

Hattha Kaksekar Limited (HKL)

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Brief History

Hattha Kaksekar ('Farmer's Hand') is an NGO established in November 1996, issued from a food security project implemented by Oxfam Quebec. Its microfinance operations began in November 1996 in the Pursat province. The activities of Hattha Kaksekar expanded to four provinces through five branches by February 2000. Hattha Kaksekar Limited (HKL), as a limited liability company, was established in 2001 to comply with the regulations issued by the National Bank of Cambodia, and became a licensed MFI. The microfinance operations of Hattha Kaksekar were taken over by HKL in October 2001. In February 2004, HKL moved its Head Office from Pursat province to Phnom Penh.

Methodology

The organisation offers two types of financial services: microcredit and microsavings.

Microcredit

Two types of individual loans are provided in US\$, Khmer Riels and Thai Baht.

- Small business loan: US\$50 to 3,000. Interest rates of 2% to 4%/month
- Agricultural loan: US\$50 to 500 (4% interest rate), provided specifically to seasonal production

Loans can be repaid in monthly installments, or in balloon repayment at the end of the loan term (up to 24 months). All loans are secured by one personal guarantee and physical collateral (lands or other property), which should be a minimum of 200% of the value of the loan.

In addition, HKL offers 'special loans' of larger size (US\$3,000-25,000), with a monthly interest rate of 2%, and a maximum term of 24 months.

Microsavings

Compulsory savings requires HKL's borrowers to deposit on a monthly basis an amount related to the loan size. The deposit is usually made at repayment date. Borrowers can withdraw their savings after fully repaying their loan. Voluntary savings are available for all clients who wish to deposit their money with HKL, remunerated at a maximum rate of 5% per annum.

Area of Operations

HKL operates in more than 1,000 villages from five branches and 15 sub-branches located in four provinces, Pursat, Siem Reap, Kampong Thom and Banteay Meanchey.

Clients

HKL provides financial services to farmers, microentrepreneurs, small businessmen, and traditional manufacturers living in rural areas.

Active clients	Active savers	Active borrowers	Gender
7,723	7,723	6,297	55% women

As of September 2004.

Poverty Focus

23% of HKL's clients are from households earning less than US\$1/day per household member. (December 2003 data)

Average Loan Outstanding	Average outstanding loan size / GNP per capita	Average deposit size
US\$323	108%	US\$11

As of September 2004.

Distinctive Features

HKL only offers individual credits.

Innovations

HKL tailors its operations to be as user-friendly as possible, but keep consistency in its procedures and products in order to operate on a financial sustainability basis. Service centers are located at commune level while procedures for loan application and disbursement are simple and rapid.

Financial results

HKL made a US\$38,000 net profit in 2003. Hattha Kaksekar NGO holds 49.9% of the US\$258,000 equity, while international investors such as SIDI and CORDAID holds 19% each, the rest of the equity being held by HK Staff Association, for 9.8%.

Loan Portfolio	Portfolio at risk	Savings Deposits	OSS / FSS	RoE / RoA
US\$2,035,768	10%	US\$83,000	102.40%	-0.02%

As of mid January 2004, except for () September 2004.*

Challenges and development plans

In recent years, HKL has changed its lending methodology, from village banking to individual loans, and its structure and status, from NGO to limited liability company. Because the new organizational model led to increased costs, HKL has taken a number of measures to ensure financial viability: improve staff efficiency, cost control, increased savings mobilization and identification of new sources of funds. According to M-CRIL's rating in 2004, HKL needs to make substantial efforts to improve its internal controls and reduce its geographical dispersion, as it results in higher operating costs.

Inclusion in financial Sector

61% of HKL is owned by local shareholders, while 39% is held by international investors. HKL's largest lender is the Rural Development Bank of Cambodia, while it also borrows from CORDAID and the Microfinance Alliance Fund. HKL received an alpha minus grade from the rating agency M-CRIL in 2004, which means reasonable safety and good systems.

Sources

- HKL's website www.hkl.com.kh
- HKL's Annual Report 2003.