



## Assessing Clients' Satisfaction of Microfinance Institutions in Cambodia - A Case Study of AMK

**PUM SOPHY**

*Angkor Mikroheranhvatho Kampuchea (AMK) Co. Ltd., Cambodia*

*Email: sophy\_pum@yahoo.com*

**THUN VALANTINA**

*Ministry of Agriculture, Forestry and Fisheries, Cambodia*

Received 29 December 2009

Accepted 5 March 2010

**Abstract** Microfinance is widely advocated as a powerful tool to reduce poverty and improve social inclusion. It can assist the poor by reducing their vulnerability and avoiding economic shock. While scale and outreach have been critical indicators of microfinance performance, there has not been much investment in measuring whether clients are satisfied with the microfinance products and services they have been accessing. This article presents findings of a study by Angkor Mikroheranhvatho Kampuchea (AMK) which is measuring client satisfaction with microfinance product and services. While the overall aim is to assess whether clients are satisfied or dissatisfied with microfinance products and services, the study also explores the loan use (in comparison with other competitors). Is microfinance widely accepted by the clients? Do microfinance products provide good coverage at affordable interest rates? Do the delivery mechanisms effectively meet the clients need? These are among the key findings addressed in this study. The study was designed to be qualitative by in-depth interview and gathering information from March to May 2009 covering totally 648 new AMK clients in 18 provinces. The findings provide the clients' perception of microfinance product and services; in generally clients are satisfied with AMK; more than 85 percent of the clients at least gave one reason for satisfaction feedback. Approximately, 8 percent to 17 percent had at least one negative comment on microfinance product and services. Low interest, providing loan as needed and giving loan at doorstep are crucial aspects of microfinance AMKs' competitive advantage. The study also reported that the great majority of clients have used at least part of their loans for productive purpose, mostly in farm-related activities (agriculture and livestock). Notably the study gives strong signals for improving product development and service; more than that trying to retain as many clients as possible.

**Keywords** assessment, clients' satisfaction, microfinance, AMK, Cambodia

### INTRODUCTION

Client retention is important and less costly than finding new clients; therefore microfinance institutions (MFIs) have to take care of their clients and understand their needs. Client satisfaction survey is an efficient tool to assess the feedback of clients toward products and services. In this context, AMK conducts client satisfaction surveys on an annual basis in order to provide the Management team with valuable information for business decision making, in particular regarding the improvement of the products and services range. Besides retrieving positive and negative feedbacks from clients, the survey also provides key information on the loan uses (in comparison with other competitors) and the percentage of AMK clients having multiple loans simultaneously.

## METHODOLOGY

The client sample selection was done in two different steps: first, the villages were randomly selected proportionate to the size of the new client population in all of AMK operation areas and second, in each village 12 clients were randomly selected for the study and extra six clients as replacement sample. The study extracts information collected from March to May 2009 in 18 provinces and 54 villages.

## RESULT AND DISCUSSION

As many as 504 new village bank (VB) clients and 144 new individual clients were interviewed. Among the 648 clients, 86 clients had paid their loans back at the time of the interview (61 VB and 25 ID clients); therefore only 562 clients (443 VB and 119 ID clients) provide feedback on AMK's product and service.

Note that 443 active VB AMK clients have 459 active loans with AMK (6 households reported two loans and 2 households reported three loans at the time of the interview) while 119 ID clients have 121 active loans with AMK because 2 households reported two active loans.

### How many client households are making multiple (simultaneous) loans?

In addition to their loans from AMK, households borrow from a range of other sources, both informal (moneylenders or relatives) and formal (Bank, MFIs or NGOs). Table 1 below provides the detailed figures of the aggregate - 30 percent of VB AMK clients and 37 percent of ID clients who are also borrowing from other additional sources.

**Table 1 Estimation of AMK client's multiple loans**

	Total client	VB client	ID client
A. Inactive	86	61	25
a. Client with Active Loans from AMK (only)	387	312	75
b. Client with Active AMK loans+ other loan(s)	175	131	44
B. Client households with Active AMK loans (a+b)	562	443	119
Total Client sample (A+B)	648	504	144
Multiple Loan (b/B)	31%	30%	37%

Of the 443 households with current outstanding VB loans with AMK, a total of 312 households only had outstanding loans with AMK while 131 also reported additional loans from either formal or informal sources. Of these 131 households, 115 households (88%) had two outstanding loans while 16 households (12%) had three outstanding loans.

Of the 119 active ID AMK clients, 44 clients have simultaneous loans from either formal or informal sources. AMK does not provide loan to client having loan with other sources, however it is noteworthy that the fact that a household has multiple loans does not necessarily mean that there was a breach in policy regulations since the household may have borrowed from another source after borrowing from AMK.

### What do they use their loan for?

Based on the proposal made by the client, each loan is given for a specific use. The clients normally use the loan according to their needs and convenience. Each household was allowed to identify multiple responses since many households use the loan for more than one purpose. Table 2 provides the summary of the findings for AMK VB and ID clients respectively in terms of both total loan uses as well as the percentage of households who invest their loan for different purposes.

There was marginal different figure in using loan between VB and ID clients for productive purpose (77% Vs 80%) and consumption (44% Vs 40%); only 16% of VB clients used their loan to build assets while ID clients used up to 28%.

In general 56% of total loan uses were used for productive purposes, 13% for asset building and 31% to consumption purposes. 78% of total clients reported using at least part of their loans for productive purposes, 19% in asset building and 43% for consumption purposes.

**Table 2 Loan use of clients**

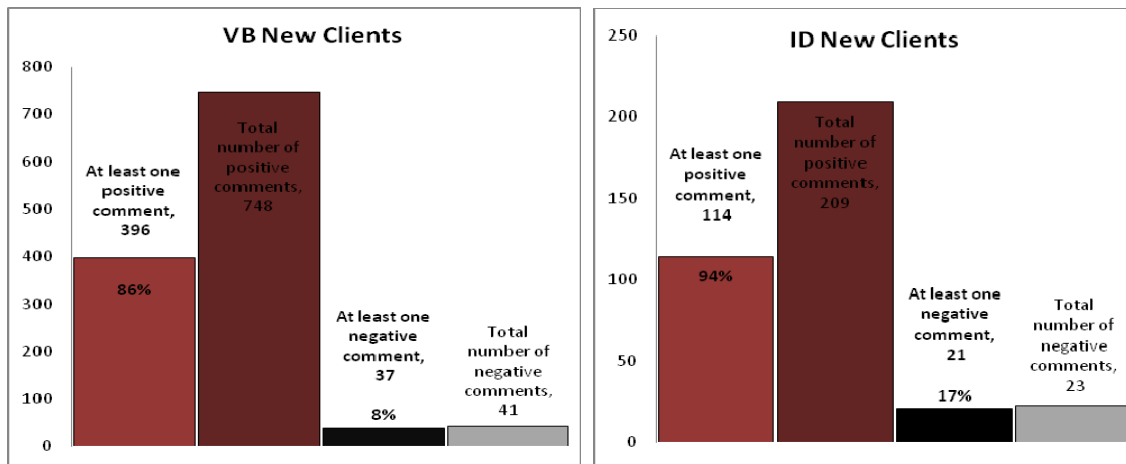
Loan Use	Total #		% active clients (562)			% Total loans use (783)		
	VB	ID	VB (443)	ID (119)	Total	VB (607)	ID (176)	Total
<b>Productive purposes</b>	<b>342</b>	<b>95</b>	<b>77</b>	<b>80</b>	<b>78</b>	<b>56</b>	<b>54</b>	<b>56</b>
Agriculture	120	33	27	28	27	20	19	20
Animals	84	31	19	26	20	14	18	15
Fishing/common property resources	33	4	7	3	7	5	2	5
Manufacture	30	5	7	4	6	5	3	4
Petty Trade	24	6	5	5	5	4	3	4
Services	51	15	12	13	12	8	9	8
<b>Asset buildings</b>	<b>72</b>	<b>33</b>	<b>16</b>	<b>28</b>	<b>19</b>	<b>12</b>	<b>19</b>	<b>13</b>
<b>Consumption Purpose</b>	<b>193</b>	<b>48</b>	<b>44</b>	<b>40</b>	<b>43</b>	<b>32</b>	<b>27</b>	<b>31</b>
Debt	17	6	4	5	4	3	3	3
Give Loan	17	9	4	8	5	3	5	3
Food	68	12	15	10	14	11	7	10
Health	54	9	12	8	11	9	5	8
Celebrations	9	4	2	3	2	1	2	2
Emergency needs	19	5	4	4	4	3	3	3
Other	9	3	2	3	2	1	2	2

Finally, approximately 16 percent of the AMK active clients (93 cases) reported having difficulty in repaying AMK loan, mostly because of enterprise problems (no profit in business activity, animals have died or having problem with sales) (73%) and to a lesser extent for sickness in the family (23%).

### Are AMK clients satisfied with AMK products and services?

This issue is the crucial part of the article as the objective here is to assess whether clients are satisfied with AMK products and services or not. Each client was allowed to name a maximum of three reasons for satisfaction and dissatisfaction with AMK. Fig. 1 shows that clients are generally satisfied with AMK: (a) more than 86% of the active VB clients and 94% of active ID clients expressed at least one reason for satisfaction with AMK and (b) only 8% of the 459 active VB clients and 17% of the 121 active ID clients had any negative feedback.

Also, the total numbers of positive and negative comments further confirm the general positive attitude of clients towards AMK: households with positive feedback usually have more than one positive comment while households with negative comments usually have only one comment. Not a single client cited three negative comments towards AMK. Finally, the total positive feedbacks considerably outnumbered total negative feedbacks (748 vs. 37 for VB clients and 209 vs. 21 for ID client households).



**Fig. 1 General Feedback of VB and ID clients**

Table 3 shows that, generally, AMK’s clients reported being satisfied with AMK. The main two sources of client satisfaction are the fact that AMK provided loan when needed or it was easy and fast to get loan (200 comments for VB clients and 69 comments for ID clients) and that AMK’s interest rate were moderate or lower (220 comments for VB clients and 38 comments for ID clients). In addition, other positive comments included financing at the doorstep; satisfaction with AMK staff; AMK products (installment [45 comments] and emergency loan [17 comments] and End of Term [3 comments]); satisfied with AMK policies and regulations and because of AMK helps the poor.

**Table 3 Satisfactory feedback (ordered by importance)**

Description	VB		ID		Total	
	#	%	#	%	#	%
Provided loan when needed/Fast disbursement/easy to get loan	200	45	69	58	269	48
Interest (moderate or lower)	220	50	38	32	258	46
Finance at doorstep	153	35	47	39	200	36
Like staff behavior	63	14	21	18	84	15
AMK product [Installment=45 , Emergency loan=17, EoT=3)	45	10	20	17	65	12
Good regulation/policy	33	7	4	3	37	7
Help the poor/kind	24	5	2	2	26	5
Other [loan size (10) , group(4), no pressure(3), loyalty(1)]	10	2	8	7	18	3
<b>Total</b>	<b>748</b>		<b>209</b>		<b>957</b>	

Although only 11% of clients had any negative feedback, there were 64 negative comments, as shown in Table 4. The main sources of dissatisfaction were the small loan size (10 comments for VB clients and 4 comments for ID clients) and slow disbursement (9 comments for VB clients and 5 comments for ID clients) followed by high interest (only 1 comment for VB client while 5 comments for ID clients) and strict policy (4 comments for VB client, 2 comments for ID clients).

Other negative comments cited included problems with AMK staff, or difficulty in getting a loan. A few clients were not familiar with repayment schedule and calculating interest or principle payment, moreover the survey also found that they did not like installment method, required collateral and charged upfront fee (1 comment each). For totally new clients, it is noteworthy that

the great majority of clients were satisfied with AMK’s interest rate with 258 positive comments versus 6 negative comments.

**Table 4 Dissatisfactory feedback (ordered by importance)**

Description	VB		ID		Total	
	#	%	#	%	#	%
Small loan size	10	2.3	4	3.4	14	2.4
Slow disbursement	9	2.0	5	4.2	14	2.4
High interest	1	0.2	5	4.2	6	1.0
Strict policy	4	0.9	2	1.7	6	1.0
Dislike AMK staff	5	1.1	0	0.0	5	0.9
Difficult to get loan/ask many questions	3	0.7	2	1.7	5	0.9
Irregular/strict repayment schedule	4	0.9	0	0.0	4	0.7
Not familiar with loan calculation(interest/principle)	3	0.7	1	0.8	4	0.7
Hard to find group/group member require/need guarantee	2	0.5	1	0.8	3	0.5
Other [dislike installment, collateral , penalty /fee]	0	0.0	3	2.5	3	0.5
<b>Total</b>	<b>41</b>	<b>9.3</b>	<b>23</b>	<b>19.3</b>	<b>64</b>	<b>11.4</b>

**Comparison of Client’s Satisfaction on AMK’s Product/Service and Competitors**

Table 5 below shows the positive and negative feedback comparing between active loans with AMK and active loans with other providers (this last one from both client and non-client households).

**Table 5 Main positive and negative feedback on AMK and other competitors (%)**

Positive Feedback	AMK		Other		Negative Feedback	AMK		Other	
	VB	ID	VB	ID		VB	ID	VB	ID
Provided loan when needed	44	57	41	37	Slow disbursement	2.0	4.1	-	-
Interest	48	31	17	13	Small loan size	2.2	3.3	0.4	-
Finance at doorstep	33	39	5	-	High interest	0.2	4.1	9.0	11.8
Like lender behavior	14	17	4	3	Strict policy	0.9	1.7	0.9	-
Loan product	10	17	2	3	Difficult to get loan	0.7	1.7	-	1.5
Good regulation/policy	7	3	4	1	Dislike lender	1.1	-	0.9	4.4
Help the poor/kind	5	2	7	9	Far from village	-	-	0.9	1.5
Loan size	1	5	4	6					
No interest	-	-	17	13					

AMK has a competitive advantage in three main fronts:

VB new client households:

- Providing loans when needed or easy to get loan (44% for AMK loans vs. 41% to other sources).
- Lower interest rate than competitors (48% of positive feedback in AMK loans vs. 17% of positive feedback from other additional loans sources, only 0.2% negative feedback for AMK loans vs. 9% negative feedback in loans from other loan sources). However about 17% of clients in VB who get loans from other sources were satisfied with no interest charging.

- Providing loans at their doorstep: positive feedback 33% from AMK loan sources and 5% from other sources and plus 1% of negative feedback for other loans because providers were far from village.

### **ID new client households**

Providing loans when needed or easy to get loan (57% for positive feedback to AMK loans vs. 37% to other sources, but 1.7% of ID clients for AMK loan vs. 1.5% for another loan sources claimed that was difficult to get loans). Lower interest rate than competitors (31% of positive feedback in AMK loans vs. 13% of positive feedback from other additional loans sources; 4% negative feedback for AMK loans vs. 11% negative feedback in loans from other loan sources).

### **CONCLUSIONS**

The main highlights of this article are the following: As many as 31 percent of new AMK clients in 2009 have multiple loans simultaneously with other sources of credit, similar to the results found in 2008 (33%) but higher than results in 2007 (28%) and 2006 (13%). The great majority of VB new and ID AMK clients reported using at least part of their loans for productive purposes, mostly in farm-related activities (agriculture and animal-raising). A little less than half of VB clients (44%) and ID clients (40%) allotted part or all of their loans for consumption purposes (mainly food and medical expenses).

AMK clients are generally satisfied with AMK. About 86 percent of VB clients and 94 percent of ID clients expressed at least one reason for satisfaction with AMK. The primary sources for satisfaction are: the fact that AMK provides loans when needed or that it is easy to get loans, the interest rates are fair and AMK provides loan at their doorstep. Only 8% of group clients and 17% of ID clients had (at least) one negative feedback about AMK, mainly related to the small loan size or slow disbursement or the high interest rate. Small loan size was most complained among both VB and ID client households.

Finally, the study evaluated the strengths and weaknesses of current products and services and client demand for new product/service offerings. Low interest, providing loan when needed and finance at doorstep appeared as AMK's competitive advantages by VB clients. For ID client households, providing loan when needed, providing loan at their doorstep and low interest are also a crucial aspect of AMK's competitive advantage to enlarge and retain clients.

### **ACKNOWLEDGEMENTS**

This Clients' Satisfaction study was made possible with the support of AMK and Research Team of AMK's Research Department.

### **REFERENCES**

- Nelson C. (ed.) (2000) Learning from clients, Assessment tools for microfinance practitioners. SEEP/AIMS, USA.
- Woller G. (2005) Benefit of client assessment. SEEP Client Assessment Working Group, SEEP/AIMS, USA.
- Torres, O. (2006, 2007, 2008) The clients' satisfaction report. A Case study of AMK, Cambodia.