

PROJECT FACTSHEET

Title of project	SCBF 2011-03: Developing a sustainable savings strategy with leading microfinance institution in Cambodia
Country/ region	Cambodia / country-wide (31 branches in 19 of 23 provinces)
Financial Intermediary	Hattha Kaksekar Limited (HKL) , microfinance institution with deposit license
Swiss Competence Centre mandated for execution	responsAbility Social Investments AG Josefstrasse 59, CH-8005 Zurich, Switzerland
Overall project budget	CHF 141'550 (27,7% self-contribution by partner)
SCBF contribution	CHF 102'600 (72,3% SCBF funding share)
Date of project approval	22.11.2011
Project period	01.2012 until 12.2012
Context	<p>Cambodia has one of the most developed microfinance sectors world-wide, supported by a strong regulatory framework. However, credit products remain dominant - with a 40% household micro loan penetration ratio - while other financial products for low-income clients are far less available with 9,5% of the adult population having a deposit account with a bank and only 1,1% with an MFI.</p> <p>If leading MFIs with a large branch network - like HKL - continue to build their reputation as safe places for deposits and provide attractive deposit products, they will likely mobilise savings from low-income clients at massive scale. The MFIs would reduce their financial cost margin making them more competitive vis-à-vis the banks and thereby facilitating their transformation into micro banks.</p> <p>Low-income households will benefit from keeping their savings with a stable and trustworthy financial institution - compared to costly and risky informal savings - to smoothen their household cash-flow, save for life-cycle events and investments for their micro businesses, and build a financial cushion for emergencies.</p>
Current status	<p>HKL is committed to long-term social and financial sustainability and improving the income of its clients by providing loans, savings, and other inclusive financial services, in particular to women and low income families in rural areas. Its strong team has built a USD 60 million plus loan portfolio of excellent quality with over 50'000 borrowers and has successfully driven the institution's development.</p> <p>HKL obtained a permanent Micro-Deposit Taking Institution License in 2010. It has 67'000 depositors with USD 11 million plus deposits and it is set to strengthen its deposit products and develop a sustainable savings mobilisation strategy to attract new low-income depositors.</p>
Objective and main activities	<p>The objective is for HKL to turn fully into a deposit-taking MFI that finances most of its loan portfolio with deposits by strengthening its deposit taking management systems and savings mobilisation marketing strategy. HKL intends to reach 13'000 new depositors by the end of 2012 with USD 34 million deposits from low-income 80'000 depositors, notably female depositors, from peri-urban and rural areas.</p> <p>The main activities of the project are to:</p> <ol style="list-style-type: none"> 1) Develop a long-term savings strategy and analyse the resulting implications for HKL's operational processes, including development of a marketing strategy. 2) Design at least two new deposit products, revise current products and delivery mechanisms, and train the sales force in marketing deposit products. 3) Strengthen HKL's risk management tools to address the increasing interest rate, liquidity, and operational risk challenges caused by higher deposit mobilisation. 4) Coach the Treasury Division staff in adapting the treasury policies and procedures to the long-term savings strategy. <p>At the end of the project, HKL should be in a position to implement successfully its long-term savings mobilisation strategy and to broaden its depositor base at large scale in the medium-term so as to finance its loan portfolio primarily with deposits.</p>