

### **Angkor Mikroheranhvatho (Kampuchea) Co. Ltd (AMK)**

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#### **Brief History**

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Angkor Mikroheranhvatho (Kampuchea) Co. Ltd (AMK) originated out of the savings and credits activities of Concern Worldwide Cambodia, which started functioning in 1993. From 1997 to 1999, the savings and credit activities were separated from the community development work, and became one of the programs directly implemented by Concern Worldwide Cambodia, called "Thanakea Ponleu Thmey" (TPT). Concern started the process of developing the program into an independent Cambodian Microfinance Institution (MFI) in mid-2002 to 2003. AMK is now registered as a Limited Liability Company with the Ministry of Commerce, and obtained its license as an MFI by the Cambodian Central Bank in mid 2004.

#### **Methodology**

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AMK offers two types of financial services to its members: savings and credits services. Its credit products include: group loans and individual loans

##### Credit

- Group loans are delivered to members through solidarity groups of 4 to 6 self-select members, and are organised into Village Banks (VB) of 4 to 10 groups (20 to 60 clients). All loans are guaranteed by the respective group members and assessed and approved by AMK's Credit Officer (CO) and the Village Bank President (VBP). The maximum term is 12 months, with a monthly 3% interest rate. Repayments can be made by monthly installments, or towards the end of the loan cycle.
- Individual loans (recently introduced) are available to those who want to borrow amounts less than US\$500. These loans are repaid by monthly installments, and offered to rural/semi-rural individual entrepreneurs undertaking non-farm business activities. The maximum term is 18 months, and the monthly interest rates are 3%/month for the first three cycles and 2.5% per month thereafter. In addition, this type of loan requires physical collateral and personal guarantees.

##### Savings

AMK requires compulsory savings ('loan-linked') and introduced a voluntary savings product in September 2004.

- Loan-linked savings product. Individual clients are required to deposit an upfront savings of 2% of the loan amount as loan-linked savings. Withdrawals are not permitted until the loan and interest is fully paid.
- Voluntary savings product. This new savings product allows complete freedom for deposit and withdrawal amounts and earns 1.5% interest per month (18% per annum) on minimum monthly balances. Accounts can be opened with a deposit of R500 (US\$0.125, which is also the minimum savings balance to be maintained in the account), and the minimum denomination for transactions would be R100.

#### **Area of Operations**

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AMK operates from three branches, in Banteay Meanchey, Pursat and Kompong Speu provinces. The operations cover a total of 610 villages.

## Clients

AMK's clients are mostly located in remote rural areas usually possessing poor infrastructure facilities and utilities. Most of AMK's clients are involved in rice production and farming (i.e. subsistence agriculture such as paddy, vegetable and fruit production).

Active clients	Active savers	Active borrowers	Gender
20,502	709	20,502	85% women

*As of December 2004*

## Poverty Focus

AMK's target group is the economically active poor, defined as 'poor people with at least one economic activity or business'. Moreover, AMK's mission statement includes 'to help large numbers of poor people in rural Cambodia to increase their livelihood', which is demonstrated by the lowest average loan outstanding balance (US\$56) among the major microfinance providers in Cambodia.

Average Loan Outstanding	Average outstanding loan size / GNP per capita	Average deposit size
US\$59	19.6%	US\$5

*As of December 2004*

## Distinctive Features

AMK is fully owned by an international NGO (Concern Worldwide), provide in average, smaller loans than the rest of the microfinance industry, and has integrated research in the design and development of its products, in order to better match clients profiles and needs. It has introduced high-interest voluntary savings products, which uses a very flexible methodology, while charging an industry low 3% on credit products.

## Innovations

AMK collects, stores and analyses information about outreach to clients on an on-going basis. Client profiles cover information about cash flow patterns, consumption, asset holding and vulnerability. The three main goals of the in-house market and social research are to: (i) inform management decisions on (new) product design or on improving procedures (ii) complement financial information in assessing institutional performance (iii) inform possible investors and donors about identified transformation effects on clients.

## Financial results

AMK is a fully-owned subsidiary of Concern Worldwide. AMK made a US\$35,000 loss over 2004, down from a US\$61,000 loss in 2003.

Loan Portfolio	Portfolio at risk	Savings Deposits	OSS / FSS	RoE / RoA
US\$1,202,000	0.71%	US\$3,498	93% / n/a	n/a / -2%

*As of December 2004*

## Challenges and development plans

AMK aims to 'help large numbers of poor people in rural Cambodia to increase their livelihood options through the sustainable delivery of appropriate and viable microfinance services to the economically active poor'. Hence, AMK faces a challenge to achieve operational and financial sustainability, while maintaining its social objectives. It aims to breakeven in 2005.

## Inclusion in financial Sector

AMK is a regulated microfinance institution. AMK is owned by Concern, through funding by the Irish bank, DEPFA bank. AMK has also been supported financially by USAID and the European Union, and borrows from the Microfinance Alliance Fund.

## Sources

- AMK's website [www.amkcambodia.com](http://www.amkcambodia.com)
- MIX market AMK's profile [www.mixmarket.org](http://www.mixmarket.org)
- CMA statistics as of September 2004