

CREDIT MFI

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Brief History

Cambodia Rural Economic Development Initiatives for Transformation (CREDIT) was formed in 2000 with the support of World Relief. CREDIT seeks to help needy and poor Cambodian women and their families to lead full productive lives. In May 2004, CREDIT became the 9th Microfinance Institution in Cambodia to receive the license from the National Bank of Cambodia, enabling it to expand credit operations and mobilise savings.

Methodology

CREDIT caters to its clients' needs by offering them a number of loan and savings products. The loan products includes solidarity group lending (2 to 10 members) where members guarantee one another's loan. Two or more solidarity groups (minimum of 8 members) can also group together to form a community bank. Individual loans are given to clients who have built up capacity for their business and have collateral to secure the loan. Agricultural unsecured loans are also offered to farmers, where the principal is paid at the end of the loan cycle when harvesting has been done. Clients can also choose between loans in US Dollars or Cambodian Riels, costing 3.5% per month (riel) and 3% (dollar), on a declining balance.

CREDIT's borrowers are obliged to save during the loan cycle. In addition, the organisation also encourages non-borrowers to save voluntarily. This savings product was recently started and offered without account-keeping fees, and interest on deposits is several times the commercial rates.

Area of Operations

CREDIT provides services through eleven offices, comprising four branches, and sub-branches and unit offices, serving six provinces of Cambodia, and reaching more than 650 villages. They are Kandal (including Phnom Penh), Kampong Cham, Kampong Chhnang, Siem Reap, Takeo and Prey Veng.

Clients

CREDIT's clients are poor Cambodian women and their families, especially the unemployed and households with irregular income, both urban and rural. They are served through 2,200 solidarity groups, 4,500 community banks and 2,250 individual loans.

Active clients	Active savers	Active borrowers	Gender
11,304	10,408*	11,304	95% women

As of January 2005, except (*) as of October 2004

Poverty Focus

65% of CREDIT's clients are living below the poverty line. 35% of CREDIT's clients also belong to households that earn less than US \$1/day per household member. (2003 data)

Average Loan Outstanding	Average outstanding loan size / GNP per capita	Average deposit size
\$155	47%	\$54

As of January 2005

Distinctive Features

CREDIT offers an interest rebate for clients that repay on time their loan at the office. There are a range of other incentives to reward good behaviour. With regards to loan products, CREDIT also offer a flexible repayment term - weekly, fortnightly or monthly. Payments can be made at the office or to Promoters visiting the village. CREDIT's success is due to its client-oriented services, which seek to match financial services with clients' needs.

Innovations

CREDIT's structure and size enable innovation in designing savings and loans products. This allows for flexible repayment terms.

Financial results

CREDIT's on time repayment rate equals 97%

Loan Portfolio	Portfolio at risk	Savings Deposits	OSS / FSS	RoE / RoA
US\$1.75 million	3%	US\$169,000*	129% /94%	0.81%/0.62%

As of January 2005, except (*) October 2004

Challenges and development plans

CREDIT's challenge is to maintain its pro-poor focus, while achieving financial sustainability, in a competitive environment. It aims at reaching financial self-sufficiency in 2005, and reach 26,000 clients in 2006, which means identifying new funding sources.

Inclusion in financial Sector

CREDIT is a non bank financial institution (limited liability company) regulated by the National Bank of Cambodia. It has 2 shareholders: World Relief Canada and World Relief U.S.

Sources

- CREDIT's brochure
- The MIX market profile for CREDIT www.mixmarket.org