is less than other Development Microfinance Institutions.

Results: outputs

← Process → Results →

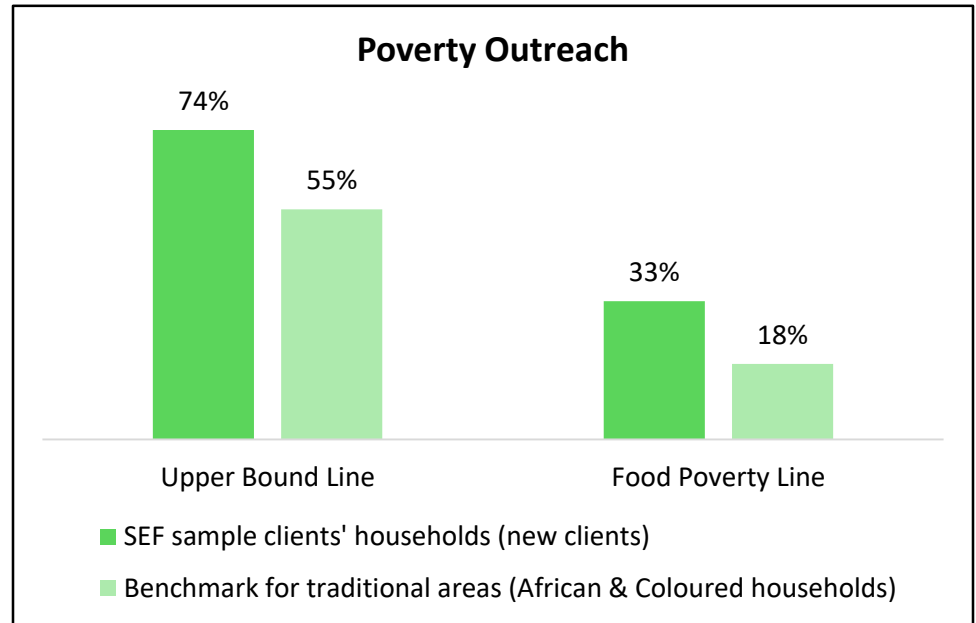


Outreach – area, clients
Client feedback
Client exit
Change

Outreach

- ✓ SEF operates in 5 of South Africa's 9 provinces and the poverty rates in these provinces are higher than the national average. ^a
- Outreach to rural and peri-urban clients is not tracked but management claims 100% rural outreach.
- ✓ Nearly 100% of clients are women.
- ✓ Poverty rate of new clients indicates significant poverty outreach and higher than South Africa's benchmarks for African and Coloured households.
- ✓ In December 2018, 64% of new clients had businesses (from SP dashboard).

^a Statistics South Africa. 'Poverty trends in South Africa: An examination of absolute poverty between 2006 and 2015'



- Data collected by SEF in 2018 for a sample of 2,478 new clients.
- Poverty rates and benchmarks derived from - Simple Poverty Scorecard – Poverty Assessment Tool; based on South Africa's 2014/15 National Income Dynamics Survey (NIDS)
- The "Food Poverty Line" is the minimum cost of sufficient calories, based on existing consumption habits (constructed in reference to existing food consumption habits of the poor).
- The "Upper Bound" measure is the Food line + non-food expenditure of households with food expenditure at the food line.

Client satisfaction

- ✓ High satisfaction with basic loan features
- ❑ Issues – group methodology for loan disbursement and group liability, the savings requirement, group savings

Client Satisfaction Study 2018 – key findings N = 2,478 group clients

- ✓ Nearly total satisfaction reported on loan tenures, loan size, centre meetings, transparency, fairness and customer service.
- ❑ 11% not satisfied with the 2% savings requirement; those with monthly cash flows found fortnightly savings challenging.
- ❑ 15% not satisfied by group savings requirement; reported difficulty in keeping track of individual savings amount.
- ❑ 13% not satisfied with group methodology; reports of dissatisfaction with having to assume liability for defaults in the group.
- ❑ 23% not satisfied with loan disbursement methodology; instances of delayed disbursement and discomfort with the entire centre being aware of how much is being disbursed to each client.

- Feedback on NFS is largely positive.

Client feedback on Financial Education sessions Sample: 240 clients

- 83% applied new knowledge to their personal finances
- 71% applied new knowledge to their businesses
- 67% were able to identify good improvements in their businesses
- ❑ 5% found the translation of the material used during the training to be unsatisfactory.

[SEF Survey, 2019]



Client retention

- ✓ Client retention is considered as an important proxy of client satisfaction and is part of performance criteria for staff at all levels including the MD.
- ✓ Monthly commissions paid to field staff are also linked to client retention (min. 80% retention to be eligible).
- As per MIX formula, the client retention as of June 2018 was 77%.
- ✓ According to SEF's own calculations, the drop-out rate for all clients during FY2018 was 17% while the corresponding figure for poorest clients was 18%.
- ✓ While the client dropout (SEF's calculation) as of February 2019 (14%) might seem to decline, this might not be reflective of the actual trend as most client drop-outs take place in June (end of FY).

Client retention – group loan clients (MIX formula)

Borrowers	2016	2017	2018
a At beginning of the period	130,360	138,827	160,405
b New during the period	53,514	66,588	67,409
c At end of the period	138,827	160,405	176,061
Rate of retention [c/(a+b)]	76%	78%	77%

Client dropout rate:

6 month rolling basis, as calculated by SEF

	June'16	June'17	June'18	Feb'19
Client dropout	20%	18%	17%	14%
Clients with PWR score >=90	19%	18%	18%	13%
Clients in 1-4 cycles	23%	22%	23%	19%

SEF's formula: (# clients who have not taken a repeat loan during the 6 months plus 1 month)/ (# clients who have completed a loan in the 6 months)

Outcomes for clients

Clients' Business Value

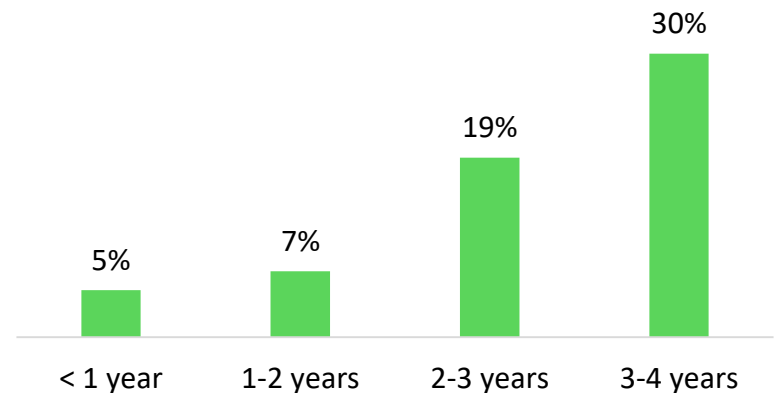
- Clients' business values range from an average of R 1,779/\$122 for 1st loan clients to R 3,000/\$366 for 8th loan cycle clients.
- There appears to be a stagnation in business size around R 4,300 – R 4,400 (~\$300) for clients who have been associated for 9 cycles or more.
- Further analysis of clients' business data indicates that 78% of clients have businesses whose value is less than the loan amount that they have taken.
- Poverty data of a sample of 2,340 clients over time shows that 30% of clients who were associated with SEF for 3-4 years moved above the Food Poverty Line. Similarly, 19% of clients who were associated with SEF for 2-3 years moved above the Food Poverty Line.

Avg. business value per loan cycle*

Loan cycle	Business Value (R)
1	1,779
2	2,226
3	2,706
4	3,039
5	2,440
6	3,231
7	2,537
8	2,978
9-25	4,319
>25	4,419

*Data collected for a sample of 2006 clients surveyed between January and December 2018

Client movement above Food Poverty Line since joining SEF (%) (2012-16)





Annexes

Profile of the Board

Name	Board Position	Education	Specialization
Mr. Simpiwe Hemming Somdyala	Chairman of the Board, Non-Executive, Member of HR Committee	MBA & Hons B.Com.	Finance
Mr. John Robert de Wit	Executive Director/MD of SEF	B.Sc. in Mechanical Engineering	Microfinance
Mr. Mutle Constantine Mogase	Non-Executive	Bcom., Diploma in Corporate Governance, Executive Development Programme	Finance
Mr. Matome Patrick Malatji	Non-Executive	Masters of Public Administration; B.Admin in Management Science, Diploma in Human Resource Management; Certificate in Management of Not-for-Profit Organisations	Community Development
Ms. Marie Albertina Kirsten	Non-Executive, Member of Social Performance Committee and HR Committee	PhD in Economics	Social Development
Ms. Refilwe Nompumelelo Keratilwe Mokoena	Non-Executive, Member of Social Performance Committee	Postgraduate Diploma in Management of Public Development Sector; BA in International Relations	Social Development
Ms. Mmaboshadi Chauke	Non-Executive, Member of Social Performance Committee	CA (S.A), Hons.Bcom, B.Com	Finance
Ms. Unati Yolisa Mabandla	Non-Executive, Member of Social Performance Committee and HR Committee	BA General, National Higher Diploma in HR, Advanced Personnel Management, Diploma in Public Relations	Human Resources

Financial products - Credit

Name of the product	MCP	TCP	Individual Loan [^]	Larger Loans [^]
Clientele	Group	Group	Individual	Individual
Expected client type	Rural women	Rural women	Rural women	Rural women
Authorized loan size (ZAR)	Min:1000; Max:25000	Min:1000; Max:25000	Min:1000; Max:25000	Min:25 000; Max:100 000
Authorised loan term (minimum and maximum)	8 Fortnights; 10 months	8 Fortnights; 10 months	8 Fortnights; 10 months	4 months; 12 months
Average loan term	4 to 6 Months	4 to 6 Months	4 to 6 Months	6 to 10 Months
Moratorium	No	No	No	No
Guarantor (if any)	No	No	No	Yes
Collateral requirements	No	No	No	Yes
Repayment Schedule (weekly, fortnightly, monthly)	Fortnightly/ monthly	Fortnightly/ monthly	Fortnightly/ monthly	Monthly
Interest rate	32.75%	32.75%	32.75%	32.75%
Method	Declining	Declining	Declining	Declining
Processing fee - in ZAR*	Min: R91.89; Max: R2719.42	Min: R91.89; Max: R2719.42	Min: R91.89; Max: R2719.42	Min: R2,234; Max: R3,163
Insurance fee	None	None	None	None
Monthly Transaction Fee	Min: R0; Max: R57.50 per instalment	Min: R0; Max: R57.50 per instalment	Min: R0; Max: R57.50 per instalment	R57.50 per instalment

[^] still in Pilot stage; *including VAT for Larger Loans



M-CRIL Branch Visit Details

Branch	No. of staff	Centers visited	No. of clients
Masobe	3	1	29
Maubane	3	1	52
White River	3	1	30
Letsitele	5	0	0
Total	14	3	111

Note:

- Interactions with staff through FGDs and in-person, involving: Regional Manager, Zonal Manager, Branch Managers and Development Facilitators.
- Interactions with group clients done through FGDs during centre meetings.
- Additionally, two clients who were part of the larger loans pilot were also visited at their business premise.

Staff Feedback

Working conditions (good)	<ul style="list-style-type: none">➤ Working hours and other conditions in accordance with labour law.➤ More time being freed up to focus on client engagement.
Salary (reasonable)	<ul style="list-style-type: none">➤ Satisfied with the salary structure and staff feel that it is reasonable in comparison to the other job options in their areas.
Salary increment (neutral)	<ul style="list-style-type: none">➤ Salary increments are adjusted for inflation. Additionally, staff are eligible for an annual incentive (bonus); dependent on individual and organizational performance.
Incentive scheme (achievable)	<ul style="list-style-type: none">➤ Staff interacted with understand the parameters for monthly commissions and claim to have received it on multiple occasions.
Benefits (good)	<ul style="list-style-type: none">➤ Range of staff centric benefits – Provident Fund, group life & disability contribution, cell phone allowance, employee loans and annual performance awards.

Feedback gathered by the rating team from interactions and Focus Group Discussions (FGDs) with 14 staff across 4 branches



Abbreviations

ANC	African National Congress	OSS	Operational Self-Sufficiency
APR	Annual Percentage Rate	PA	Performance Appraisal
BM	Branch Manager	PAR	Portfolio at Risk
DF	Development Facilitator	PPI	Poverty Probability Index
FE	Financial Education	PWR	Participatory Wealth Ranking
FI	Financial Institution	RoA	Return on Assets
GDI	Gender Development Index	RoE	Return on Equity
GDP	Gross Domestic Product	SA	South Africa
GNI	Gross National Income	SADC	South African Development Community
HDI	Human Development Index	SECO	Swiss State Secretariat for Economic Affairs
HR	Human Resources	SEF	Small Enterprise Foundation
M-CRIL	Micro Credit Ratings International Limited	SME	Small and Medium Sized Enterprises
MD	Managing Director	SP	Social Performance
MFI	Microfinance Institution	SPC	Social Performance Committee
MIX	Microfinance Information Exchange	SPM	Social Performance Management
NCA	National Credit Act	SPI	Social Performance Index
NCR	National Credit Regulator	SPTF	Social Performance Task Force
NFS	Non-Financial Services	SSO	Social Survey Officer
NIDS	National Income Dynamics Study	USSPM	Universal Standards for Social Performance Management
OER	Operating Expense Ratio		



Glossary

APR: The annual rate that includes all fees, expressed as a single percentage number that represents the actual yearly cost of funds over the term of a loan.

Client retention: $\frac{\text{\#clients at end of the year}}{(\text{\# clients at beginning of the year} + \text{\# new clients joined during the year})}$

GNI: Gross National Income comprises the total value of goods and services produced within a country, together with its income received from other countries (interest, dividends, etc.), less similar payments made to other countries.

HDI: Human Development Index is a composite statistic of life expectancy, education, and income indices.

OER: Ratio of salaries, travel, administrative costs and depreciation expenses to the average loan portfolio

PAR: Ratio of the principal balance outstanding on all loans with overdue greater than or equal to 60 days to the total loans outstanding on a given date.

PPI: A set of proxy indicators that are used to score the likelihood that clients fall below a particular poverty line. Statistically derived from the NSSO sample survey.

RoA: Annual profits before grant upon average assets

Staff turnover: $\frac{\text{\# staff who left or were dismissed}}{(\text{\# staff at beginning of the year} + \text{\# new staff joined during the year})}$

Yield on portfolio: Annual income from portfolio upon average loan portfolio.



M-CRIL social rating grades

M-CRIL Grade	Description
$\Sigma\alpha+$	Strong social commitment, excellent systems, evidence for strong and comprehensive adherence to social mission and values.
$\Sigma\alpha$	Strong social commitment, very good systems, evidence for good adherence to social mission and values.
$\Sigma\alpha-$	Strong social commitment, good systems, evidence for good adherence to social mission and values.
$\Sigma\beta+$	Good social commitment, reasonable systems, evidence for reasonable adherence to social mission and values.
$\Sigma\beta$	Good social commitment, moderate systems, evidence of partial adherence to social mission and values. Many aspects of social performance need to be institutionalized.
$\Sigma\beta-$	Weak social commitment, weak systems, evidence of partial adherence to social mission and values.
$\Sigma\gamma+$	Weak social commitment, weak systems, no evidence reflecting social mission or values.
$\Sigma\gamma$	Very weak social commitment, very weak systems, no evidence reflecting social mission or values.

***Grade $\Sigma\alpha+$ also requires significant poverty outreach, in addition to performance in other aspects.**

In addition, a 'Positive' outlook given by M-CRIL suggests that the institution is expected to improve its rating in one year period to one higher notch, 'Neutral/Stable' suggests that the institution is likely to retain its rating till the end of one year from the rating, and 'Negative' outlook suggests that it is expected that the institution may lower its rating performance by one notch in one year period.

