Assessing Poverty Outreach of Microfinance Institutions in Cambodia - A Case Study of AMK

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Abstract The microfinance industry works to balance social and financial benefit, which is viewed as an effective way of helping the poor. The industry, however, faces the challenge to measure the social bottom line, especially the depth of poverty outreach which refers to serving the poorest clients. This paper aims to investigate poverty outreach and analyze the depth of outreach for AMK. It assesses the depth of outreach through two main measures: the Wellbeing Score and Daily Food Expenditure per capita. The analysis is based on both secondary data and primary data from a survey in 2009 with 810 samples [648 clients (504 group clients and 144 individual clients) and 162 non-clients] randomly selected in 18 provinces in Cambodia. The results of AMK's depth of poverty outreach for group clients based on the Wellbeing Score indicate that AMK reaches more poor and medium level households than in the control group of non-clients, but less better-off clients. For individual clients AMK reaches a larger share of medium households, less poor households and a slightly smaller share of the better-off households than what is found in the general population. The results based on the number of clients spending on food below Food Poverty Line (FPL) confirm that AMK clients are poor with 56% of group clients and 58% of individual clients below FPL. Therefore, we conclude that AMK achieves the social bottom line in term of poverty outreach.

**Keywords:** Assessment, poverty outreach, microfinance, AMK, Cambodia

INTRODUCTION

Microfinance is a crucial tool to help the poor access financial services. For poor households, having sources of reliable, convenient and reasonably-priced financial tools would improve their situation (Collins et al., 2009). Therefore, the Royal Government of Cambodia and its development partners are increasingly paying attention to the connections between poverty and microfinance.

In Cambodia, microfinance institutions (MFIs) started in the early 1990s with support from the international community. In recent past years the industry has made significant progress and has witnessed high growth from 2006 to 2008. During this period the number of clients has more than doubled and the loan portfolio almost tripled. Meanwhile the number of licensed MFIs has increased remarkably.

The obsession with growth of the industry has led to a situation where there is a concern that MFIs are turning to commercial principles of operation and neglecting the poor. In conjunction with the financial and economic crisis there is increasing concern about mission drift of MFIs - sliding away from the original idea of helping the poor. Therefore it is crucial to measure the poverty outreach and the depth of the outreach. Poverty outreach refers to how many poor people microfinance is reaching, and depth of outreach (or depth of poverty outreach) refers to the poverty

level of clients served. The purpose of this article is to determine the level of poverty outreach and then analyze AMK client data to assess the performance of AMK in terms of the depth of outreach.

Fig. 1 provides information about the trend in the microfinance industry from 2003 to 2009. It reveals that the microfinance situation in Cambodia was determined by rapid growth. This resulted in a tremendous increase of loan portfolio from $ 59 million in 2003 to $ 492 million in 2009. Over the same period, the number of loans borrowed increased from 351,055 to 1,102,246. (refer to a Figure in the text before presenting it)
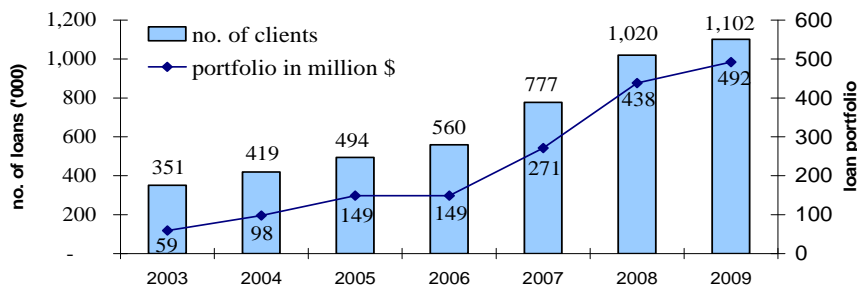
Fig. 1 Evolution of loan portfolio and no. of clients

METHODOLOGY

This research assesses AMK's depth of outreach through two main measures: Wellbeing Score and Daily Food Expenditure per capita. The Wellbeing Score, a relative measure, is the main tool as it is a multidimensional measure of poverty and provides a good picture of the wellbeing situation for client households. Client households are then classified into wellbeing groups according to their particular Wellbeing Scores and information is presented for these groups. To provide an absolute measure of poverty, AMK also compares the Daily Food Expenditure per capita with the Food Poverty Line (FPL) in rural areas. The AMK Wellbeing Score is based on Principal Component Analysis and was defined in 2006 (reference?). The 22 indicators that comprise the Wellbeing Score cover three poverty dimensions: expenditures, assets (physical, human and social), and vulnerability and food security. The specific indicators selected are the following:

PHYSICAL ASSETS - Total land area owned by household (HH) - Floor, wall and roof materials for the house/dwelling - HH owns a television, a motorcycle and assets of modest, mid or high value	**EXPENDITURES** - Expenses in clothing and footwear pc - Total HH expense in food - HH outflows include: inputs for income activities, buying HH materials and durable assets - Main HH expenditures include food
HUMAN ASSETS - Number of adults (income earners) - Health: strategies to pay for healthcare - Education: literacy of head of household	**SOCIAL CAPITAL** - Number of good friends / neighbors in community
VULNERABILITY & FOOD SECURITY - Food Security - Household diet in the last year - Self-reported level of difficulty in affording large expenses - Ordinal - Incidence of reducing nutritious quality of foods - Main income activities: casual labor or temporary migration (domestic or international) - Savings and reinvestment behavior - Coping strategies: less food consumption, less non-food expenses, selling personal property	

The AMK-PCA model was based on the IFRI/CGAP Poverty Assessment Tool but was adapted to the rural Cambodian context and applied to food security as the main poverty benchmark. The AMK-PCA model achieved relatively good results. Note that the Kaiser-Meyer-Olkin (KMO) index was 0.818 when applied to non-clients and 0.848 to the total 450 HH. In general, index scores > 0.60 are acceptable, > 0.70 are good, > 0.80 are commendable, and > 0.90 are exceptional.

The analysis for this article is based on data collected from both AMK new clients and non-clients from 54 villages in 18 provinces over the period from March to May 2009. Eight hundred and ten samples (648 clients and 162 non-clients) were interviewed. Among the 648 clients, 504 were group or Village Bank (VB) clients and 144 Individual (ID) clients. In order to assess how AMK is reaching the poor, clients referred to in this study were those who joined AMK within a year prior to the field survey.

The client sample selection was conducted in two steps: first, 54 villages with at least 18 new clients were randomly selected; and second, 12 clients per village were randomly selected plus 6 clients as potential replacements. One reason of choosing 12 clients is efficiency which is based on past experience of AMK research team. For relative poverty study, 3 non-clients per village were selected for interviews. This means that the ratio between client and non-client samples is 4:1. The non-client samples had to be non-client households who were next to the selected client households. Therefore, the total number of interviewed clients and non clients was 810.

RESULTS AND DISCUSSION

Currently, there are one million clients with 492 million US$ loan outstanding covered by 20 licensed MFIs, one commercial bank (ACLEDA small loan) and one licensed NGO, accordingly to Cambodia Microfinance Association (CMA). Table 1 shows that the top three institutions which include AMK account for 60% of the market share in term of client outreach.

Table 2 shows that more than half of AMK loans were used for productive purposes either for farm or non-farm activities. Meanwhile AMK clients also used loans for different purposes: 10% for food, 8% for health, 14% for buying assets (vehicles, land and gold), and 9% for other consumption.

Table 1 Market share by MFIs

MFIs	No. of clients	Share (%)
AMRET	224,708	20
ACLEDA	223,687	20
AMK	217,818	20
VFC	98,777	9
TPC	91,170	8
PRASAC	87,945	8
Others	158,141	14

Values were calculated on the basis of the data from CMA

Table 2 Loan uses by AMK clients

Loan uses by AMK clients		Share (%)
Productive purposes	Farm	40
	Non-farm	19
Savings	Assets	11
	Land and gold	3
Consumption	Food	10
	Health	8
	Others	9

Source: AMK field research, 2009

According to Gulli (1998), there is a positive correlation between reaching many poor people and financial sustainability. Therefore AMK, as a social MFI, has worked hard to include the poor from both rural and urban locations. So far, its performance in reaching large number of poor has been higher than the national average of the industry. Also AMK has achieved financial sustainability since 2004.

Assessment by Wellbeing Score

The average Wellbeing Score for VB clients was -0.020 and for non-clients was 0.080 (Fig. 2). This indicates that clients were poorer than non-clients (the t-test for equality of means is not