

HATTHA KAKSEKAR LIMITED

Best Practices & Standards

In microfinance

8 December 2004

Presented by Mr. Hout Jeng Tong, General Manager

Content

- History
- Initial business model (NGO)
- Analysis of Major Inconveniences and Problems
- Organization and operations today
- Practical learned from the experience
- Challenges and conclusion



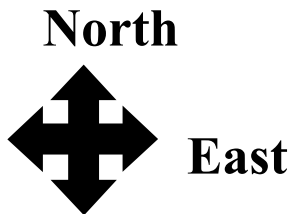
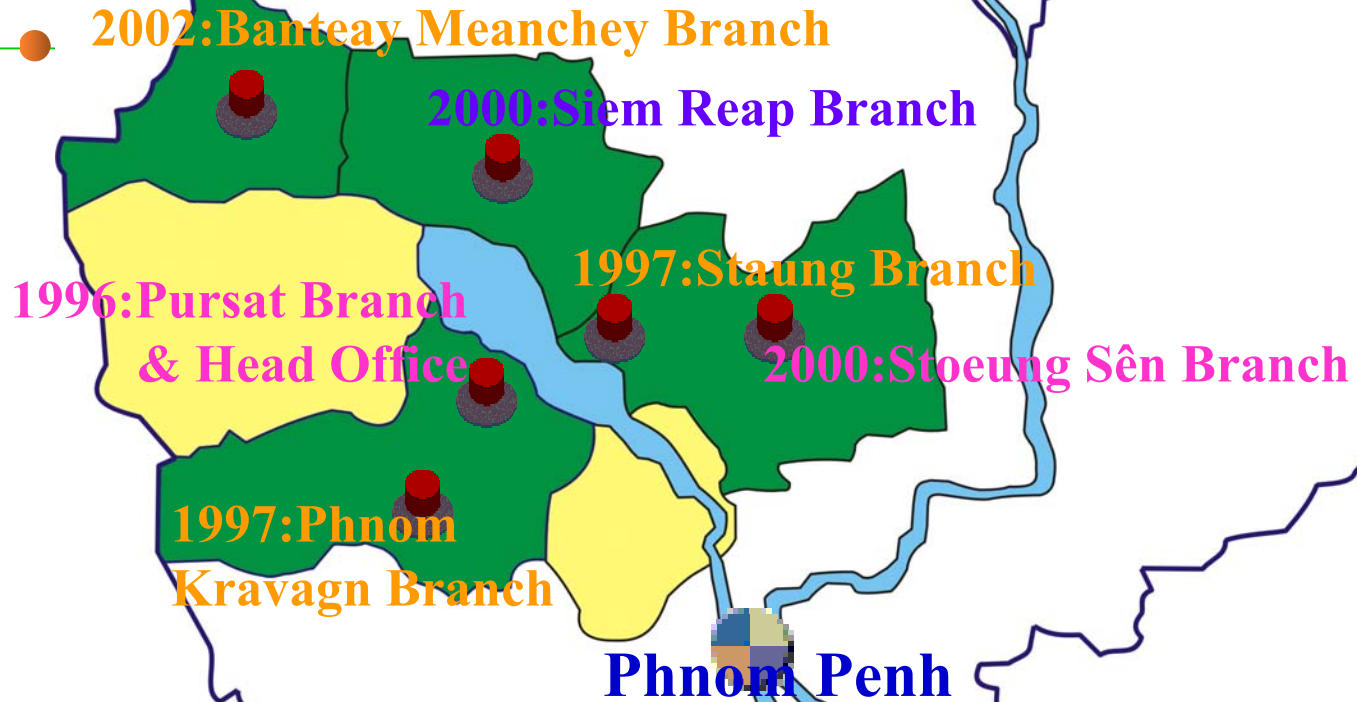
History



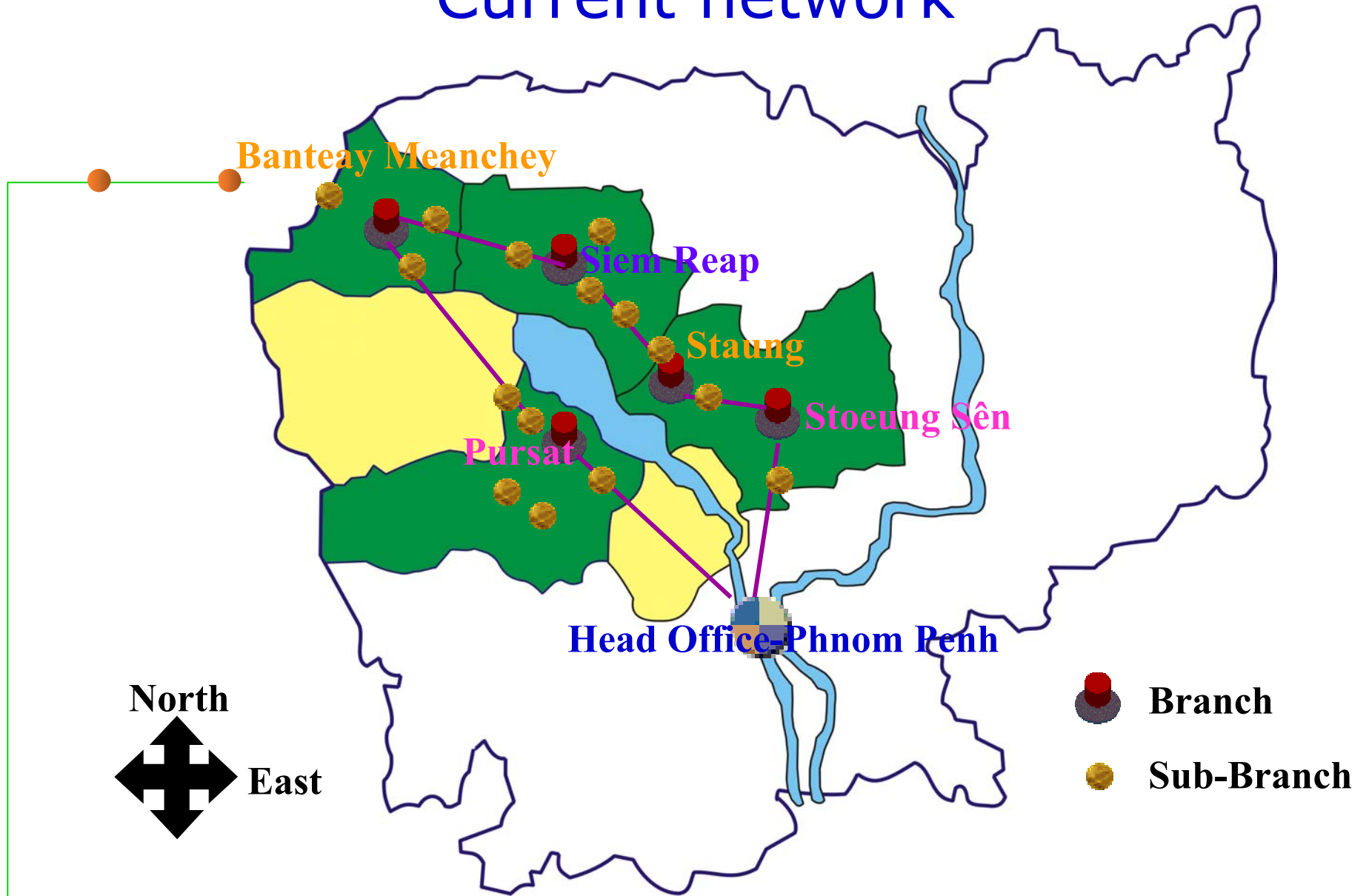
History

- **May 1994:** A food security project, OCSD/OXFAM-Québec to provide credit in Pursat, 186 Km from the Capital.
- **Nov. 1996:** Non-Governmental Organization named “Hattha Kaksekar” – Farmer’s hand
- **Oct. 2001:** Licensed Micro-Finance Institution “Hattha Kaksekar Limited”

History (Continued...)



Current network





Mission

To promote income in agricultural, businesses and manufacturing enterprises within rural areas of Cambodia by curtailing the high interest rates on loans found in rural areas and supporting savings; and specifically target women and poor families in order to help them achieve a higher income.

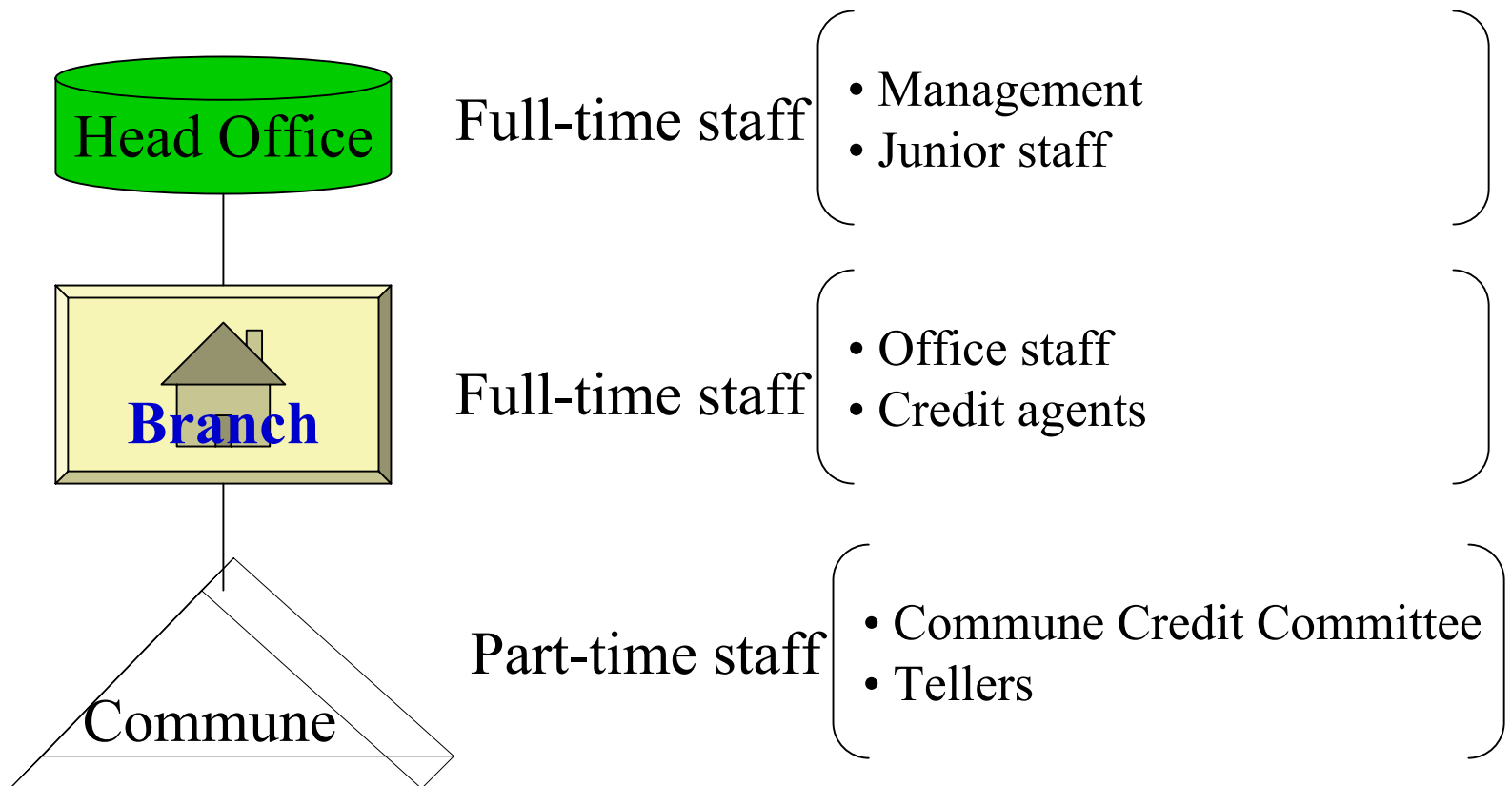


Initial Business Model HK NGO



Initial Business Model HK NGO

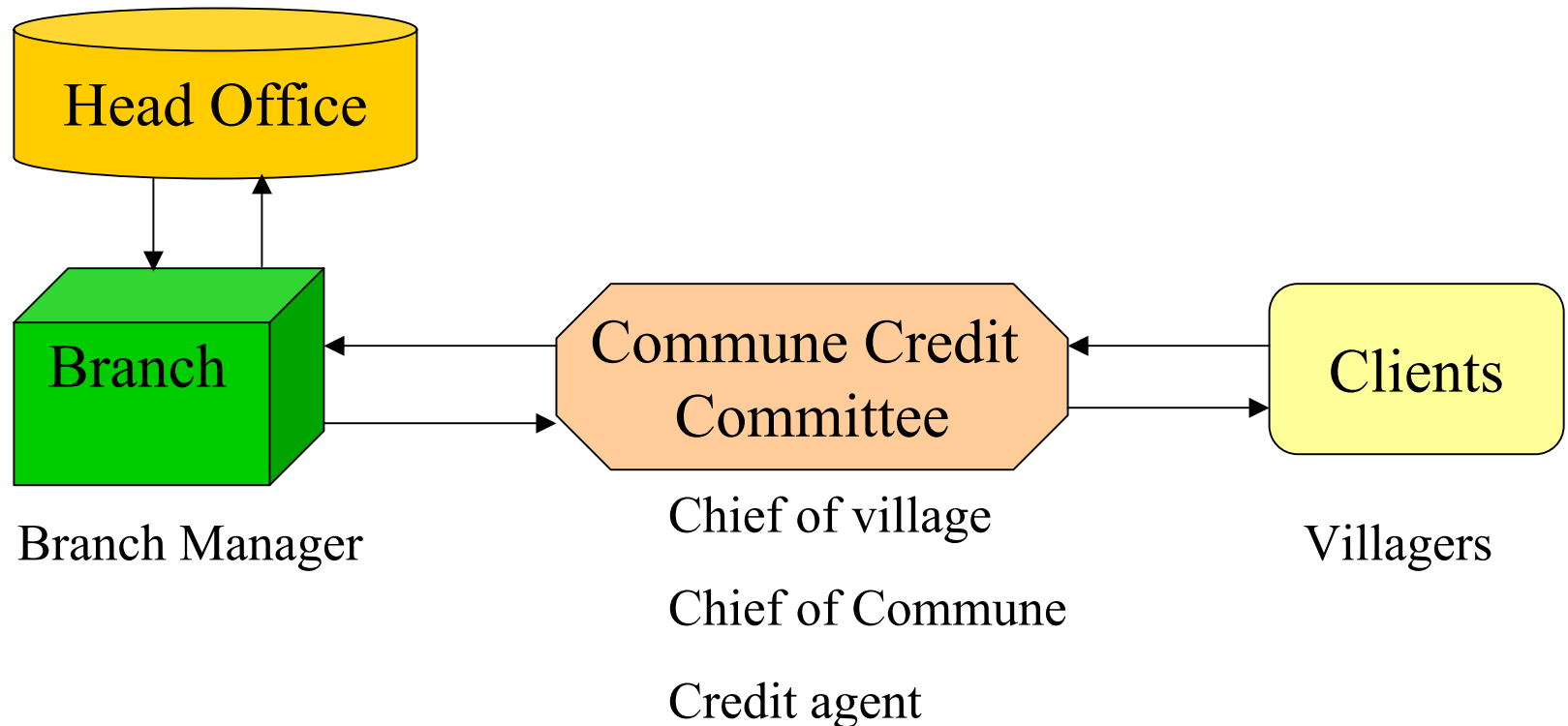
■ Organizational structure



Initial Business Model

HK NGO (Continued....)

■ Lending methodology



Initial Business Model

HK NGO (Continued....)

■ Advantages

- Small operational cost - major part-time staff.
- Ease of credit access of clients – Disbursement and reimbursement.
- Availability of client information through the cooperation of Chiefs of Villages and Communes.

Initial Business Model

HK NGO (Continued....)

- Minor constraints:

- Rigidity of schedules - working on weekend days)
- Slow customer service – fixed disbursement and collection dates for each commune.



Analysis of Major Inconveniences and Problems



Analysis of major inconveniences and problems

- Absence of professional skill:
 - Credit appraisal
 - Internal control, management, etc.
- Inadequate control of operations:
 - Fraud and robberies
 - Ghost clients
- Conflict of interests:
 - Political
 - HKL's benefits



Organization and operations Today



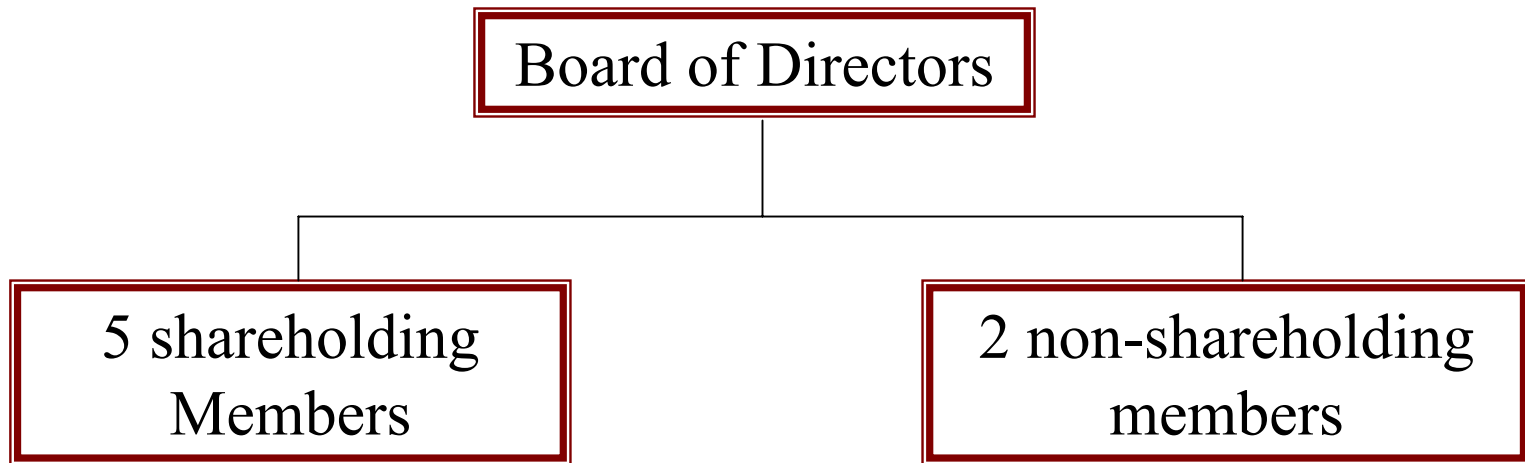
Organizational Structure

■ Shareholders

Local Shareholders	61%
International Shareholders	39%
TOTAL	100%

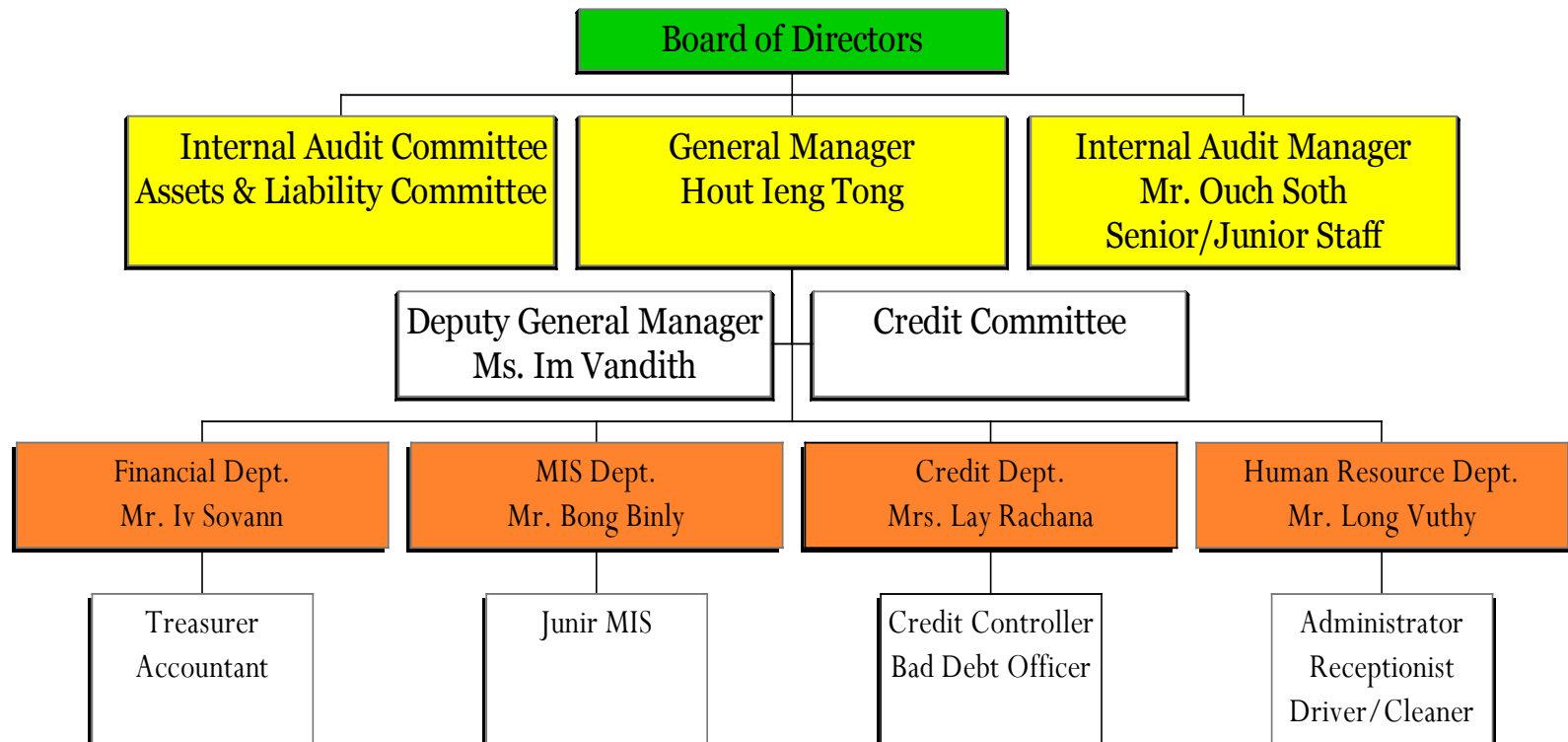
Organizational Structure

- Board of Directors



Organizational Structure

Management



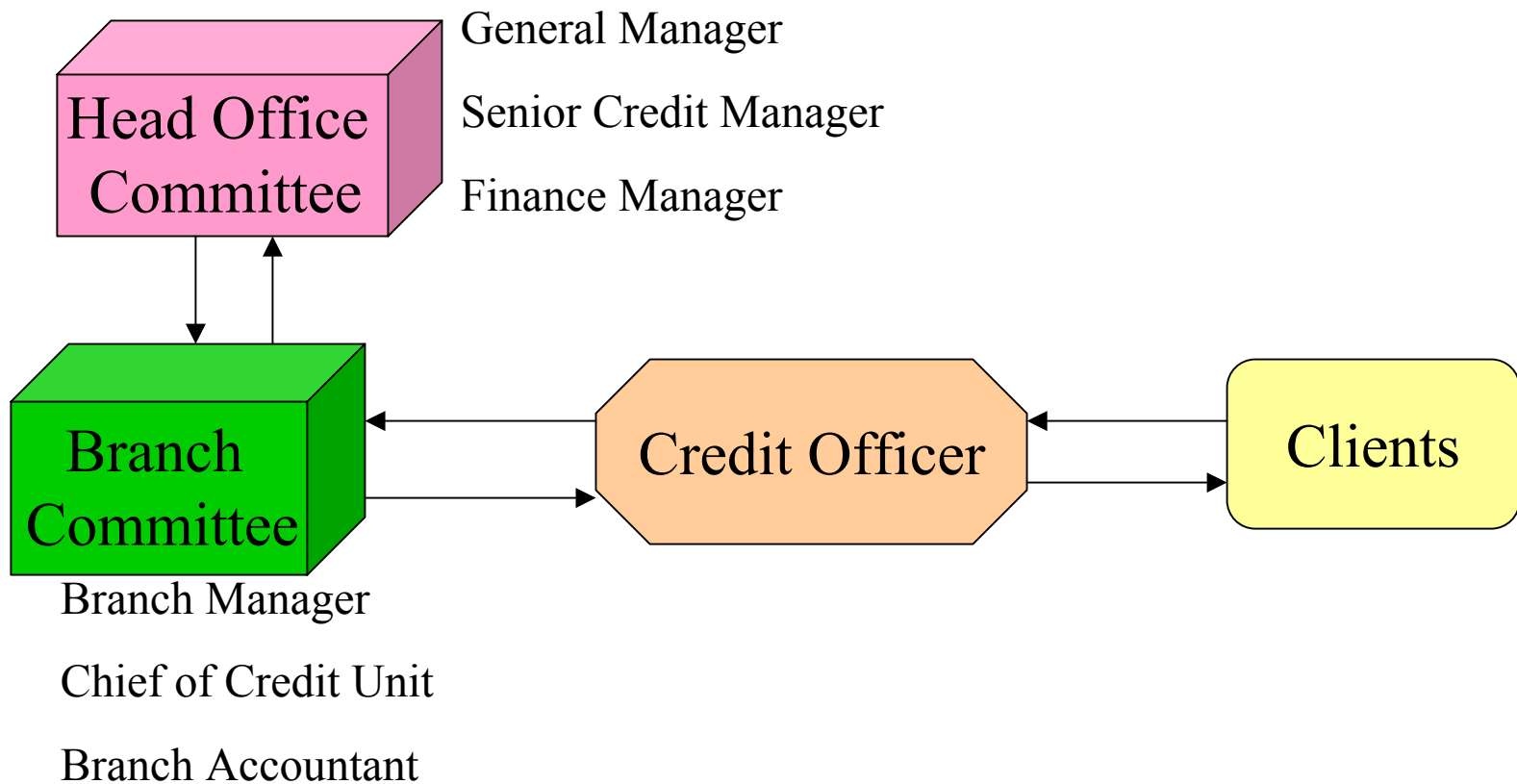
Organizational Structure

- Staff statistics as of September 2004
 - Head Office: 18
 - Branches: 96
 - Credit Officers: 33
 - Bad Debt Collectors: 5

Total Head office and branch staff = 114
- Geographic outreach:
 - Provinces: 4
 - Districts: 26
 - Communes: 154
 - Villages: 1,036

Operations

■ Lending methodology (individual):



Operations

- **Loan portfolio:** As of September 2004
 - Active clients: 6,299 (84% were micro-small loans)
 - Loans outstanding: USD 2.04 Million
 - Male: 45%, Female: 55%
 - Main purposes:
 - Agriculture = 9%
 - Trade and commerce = 43%
 - Service = 35%
 - Others = 13%
 - Delinquency ratio = 3.8%
 - Collection rate = 98.5%



Practical learned from the experience



Practical learned from the experience

- Redrawing the organizational structure, staff functions
 - Eliminate commune outposts, create sub-branches instead
 - Credit officer's function: not allow to disburse/receive cash
 - Loans disbursement and collection at branch/sub-branch
 - Departments division: Credit, Finance, Human Resources and MIS to complete management team
 - Form Credit Committee at branch and Head Office levels to approve/reject loan applications

Practical learned from the experience

- Implementing job separations:
 - Clearly divide each staff's role, i.e. accountant, treasurer, teller, etc.
- Designing staff evaluation system:
 - Staff confirmation
 - Staff promotion/ demotion
 - Staff annual evaluation
- Introducing new functions:
 - Chief of Credit Unit to monitor core activity
 - Bad Debt Collector to handle high delinquency

Practical learned from the experience

- Creating Internal Audit Department:
 - Bring new expertise
 - Build internal audit procedures, audit guide
 - Increase control and efficiency
- Setting major actions to be implemented:
 - Improve credit methodologies
 - Upgrade staff capacity – training, workshop, etc.
 - Decrease delinquency

Practical learned from the experience

- Improving management reports:
 - To be reliable, adequate and timely
 - Efficiently control and follow-up
- Implementing efficient budget and business plan:
 - Set direction
 - Strictly follow-up and compare with actual performance



Challenges and Conclusion



Challenges and Conclusion

- Monitoring process is very important
- Continuous updating all policies and procedure to be adequate.
- Staff motivation must be maintained and increased.
- Regular internal control and management.
- Sufficiency of doubtful loan provisioning.

Challenges and Conclusion

- New organizational model led to increase costs, HKL needs to take the following steps:
- Improving staff and Credit Officer efficiency/ productivity through in and out-house trainings.
 - Controlling costs
 - Developing savings mobilization.
 - Fund sources to support portfolio growth

Thank you for your attention!

