

Hattha Kaksekar Limited (HKL) – Cambodia

Standard Social Rating

^SBB

Started in 1994 as a food security project funded by OCSO/OXFAM-Quebec, Hattha Kaksekar Limited (HKL) registered as an NGO in 1996. In 2001, to comply with the regulations on licensing MFIs issued by the National Bank of Cambodia, HKNGO transformed into the limited liability company HKL. In January 2010 HKL was granted the NBC license as a Microfinance Deposit-taking Institution.

Although maintaining positive profitability and sustainability results, in 2009 HKL was affected by the international financial crisis with a drop in portfolio growth (down to 7.3%) and a contraction of number of clients (-7.5%) after years of exceptional growth. Over 2010 HKL has shown good recovery capacity registering 42% portfolio growth and 16.6% growth in active borrowers.

Over the years HKL has constantly expanded its network and it now covers 16 out of 24 provinces with 29 branches, 15 sub-branches and 34 service posts – placing itself fourth among Cambodian MFIs.

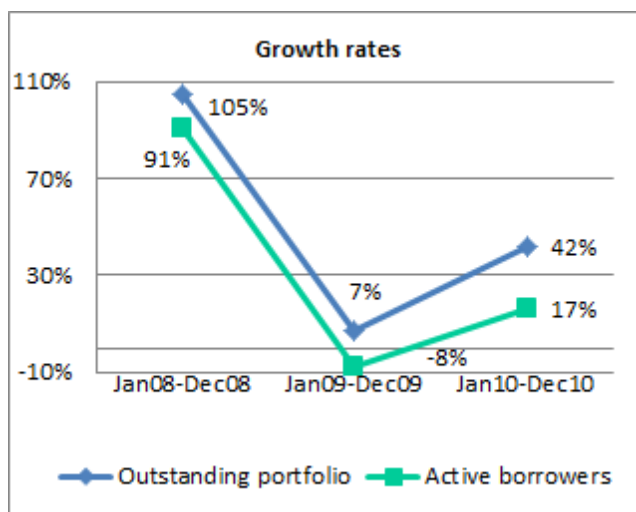
HKL targets low income population, with a specific focus on women and rural areas. HKL offers individual loans, mostly to finance income-generating activities, especially in agriculture (47%), trade (26%) and service sector (8%).

Legal form	Limited Liability Company
Year of inception	1996 as NGO, 2001 as LLC
Area of intervention	Rural, urban
Credit methodology	Individual
Financial services	Credit, Savings
Non financial services	None

Social indicators	Dec-10
Individual methodology, clients	98%
Rural coverage, clients	77%
Female clients	77%
Average balance per borrower / GNI pc	151%
Average saving balance, USD	81
Client drop-out ratio	41%
PAR30	0.90%
Female staff	24%
Female staff in management	10%
Staff turn-over ratio	8%
Portfolio yield	28%
Real portfolio yield	23%

See annex 2 for more details

Institutional data	Dec-10
Active clients	57,070
Active borrowers	47,952
Active savers	57,070
Gross outstanding portfolio, USD	44,309,948
Total active savings, USD	4,630,742
Branches	25
Total staff	786



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FINAL OPINION

HKL’s BoD is well balanced in terms of financial and social orientation and committed to the achievement of the social goals expressed in the mission, which is satisfactorily disseminated among staff at all levels. However, the management and the business plan mostly focus on financial goals and the strategy currently lacks a complete and clear set of social objectives. Portfolio objectives by segment are not formalized, hampering a proper management of the outreach evolution, especially considering the current strategy of gradually increasing the penetration in the SME compared to the micro-entrepreneur segment. The MIS does not adequately track social indicators yet, limiting the capacity of the institution to monitor the progress towards the achievement of the social goals.

Credit products are adequately designed to reach the mission’s social goals and their conditions do not present significant barriers for the target population. Saving products have been recently launched and their marketing strategy to reach a vast clients’ base is an area for improvement.

HKL has adequate policies towards the staff, whose commitment is overall well explained by a low turnover. Training and incentive schemes are areas to be addressed. Client protection is globally adequate, with good transparency standards, while prevention of over indebtedness remains an issue given the high risk in Cambodia.

The institution has achieved a good breadth of outreach, characterized by a capillary network and national coverage. The alignment of the depth of outreach is adequate given the good rural coverage, the majority of women in the client base and the prevalence of productive activities financed, in line with the mission. However, the high concentration of microfinance providers in HKL's areas of operations suggests a moderate financial inclusion effect. The share of medium and large loans is constantly increasing, which might gradually reduce the outreach to the target population as it is currently stated in the mission (i.e. low income).

HKL presents an adequate offer of credit and saving products, with room for improvement in credit diversification and in marketing the demand savings. Tested and highly standardized credit products ensure a good delivery with conditions that position HKL as one of the market leader in its segment.

