

## Chamroeun Microfinance Limited – Cambodia

### Standard Social Rating

### BB

In 2005 the French INGO Entrepreneurs du Monde (EdM) started the project “Chamroeun” aiming at proving financial and non financial services to families living in the capital’s depressed urban areas. In February 2009, Chamroeun registered as a Limited Liability Company with the Ministry of Commerce and in March 2009 it received the license as a Micro Finance Operator from the National Bank of Cambodia. The full NBC license as a Microfinance Institution should be granted by the third quarter of 2011.

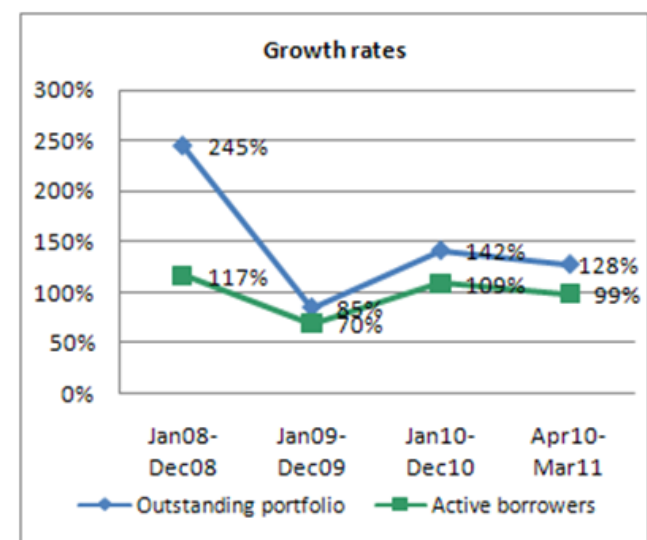
Chamroeun has constantly expanded its network and now counts 11 branches, 7 of which are in Phnom Penh and the remaining in Siem Reap, Battambang, Kampong Cham and Banteay Meanchey. Also due to its small size, the institution has grown at a very fast pace both in terms of clients and in terms of portfolio, with a slowdown in 2009 caused by the global financial crisis. Chamroeun reached the operational self-sufficiency last August 2010. Chamroeun targets poor families living in depressed urban areas offering both individual (83% of active borrowers and 92% of portfolio) and group loans, which finance income-generating activities mainly in the trade sector (67%) and services (18%) sectors.

Legal form	Limited Liability Company
Year of inception	2005 as a project, 2009 as a Limited Liability Company
Area of intervention	Urban
Credit methodology	Individual and group lending
Financial services	Loans, Microinsurance, Savings
Non financial services	Business and social trainings and counseling

Social indicators	Mar-11
Solidarity group methodology, clients	17%
Female clients	81%
Average balance per borrower / GNI pc	17%
Average saving balance, US\$	19
Client drop-out ratio	47%
PAR30	0.20%
Female staff	24%
Female staff in management	20%
Staff turn-over ratio	17%
Portfolio yield	51%
Real portfolio yield	46%

See annex 1 and 2 for more details.

Institutional data	Mar-11
Active clients	27,332
Active borrowers	17,821
Active savers	27,332
Gross outstanding portfolio, US\$	1,974,420
Total active savings, US\$	528,306
Branches	11
Total staff	130



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**FINAL OPINION**

Considering the size of the institution, Chamroeun’s social performance management system is good. Governance and management share a strong social orientation and the strategy is in line with the mission, which is well disseminated at all levels. Chamroeun’s commitment towards poverty alleviation and the priority given to depth of outreach is reflected in the design of accessible financial products, as well as in the provision of a good range of non-financial services benefitting the community, also in partnerships with local NGOs. Social performance tracking and monitoring system is good, although there is room for improvement in the methodology and implementation of poverty measurement tools as well as in the definition of specific targets regarding changes in clients’ lives.

Chamroeun’s social responsibility towards staff is adequate. If on the one hand the staff enjoys a good working environment as well as internal career growth opportunities and complete human resources policies and procedures including the code of conduct are in place, on the other salaries are not in line with the market, which contributes to the high staff turnover rate. Analysis of client protection has revealed some relevant concerns, mainly related to savings – due to the fact that Chamroeun is not fully licensed and that its systems might not be strong enough to ensure a sound management of savings – and to the moderate transparency of services’ terms and conditions. Loan documentation is complete but there is no disclosure of the effective interest rates, which would be relevant given the complex cost structure of Chamroeun’s products and the very high cost of credit charged to clients. Besides, there is poor written information about non-financial services and savings passbook are currently not given to clients. Besides, although satisfactory policies are in place to prevent clients’ overindebtedness and despite the fact that Chamroeun targets a very specific market niche, the risk of overindebtedness is still high due to the high competition in the market, clients’ cross-indebtedness and the lack of a credit bureau.

Chamroeun’s outreach is well aligned with its institutional objective. The depth of outreach is good and in line with the mission in terms of urban coverage, financing of income-generating activities and social vulnerability.

Chamroeun offers an adequate variety of financial and non-financial services. Credit services are overall adequate to meet clients’ needs, whereas savings options are quite rigid and the microinsurance product is not adequate. Efficiency of non-financial services is limited and do not always meet the clients’ actual needs.

Social performance	Adequate	63%
<b>Social Performance Management system</b>	<b>Good</b>	<b>69%</b>
Mission and strategy	Good	
Tracking and monitoring systems	Good	
Alignment of the systems to the mission	Good	
<b>Social responsibility and client protection</b>	<b>Adequate</b>	<b>53%</b>
Social responsibility towards personnel	Adequate	
Client protection	Room for improvement	
Contribution to change in clients’ lives	Good	
Social responsibility towards community and environment	Adequate	
<b>Outreach</b>	<b>Good</b>	<b>69%</b>
Alignment of outreach depth to the mission	Good	
Breadth of outreach	Adequate	
<b>Quality of the services</b>	<b>Adequate</b>	<b>57%</b>
Variety of financial services	Adequate	
Adequacy of financial services	Adequate	
Non financial services	Room for improvement	