

## Best Practices and Standards

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ACLEDA and AMRET, as leaders in the microfinance market have offered demand-oriented products, supported by a strong institutional base.

### Best practices in AMRET

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AMRET transformed its methodology, from a village banking approach to a solidarity group methodology, using village associations as intermediaries.

#### Product

Clients form joint-liability groups of five, each client receiving a loan in the same terms and conditions. Several groups form a credit village association headed by a chief and a vice-chief, elected by the members. The loan ceiling for the first cycle is KHR 100,000. The ceiling for subsequent loans increases to a maximum of KHR 50,000 each time, depending on a case-by-case evaluation of the cycle, the village association, the punctuality of repayments and the global risk assessment.

A loan never exceeds KHR 500,000 (USD 130) and its maximum duration is 12 months. Principal can be paid at any time prior to the loan maturity. A 3.5 percent interest is charged monthly, using declining balance calculation method. AMRET pays 10 percent remuneration on the interest earned to the credit committee, and 8% onward

#### Implementing steps:

1. AMRET support the establishment of the village association (8 steps process)
2. Once established, the village association receive wholesale loan from AMRET
3. Village Association retails the loan to its members, organised in solidarity groups.

Role of AMRET:

- Lending institution
- Capacity-building support of village association

Roles of Village Association:

- Nominal intermediary (borrow fund from AMRET and lend it to members)
- Does not deal with cash management and record keeping, all done by AMRET credit agent

Advantages

- Prevent mismanagement and misuse of the fund by the village bank's committee (previous methodology), as well as frauds and robbery

- Ownership with AMRET, as the funds ownership is not a major concern for village association members,
- Encourage further growth of the loan fund, AMRET can serve more clients, and provide better services,
- Long-term viability of the lending institution (AMRET)

## **ACLEDA microbusiness loans**

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- Individual loans (maximum S\$500): collateral requirement.
- Group loans (maximum US\$375): no collateral, members (2-10 people) can choose different loan sizes and terms of repayment.

## **Sources**

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- ACLEDA website [www.acledabank.com.kh](http://www.acledabank.com.kh)
- AMRET website [www.emt.com.kh](http://www.emt.com.kh)
- The Group Lending Methodology: Advantages and Constraints. Presentation made by Mr. Dos Dinn, AMRET, at the 5th Asian Network Seminar, November 2004, Phnom Penh, Cambodia