



ENTREPRENEURS
du Monde

**CUSTOMER SATISFACTION SURVEY
SOVANN PHOUM
JULY 2011**

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EXECUTIVE SUMMARY

The aim of this first customer satisfaction survey conducted for Sovann Phoum's micro-credit programme is three-fold:

1. To make suggestions on how to improve the current system of operations such that they are in line with realities and needs on the ground.
2. To affirm good practices.
3. To uncover the gaps in understanding that partners might have, and thereby find ways to *present* the micro-credit programme and other aspects of Sovann Phoum in a way that is understandable and effective to them.

Also, Sovann Phoum's operational practices were redesigned and implemented 18 months ago, with the aim of enforcing repayment discipline and reducing the portfolio at risk (PAR). With a period of time now transpired, it is timely to be conducting this survey because it allows us to gather feedback from a sample of partners to understand how these recently updated policies and practices have been perceived by them thus far.

METHODOLOGY

Individual interviews were chosen as the means of field data collection. A large part of the questionnaire comprised multiple-choice questions for ease of quantitative data collection. However, the questions were posed in an open-ended manner during the interview so as to allow as spontaneous a response from the interviewees as possible. In the proceeding analysis of the data, quantitative figures and graphs will always be qualified with other observations made, so that a more nuanced and contextually accurate picture is painted for the reader. A total of 63 or 10% of the actual partner population were interviewed.

It must be noted that two significant groups which would have improved the quality of the data were missing from the sample:

1. Those who are no longer taking loans, as a result of a unilateral decision by Sovann Phoum to discontinue them for various reasons;
2. Those who tried to apply for a loan but did not succeed due to certain conditions stipulated in the financial policy.

Thus the data upon which the proceeding analysis is based is biased in this sense, and effort has been made in the writing of this report to draw the attention of the reader to this bias where pertinent.

IMPORTANT CONCLUSIONS FROM THE ANALYSIS

This section has been structured according to the most important conclusions made during the study for the purpose of emphasizing these points for Sovann Phoum's consideration.

1. MORE SATELLITE OFFICES

Consideration should be made to increase the number of satellite offices where repayments can be conveniently made by partners. This is highly recommended for the following important reasons:

- Satellite offices have been affirmed by partners as a convenient place for repayment. More satellite offices would certainly encourage more people to take loans with Sovann Phoum, and they would greatly reduce the burden of the added transportation costs to make repayments. It should be noted that none of the complaints were about the time it takes to travel for repayment; cost was the primary consideration mentioned.
- This would also improve the operational efficiency of loan officers who are now occupied with the tedious and unnecessary task of making door-to-door collections. Loan officers

will then have more time to go conduct home visits and provide advice, support and counselling (an important aspect of the Sovann Phoum's micro-credit programme), as well as to promote the programme to non-partners.

2. MORE ACTIVE PROMOTION

Active promotion by the loan officer on the field is the main approach by which Sovann Phoum should seek to extend Sovann Phoum's client base. Sovann Phoum's current approach to promoting the programme needs to be reconsidered.

- Loan officer productivity remains rather low; while the number of partners per field staff has increased from 125 to 156 per loan officer from one year ago, there is much scope for improvement.
- It is recognised that low loan officer productivity may be a result of two different reasons: one, that conditions for loans may be strict; two, that the current approach to promotion is lacking. It is likely that this is a combination of both.
- The first step to improving the active promotion strategy is to increase the time that loan officers have to promote Sovann Phoum. If satellite offices are set up in each community for repayment collection, the loan officer is freed up considerably to promote the programme to non-partners.
- A more systematic way of developing the programme should be developed. The manner in which loans officers promote the programme should be personal and easy to understand but convincing. It is suggested that the following points be emphasised in a succinct and straightforward way:
 - o Sovann Phoum's loan programme has low interest rates.
 - o There is a savings scheme which helps you save money for your business, children and future. You can earn interest on your savings.
 - o The programme is for the poor. We want to help you by giving you a means of improving their income.
 - o Repayment can be done conveniently.
- It should be considered whether an increase in promotional activity be paralleled by a rethinking of the range of financial products and conditions on offer.

3. TRAINING AND ADVICE IS IMPORTANT!

The need for a more purposeful effort to train partners in loan management and business skills has been observed. It is also suggested that training session be supplemented with more home visits by loan officers.

Providing information on training:

- Only 9.5% of interviewees said that they had attended training before.
- It is suggested that loan officers pay more attention to presenting the business training programmes in a way that highlights their value to *improving the profit* of partners' income generating activities, in order to attract more partners to these trainings.
- Loan officers could also provide information on training every time a re-loan is taken.

Importance of training:

- The prevalence of private loans, as well as the pattern of loan usage among Sovann Phoum partners, highlights again the importance of training. Through trainings in loan management and business strategies, we can encourage them to be purposeful in making a distinction between business expenses and household ones, and show them how to make good use of the loan as a leverage to improving their income generating activities and

hence family's disposable income capacity to make savings in the long run. This will help to reduce their dependence on burdensome private loans in future.

How to channel advice to partners besides through training? – Home Visits

- Given the observation that only 9.5% of respondents have attended training before and many say that they are too busy to attend training, we should ponder if the present trainings are the best mode for channelling capacity building advice to partners. Clients have ongoing businesses and jobs, so the channelling of advice must be convenient to them. Home visits to supplement trainings are one solution to this.
- Given the packed schedule, the report by Do Bich Phuong on Sovann Phoum's non-financial services suggests quite rightly that a few families in each area that are in real need of such advice be identified and followed up with by the loan officers. This is because it is difficult for loan officers to make long home visits to all partners on a regular basis.

The role of loan officers:

- From the overall feedback, Sovann Phoum's team of officers is an asset to the organization. However, most interviewees saw the loan officers only as a channel for loan disbursement and collection, and not for advice on non-loan related information.
- Sovann Phoum's officers are not social workers. But above just loan collections and disbursements, officers could be more purposeful in hearing their partners out and giving advice on businesses and loan management that would help these families in a more all-rounded way.
- Loan officer advice and support is one of the best ways of ensuring that the loans become tools that are truly effective for the improvement of partner's income generating activities and thereby living standards.
- Also, if people view Sovann Phoum as only a source of loans, other channels of non-financial help such as advice, referrals to other NGOs for other socio-economic needs, or even business-oriented training, will be neglected and underutilized by these clients.

4. LOAN CONDITIONS TOO STRICT?

It is suggested also that the loan officer team implement the practice of keeping track of loan applications that were rejected (name, location, date of application, reason for rejection).

- After 18 months since the implementation of a tighter set of conditions for potential borrowers in a bid to improve the organization's loan portfolio, we need to ask if these conditions are too stringent such that Sovann Phoum is denying micro-credit to many more people in real need of the loans without good reason.
- More empirical data on this must be collected before a firmer answer can be given, but in a conversation to one staff of Samatapheap Khnyom (an NGO that does social work in many of the same areas as Sovann Phoum), the fact that quite a number of poor families seeking to take a loan were denied this due to strict conditions was highlighted.
- The fact that Sovann Phoum's client base has not progressed much in the past 18 months may also point to this.
- This suggestion helps Sovann Phoum keep a record of the number of people who are not able to join the programme and for what reasons and judge if the policy conditions implemented 18 months ago are too strict, something which this study was unable to determine empirically. This also helps with the handing over process. Even if an existing loan officer leaves the organization, his replacement has records which will help him to know the history of loan applications in his area of responsibility.

5. EXPAND SCOPE OF FINANCIAL AND SAVINGS PRODUCTS

Findings indicate that there is scope for developing other financial services to cover personal needs, as well as savings plans that allow a great amount of savings.

- Loan usage – one-quarter of all interviewees did not use the loan for business needs. A fair number of the rest also used part of the loan for other uses that did not contribute directly to their income generating activity. This set of data is worth noting for Sovann Phoum, which has intended to provide loans *‘for the purpose of income generating activities only, and not for personal consumption’*.
- Savings:
 - o Interviewees were very appreciative of the compulsory savings policy because they see much value in saving, but find it difficult to save on their own.
 - o It is recommended that the compulsory savings programme should be continued and consideration be made to allow partners to decide if they want to save a bigger percentage of their loan. Another suggestion is to consider if specific “objective-savings” products can be designed to address this widespread desire to save with an institution.

OTHER OBSERVATIONS

Loans

- LOAN APPLICATION: 84% of the respondents found it easy to apply for a loan from Sovann Phoum. ‘Little time’ as well as ‘little paperwork required’ were the 2 oft-cited reasons.
- LOAN SIZE: A significantly greater number of those who felt that the loan size was insufficient spent the loans on other non-income generating expenses (especially household necessities, utilities and food). This observation is not conclusive, but it does clue us in somewhat to one reason why some clients might not find their loans sufficient.

Savings

- While the Sovann Phoum Financial Services Policies manual (updated in October, 2010) states that the savings scheme “encourages every partner to develop a healthy discipline regarding the management of his/her savings”, it is not certain whether a true habit of saving has been inculcated in partners, since more than 22.2% (the figure is surely much higher although a specific number cannot be given) of clients are not presently able to save on their own.

Vocational Training

- With regard to Sovann Phoum’s vocational training programme, consideration should be made to extending vocational training opportunities (possibly for a minimal fee) to the children of present partners, since there is much potential for expansion in this area as indicated by the amount of interest expressed throughout the interviews.

Overall Perception

- The top 5 reasons for which partners chose the Sovann Phoum microcredit programme are:
 - o Low interest rates
 - o The application for a loan is easy
 - o Repayments are manageable
 - o The compulsory savings scheme is good
 - o Loan officers are helpful, understanding and approachable.
- Several other noteworthy reasons for choosing Sovann Phoum were brought up:
 - o The option of choosing repayment frequency (either weekly or monthly)

- Clear and simple information about the loan policy given by loan officers. This makes the loans *accessible* to even those who have little education and are unfamiliar with financial concepts.
- Three-quarters of the interviewees expressed the desire to take a re-loan once their present loan is over. One of the biggest reasons given is that they can get a bigger loan the next cycle. The second most frequently cited reason is the loan officers who are both understanding and approachable, making the overall loan experience (loan application and repayments) a pleasant, easily understood and smooth one.
- Of note, the idea of continuity is very important for at least 58.7% of the interviewees. In other words, many of them appreciate the benefits that come with remaining with one single MFI, in our case, Sovann Phoum.
- For those who responded that they would take a loan with another MFI (3.2%), the following two reasons were cited:
 - Insufficient loan size (1.6%)
 - Difficulty in finding a guarantor (1.6%)
- For those who said that they would take no more loan (6.3%), this is because they:
 - Cannot afford to take another loan (3.2%).
 - Have no more need for loan (3.2%).

EXIT SURVEY

An exit survey was also separately administered to 20 former partners of Sovann Phoum for the sake of understanding the reasons for which they left the micro-credit programme.

N.B.: As with the preceding Customer Satisfaction Survey, there is a significant bias in the data for the fact that we were unable to include former partners discontinued from taking loans in this survey.

- The fact that 45% of respondents left the programme because they have no more need for loans is a positive sign. This means that they have either become self-sustaining as a business, or other sources of income within the family are now able to support the business and other household needs.
- On the other hand, 45% of them can no longer afford to take a loan with Sovann Phoum. This was either due to poor business earnings, or a sudden accident or emergency that reduced the family's savings. Those who met with an accident or sickness in the family found their ability to cope with the extra burden of repaying loans severely reduced.
- The other reasons highlighted in this question should be equally noted:
 - **Loan amount is not enough:** Often this desire for a larger loan size is combined with the reluctance to go through the hassle of meeting all the conditions stipulated for big loans.
 - **'Repayment place is too far'** meant that too much money was spent on transport to the Sovann Phoum office to make repayments. Respondents had to pay an average of 5,000 Riel every week for the motor-dup trip there and back.
 - **Repayment frequency** was an issue for two interviewees who were required to make weekly repayments. It was difficult at times for them to repay because business sales went up and down, but they were denied a monthly repayment (which they wanted) that would have made it easier to save up for repayment.
- Only 20% of interviewees changed to another MFI or private lender. 75% of this group cited bigger loan size as the reason for leaving, while 25% of them mentioned 'easy access to loan' as the reason.

- Of the 80% who did not change to another MFI, all except two interviewees (10%) mentioned the desire or possibility of taking a loan again from Sovann Phoum because they were satisfied with its services.

AIM OF THIS STUDY

This customer satisfaction survey seeks to understand the level of satisfaction of Sovann Phoum's partners, both existing and former ones, to its micro-credit programme. By doing a survey of a sample of the client population, we can infer a great deal about the needs on the ground, both met and unmet by the micro-credit programme, and thereby meet the first two aims of this exercise: **firstly, to make suggestions on how to improve the current system of operations** such that they are in line with realities and needs on the ground, and **secondly, to affirm good practices**.

We have not taken all the responses of interviewees at face value. At times, a certain comment might have been made due to a lack of understanding on the part of the respondent or to a certain perception that he or she has of Sovann Phoum's micro-credit programme. By treating the series of interviews as a resource for assessing the **perception, conceptions and level of understanding** of partners, we can achieve our **third** aim, which is **to uncover the gaps in understanding that partners might have, and thereby find ways to present the micro-credit programme and other aspects of Sovann Phoum in a way that is understandable and effective to them**.

At the end of the day, the promotion and presentation of Sovann Phoum's micro-credit services is just as important as its actual policies and services because the individual partner will only make use of services that he or she is aware of and to the extent that he or she thinks is useful. In other words, if a negative comment is made, before jumping to the conclusion that that certain aspect of the micro-credit programme must be changed, we have first asked if the negative response reflects more a lack of understanding on the side of the partners, and if a change in presentation or promotion of that aspect would not then be more helpful than a complete change of the policy.

METHODOLOGY

Individual interviews were chosen as the means of field data collection. A team of two persons (consisting of the interviewer and an interpreter) went to the houses or businesses of partners to conduct twenty- to thirty-minute long interviews. At each interview, the interviewer covered a fixed set of questions that centred on a number of topics which were identified to be of importance to the micro-credit programme. The complete list of topics will be elaborated in the following section.

A large part of the questionnaire comprised multiple-choice questions for ease of quantitative data collection. However, the questions were posed in an open-ended manner during the interview so as to allow as spontaneous a response from the interviewees as possible. It was only when interviewees had some difficulty understanding the question, that the possible responses were suggested to him or her.

Besides a quantitative approach to the interviews, it has been recognized that the value of individual interviews lies in the qualitative, that is to say unquantifiable, responses that would come up. It is for this reason that the interviews were conducted as conversations – interviewees were allowed a certain degree of freedom in structuring and leading the conversation, and the onus of keeping track of the topics covered was on the interviewer. In this way, the topics which are of greatest importance to the interviewees (which would most likely have been repeated several times throughout the 'conversation', or would have been the opening topic raised by the interviewee) could be noted and factored into the analysis.

In the proceeding analysis of the data, quantitative figures and graphs will always be qualified with other observations made, so that a more nuanced and contextually accurate picture is painted for the reader.

EXIT SURVEY

An exit survey was also separately administered to 20 former partners of Sovann Phoum for the sake of understanding the reasons for which they left the micro-credit programme. It was hoped that a more holistic picture would emerge with the inclusion of the opinions of this group of people who are no longer recipient of the organization's services, and who are therefore hopefully more open to providing criticism of the programme.

AREAS OF CONCERN

The following topics were identified for discussion with the interviewees:

Getting to know Sovann Phoum

This section seeks to find out how clients came to know about Sovann Phoum's micro-credit programme. Responses for this will aid the organization to identify ways to promote itself more effectively to potential partners.

Ease of repayment

The perceived convenience and cost of travelling to make a repayment are the primary concerns in this set of questions. In essence, we are trying to find out if the repayment location, time taken or the cost of the trip taken to make repayment are reasons for discontent among clients.

Loan Officers

This is an extremely important section because the loan officer is the face of Sovann Phoum on the field. Practically the entire experience that a partner has of Sovann Phoum depends on the loan officer, for he is often the sole point of contact. Here, we attempt to assess the relationship between the partner and his or her loan officer, as well as to see if partners view the loan officer as more than just a loan disbursement and collection agent, i.e. also as a channel of advice and social support from the organization.

Loans

In this section, we pose questions on two issues – ease of loan application in the very first cycle, and the loan size. We seek to understand what the loans are used for, and if the partners are content with the loan size. Throughout the period of interviews, interviewees mentioned what they spend the loan on, as well as other sources of loans that they have, which have revealed some interesting insights into the financial habits of partners, and helps us understand if Sovann Phoum is truly meeting the needs of its partners.

Repayment

We seek the partner's opinion on a variety of issues in this section, including the interest rate, and any difficulties they might face in making their regular repayments.

Two questions are also devoted to understanding the way partners set aside money to make repayment. We were curious about the saving habits of partners, and the sources of income available to them to furnish repayments.

Another question is asked to assess their level of comprehension of the three parts of their regular repayment, viz. the principle, interest and savings components. This is also directly linked to the efficacy of the loan officer's explanation of the loan programme to partners.

We seek to understand the attitude of the partner towards late repayments through the last question of this section. This is particularly important because it has been one and a half years since the new set of policies and conditions were introduced in Sovann Phoum's micro-credit programme to enforce repayment discipline and reduce the portfolio at risk (PAR). Through this question, we shall be able to see if these policies were effectively implemented and accurately understood on the ground, as well as if they can be refined further.

Savings

We are concerned with whether partners are aware of the compulsory savings scheme, and what their thoughts on it are. The responses to these questions also help us to understand the culture of saving among the partners of Sovann Phoum.

Non-financial Services/Training

Sovann Phoum currently aims to conduct training for partners, beyond the provision of loan services. There are four topics currently planned for, namely marketing, saving, expenditure and entrepreneurship, and the hope is that they will increase the partners' knowledge of basic entrepreneurial practices and strategies, and thereby improve their business earnings. This set of questions therefore was constructed to assess the awareness, effectiveness and perception of the usefulness of training among the sample population.

Overall Perception

In the last section of the questionnaire, we would like to understand why partners have chosen to take loans from Sovann Phoum, which would let us know the positive aspects of the micro-credit programme that should be continued and that should be promoted to potential partners in future.

Also, one question is devoted to whether clients want to continue with a re-loan after their present loan has ended, and the reasons why they choose to continue or discontinue.

At the very end of the interview, we allow the interviewees to provide any suggestions they have for the improvement of Sovann Phoum's micro-credit programme. Throughout all the interviews, this was the part where partners reiterated their complaints, concerns or positive views, even if they did not give any suggestions per se. Nevertheless, this open-ended question helped us to further understand the perceptions, concerns, and level of satisfaction toward the micro-credit programme. The qualitative responses from this part have been integrated into the relevant sections of the following analysis for easy reading.

ANALYSIS OF SURVEY

DESCRIPTION OF SAMPLE

This year, we interviewed clients from eight different communities, with every loan officer's clients represented in this sample. This constituted just above 10% of Sovann Phoum's micro-credit clients, or 63 out of 625¹ existing clients. Although there was no particularly scientific way of selecting the sample population for this year's exercise, we attempted to at least have a fair share of clients from each of the communities represented, as follows:

Location	Number of interviewees	LO
Andong	14	SAN Sopha
Toul Kok	4	
Boeung Salang	14	TEP Norn
Som Nah Thom	6	
Khmough	5	TEP Nimol
Svay Chek	6	
Toul Roka Kors	14	PHONG Sophat

Please refer to Annex A for a detailed look at the demography of the sample population.

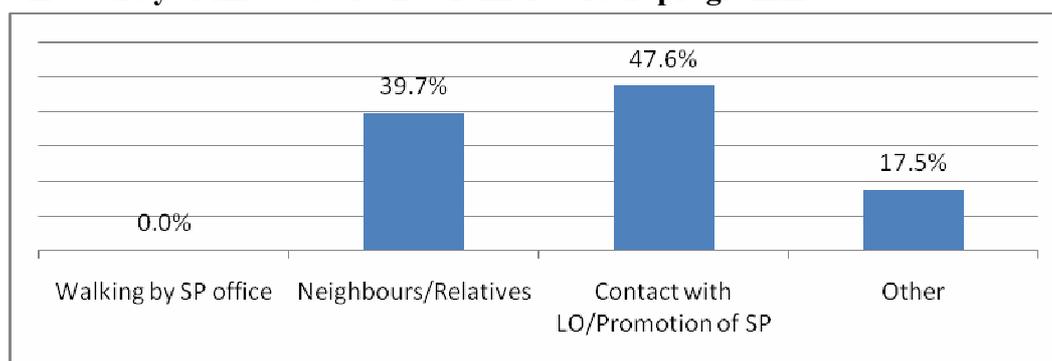
It must be noted at this point that two significant groups which would have improved the quality of the data were unfortunately not included in these interviews:

1. Those who are no longer taking loans, as a result of a unilateral decision by Sovann Phoum to discontinue them for various reasons;
2. Those who tried to apply for a loan but did not succeed due to certain conditions stipulated in the financial policy.

Thus the data upon which the proceeding analysis is based is biased in this sense, and effort has been made in the writing of this report to draw the attention of the reader to this bias where pertinent.

GETTING TO KNOW SOVANN PHOUM

1. How did you know about the SP micro-credit programme?



- The 2 main ways partners became aware of Sovann Phoum's micro-credit programme were:
 - o By seeing the loan officer on the field or hearing Sovann Phoum being promoted (by the loan officer) (47.7%)
 - o By hearing about it from partners already in the programme who are probably neighbours or relatives (39.7%)

¹ This number was taken from Sovann Phoum's June 2011 Activity Report, which was the latest report to be published just before the commencement of this survey in July 2011.

N.B.: Over the course of the interviews, it was observed that the responses 'Contact with loan officer' and 'Promotion of SP on the field' might have very well meant the same thing to the interviewees. These 2 responses were originally kept separate for it could have been the case that they saw the loan officer on the field collecting repayments from other clients or have been directly approached by a loan officer who promoted SP to them, that they came to know of Sovann Phoum. However, interviewees were unable to differentiate the two generally because after seeing loan officer, they would have expressed their interest and he would have promoted SP to them. In other words, this is because promotion and contact with loan officer are 2 parts of the same process. Given this, these 2 responses have been combined for the analysis.

- A few points which have been observed are that:
 - The very presence of the loan officer in a particular community is a means of advertisement.
 - Information by word-of-mouth is a common way in which people become interested in SP. If loans are truly helpful to present clients, word will spread.
 - Nevertheless, the method which can be controlled by Sovann Phoum is active promotion on the field. Assuming with good reason that there are many other potential clients who have never heard about SP, do not have enough information about SP's loan policies (e.g. low interest rates or the flexibility in choosing one's repayment schedule) to be interested to take a loan, or have never contemplated the idea of taking a loan for their families, **active promotion by the loan officer on the field is the main approach by which Sovann Phoum should seek to extend SP's client base.**
 - **Loan officer productivity remains rather low; while the number of partners per field staff has increased from 125 to 156 per loan officer from one year ago, there is much scope for improvement. Sovann Phoum's current approach to promoting the programme needs to be reconsidered.**
- The rest of the interviewees came to know Sovann Phoum:
 - Through another organization working in their community (14.3%). The staff of other socially-oriented organizations such as Samatapheap Khnyom and Mat Samlanh suggested the idea of taking a loan with Sovann Phoum to them.
 - Because a family member had previously participated in one of Sovann Phoum's other programmes (1.6%). The one and only interviewee to give this response has a daughter who took part in SP's vocational training programme (hairstyling), and thus became aware of its micro-credit programme.
 - Through the local village authority (1.6%). The one and only interviewee to give this response told us that the village chief suggested the idea of taking a loan with Sovann Phoum to her and helped her to make contact for the loan application.

N.B.: Some interviewees gave two responses because it was through these two certain ways that they got enough information about SP to become interested to seek a loan. We retained both answers because it indicates to us more accurately what is important to clients in their memory of how they became aware of SP. This same approach of recording multiple answers is retained in all questions.

Recommendations

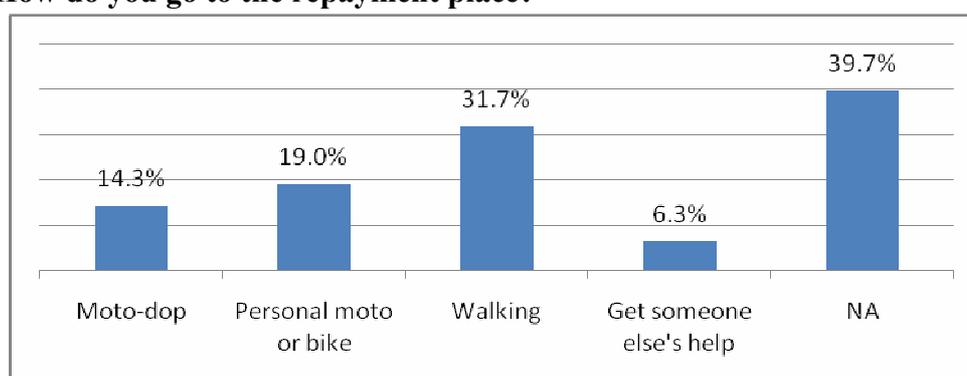
- **Active promotion by the loan officer on the field is the main approach by which Sovann Phoum should seek to extend Sovann Phoum's client base. Sovann Phoum's current approach to promoting the programme needs to be reconsidered (see below).**

ACTIVE PROMOTION – Improving the current approach

- It is recognised that low loan officer productivity may be a result of two different reasons: one, that conditions for loans may be strict (this shall be dealt with in more detail in the section on LOANS); two, that the current approach to promotion is lacking. It is likely that this is a combination of both.
 - The first step to improving the active promotion strategy is to increase the time that loan officers have to promote Sovann Phoum. As will be noted in the next section on EASE OF REPAYMENT, loan officers mainly do door-to-door collections which are inefficient. If satellite offices are set up in each community for repayment collection, the loan officer is freed up considerably to promote the programme to non-partners.
 - A more systematic way of promoting the programmes needs to be created.
 - The manner in which loans officers promote the programme should also be personal and easy to understand but convincing. It is suggested that the following points be emphasised in a succinct and straightforward way:
 - Sovann Phoum’s loan programme has low interest rates.
 - There is a savings scheme which helps you save money for your business, children and future. You can earn interest on your savings.
 - The programme is for the poor. We want to help you by giving you a means of improving their income.
 - Repayment can be done conveniently.
 - It should be considered whether an increase in promotional activity be paralleled by a rethinking of the range of financial products and conditions on offer (see section on LOANS).
- **Promotion of Sovann Phoum’s micro-credit services through partner NGOs working with the same communities is another avenue of promotion that should be explored.**

EASE OF REPAYMENT

2. How do you go to the repayment place?



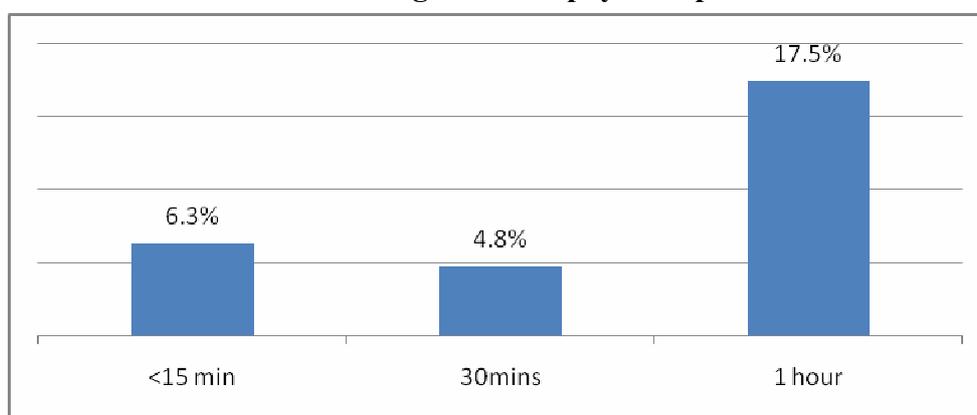
- This set of questions is not applicable to every one of Sovann Phoum’s partners because most of them have door-to-door or satellite office repayments. Likewise among the sample population, 60.3% of those interviewed do not have the loan officer come to their houses to collect repayments, out of which 31.7% make repayment at a satellite office set up in village on repayment days that is of negligible distance. **This means that only 28.6% of interviewees have to travel a significant distance to make repayments.**
- The main ways in which partners who have to repay at the Sovann Phoum office make their repayments are:
 - By their own motorcycle or bicycle (19%)
 - By motor-dup (i.e. paid transport by motorcycle) (14.3%)
 - By getting someone else’s help (6.3%):

- Getting another client to help pass the repayment (1.6%)
- Paying a motor-dup driver they know personally a minimal fee to help them send the repayment to the office (4.7%)

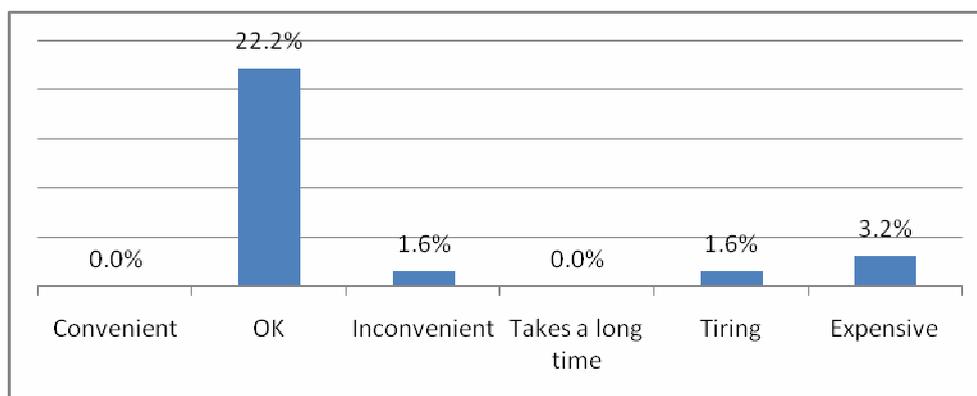
N.B.: Some interviewees gave 2 responses because they take different modes of transport at different times to make repayment. An alternation between a private means of transport and the motor-dup is not uncommon.

For the next two questions, only the responses of the 28.6% (those who have to travel a significant distance to the SP office for repayment) will be tabulated. This is because the responses of those who have door-to-door collections add no value to our analysis, and those of the partners who repay at the satellite office are unanimously 'less than 15 minutes' and 'convenient or OK' for these 2 questions respectively.

3. How much time does it take to go to the repayment place?



4. What do you think about travelling to the repayment place?



- Only 6.4% had complaints with regard to travelling to the SP office to make repayment. Of note, 3.2% of them responded that it was expensive to take a motor-dup to make repayment. Those who took motor-dups to make their repayment spent an average of 5,000 riel to and fro. **However, even among those who responded 'OK' to this question, there was a general sense that transport costs were significant to them and that they were OK with the costs only because they were content that they were receiving a loan.**
- **Importantly, throughout all the interviews, none of the complaints were about the time it takes to travel for repayment; cost was the primary consideration mentioned.** This can be understood as a result of the fact that it even for those living furthest away from the repayment location, it takes a maximum of 1 to 1.5 hours to travel there and back (see Q3).

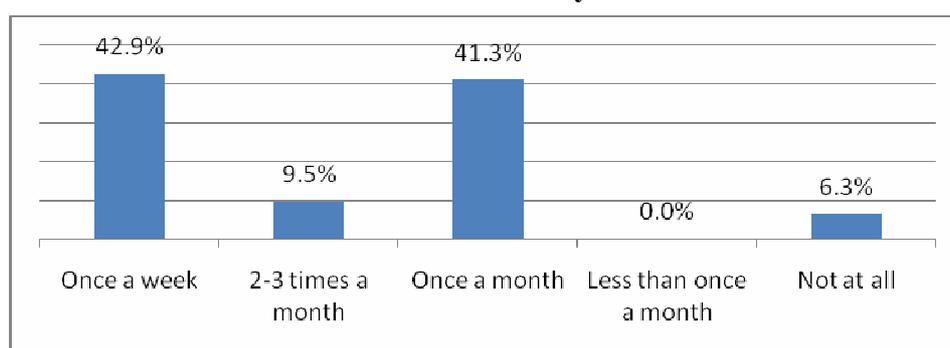
- It should also be observed that none of those who needed to travel out of their communities for repayment found it convenient. In fact, 2 suggested that the loan officer come and collect repayments from them every time, and another 2 suggested that a satellite office be set up in their community. All 4 of these interviewees were from Boeung Salang.
- In relation to this, a number of partners who are located in areas where the loan officer collects repayments from door-to-door mentioned the convenience of repayment as the reason why they chose to take a loan with SP in the first place (see Q29).
- Some other points for consideration:
 - **Some interviewees mentioned that their loan officer was late in coming to collect repayment on several occasions. They said that they were fine with it, but this should not be allowed to persist because it reduces the ability of Sovann Phoum to demand timely repayments from its partners.**
 - Partners in one area had the loan officer come collect repayments from their houses, while at other times, they had to make repayment at the office.

Recommendations

- **Consideration should be made to increase the number of satellite offices where repayments can be conveniently made by partners.** This is highly recommended for the following important reasons:
 - Satellite offices have been affirmed by partners as a convenient place for repayment. More satellite offices would certainly encourage more people to take loans with Sovann Phoum, and they would greatly reduce the burden of the added transportation costs to make repayments.
 - **This would also improve the operational efficiency of loan officers who are now occupied with the tedious and unnecessary task of making door-to-door collections.** Loan officers will then have more time to go conduct house visits and provide advice, support and counselling (an important aspect of the Sovann Phoum's micro-credit programme), as well as to promote the programme to non-partners.

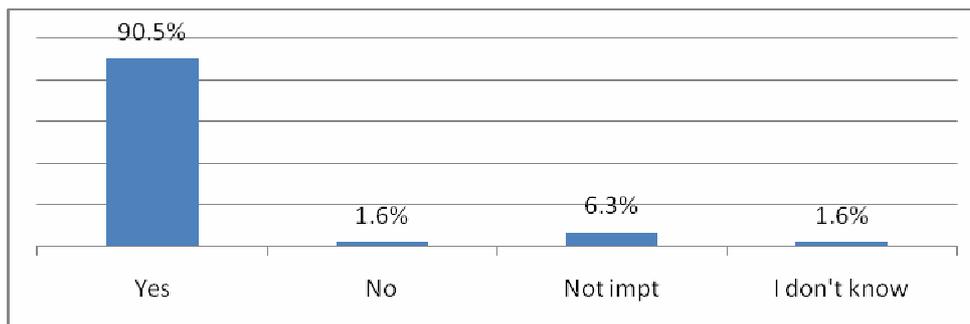
LOAN OFFICERS

5. How often does the loan officer come to visit you?



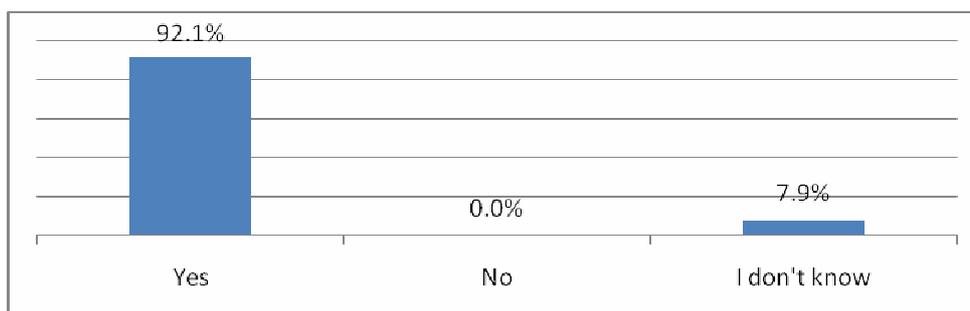
- In general, the loan officers visit the partners in their assigned area regularly. The 6.3% of the interviewees who were never visited by the loan officer were situated in areas where there was a village satellite office where repayments were made.

6. Is it enough?



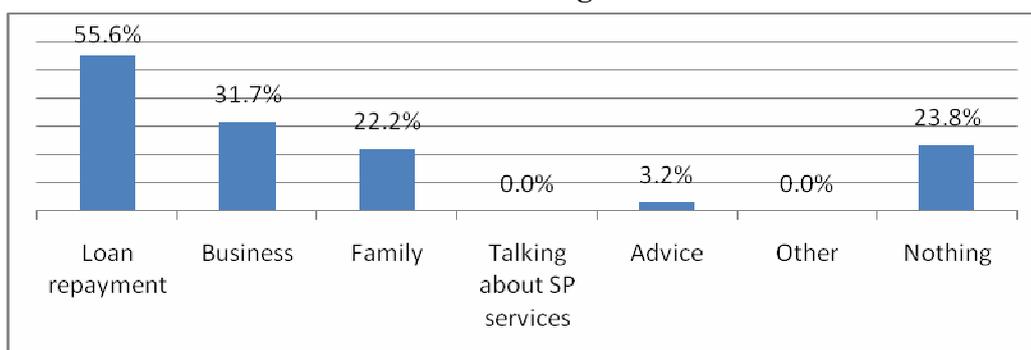
- It should be noted that all 4 of these interviewees (the 6.3% mentioned in the previous point) did not find it important that the loan officer visit them. This can be explained by the fact that this is what they had come to expect of their relationship with the loan officer – that he would collect their loans at the satellite office, and nothing else.
- This same reasoning can be applied to the clear majority who found the visits enough. **Whatever the frequency of the loan officer visits, partners in general found it sufficient because this is what they had come to expect of their loan officer.** There was no sense that the officer was obliged to visit a certain number of times a month; they were satisfied with the status quo because this is how things have been all along.
- The one interviewee who said that that the loan officer's visits are not enough explained that she would like the loan officer to come more often to her house to collect repayments.

7. Is it useful?

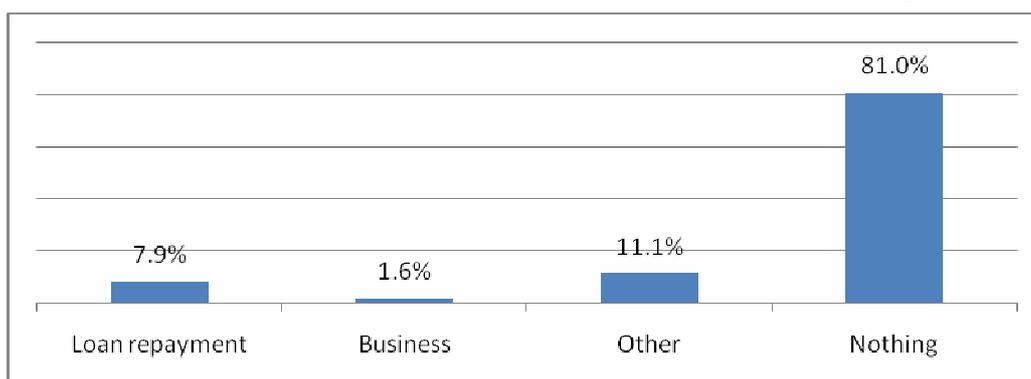


- Various reasons were cited when interviewees were asked why they found the loan officer visits useful:
 - o They could get advice from the loan officer;
 - o They could ask for information regarding their present or possible future loans;
 - o The loan officer collected repayments from them (for communities with door-to-door collection), which was really appreciated.

8. What does the loan officer discuss during his visits?

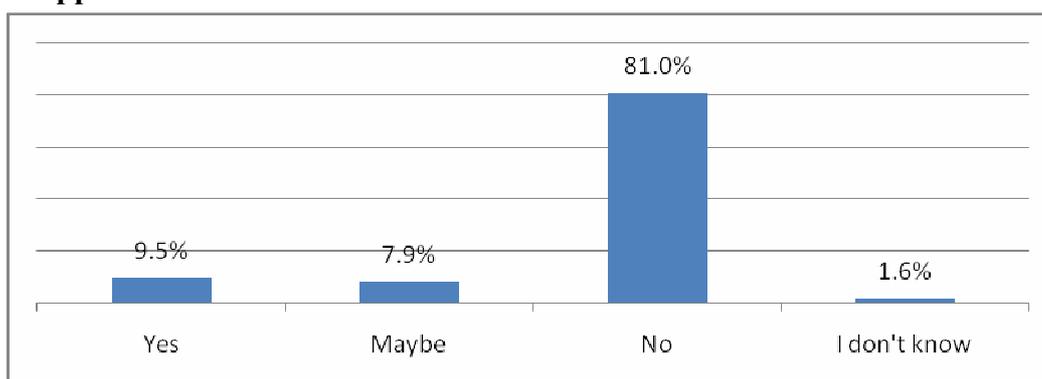


9. What else would you like to discuss with your loan officer during his visits?



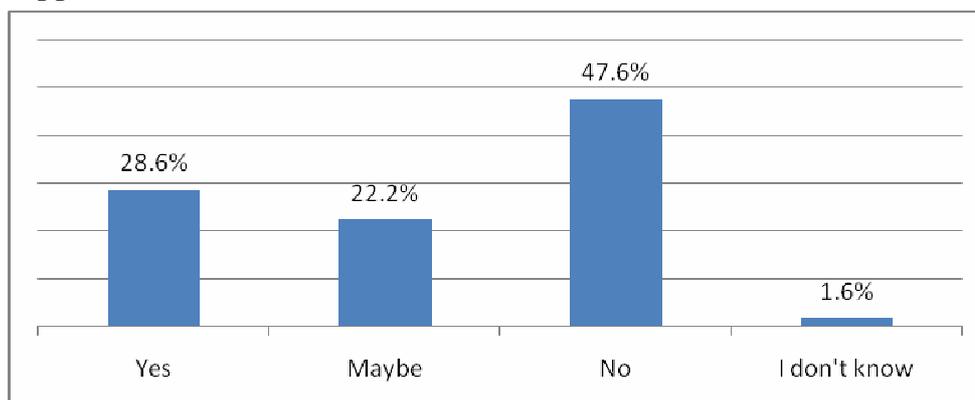
- When looking at the data in Q8, one's first response might be concern that the loan officer is not talking about anything to partners during his visits (i.e. he is only collecting loans). However, in Q9, we see that this cannot be attributed to the indifference of the loan officer. Very often, partners told us that they were busy, and that they did not want to discuss anything with their loan officer because they did not have the time. They would only contact the loan officer to discuss certain loan- and occasionally business-related matters when needed.

10. If you had a personal problem, would you approach the loan officer for advice or support?



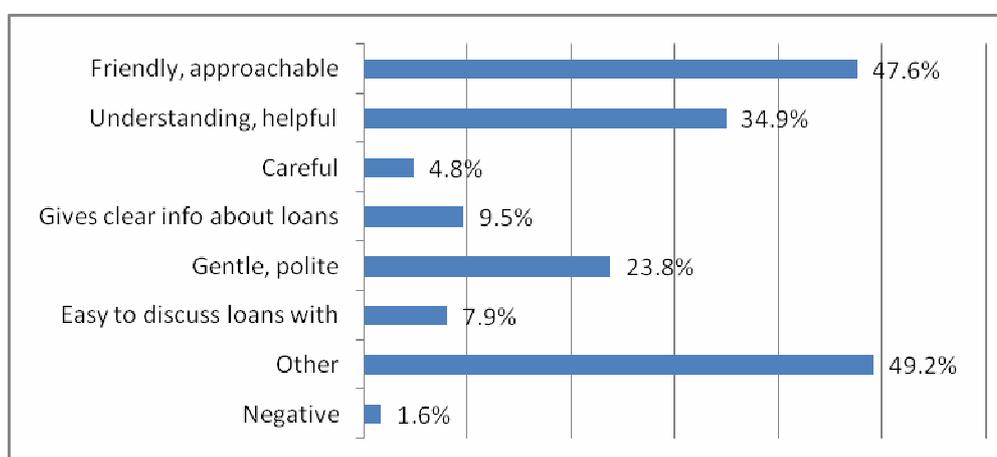
- An overwhelming majority of interviewees replied that they would not approach the loan officer for advice on personal matters. In fact, most found it strange that such a question would even be asked. They pointed out that they would discuss such matters with family members instead.

11. If you had a business problem, would you approach the loan officer for advice or support?



- It is interesting to note here that for business problems, as for personal matters, almost half of the interviewees said that they would not approach the loan officer for advice. For those who replied ‘Yes’ or ‘Maybe’, most also qualified this by pointing out that they would ask the loan officer only for help in getting more loans or in discussing repayment (in essence, loan-related issues).
- **Most interviewees saw the loan officers only as a channel for loan disbursement, collection and loan-related information, and not for advice on other social matters in general.** This trend can be attributed to the fact that loans officers seemed rather busy with loan repayment collections and operational aspects of the micro-credit programme, having little time to have more than just a few minutes of conversation with partners and to create a culture of sharing and advising.
- It should be noted that this does not mean that Sovann Phoum’s image to its clients is clinical and negative. A fuller picture of the perception that partners have of the organization will be elaborated in the section on the overall perception.

12. How do you find SP’s loan officers/staff?



- **All interviewees had positive things to say about their loan officers and the staff of Sovann Phoum. The most common responses were that they are:**
 - Friendly, approachable, relational
 - Polite
 - Understanding towards partners’ situations and late repayment reasons
- One interviewee had a complaint: that the loan officer was sometimes late in collecting loans, and that he was sometimes angry with him because he had to wait. He however mentioned later that in general he found that loan officer satisfactory.
- Some other significant responses contained in the ‘OTHER’ response that should be affirmed here are that loan officers:
 - are honest,
 - give clear information about loans that is easy to understand and
 - are easy to discuss loan matters with.

The type of response to this question collected depends on the personality of the individual loan officer in charge of the area, each having his own style. Significantly, interviewees in one area pointed out how their loan officer would use funny illustrations to explain loan policies with them in an understandable way, something which they really appreciated.

- It is useful to note that for Q28 (Overall Perception), in the question asking why the interviewee chose to take a loan with Sovann Phoum in the first place, 19% mentioned loan officers (citing the same qualities as above) as a reason. Also, clear information given by loan officers was another reason cited as to why they decided to take a loan.
- Quite a number of interviewees juxtaposed their praise for Sovann Phoum's loan officers with the negative experiences with certain officers of other MFIs, who they say were rude, rough or unreasonable.
- **IN SUMMARY, the individual loan officer is the face of SP: it is the kind of image of Sovann Phoum which he presents to the clients that is of utmost importance.** Many interviewees mentioned the loan officer as an important factor in their SP experience.
- The earlier mentioned characteristics make Sovann Phoum's team of officers an asset to the organization.

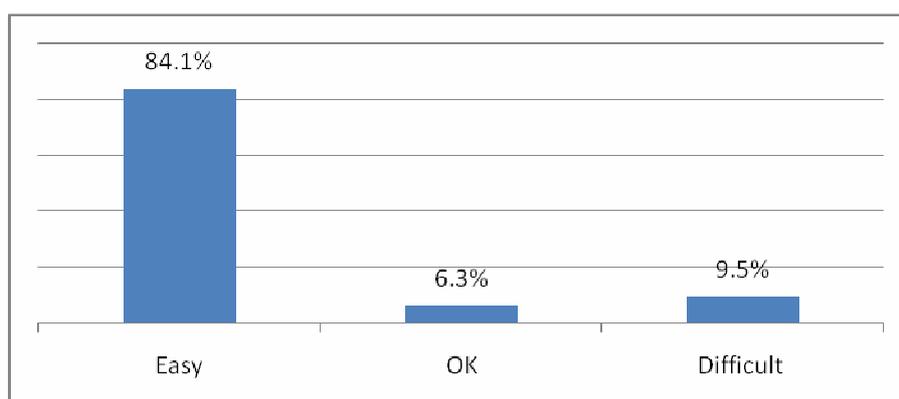
N.B.: In looking at the data in this question, one must pay attention to the profile of the respondents: they are existing clients, and therefore probably grateful and content that they are receiving a loan. They are also the ones who are able to make repayments punctually at most times, and therefore, would naturally have little negative things to say of the loan officers.

Recommendations

- Regarding the aforementioned observation that most interviewees saw the loan officers only as a channel for loan disbursement, collection and loan-related information, and not for advice on other social matters in general:
 - This should be noted especially if Sovann Phoum sees its loan officers as channels of advice and support for the improvement of the socio-economic situation of its partners, and if it would like to present the image of itself as an organization with a social mission.
 - Sovann Phoum's officers are not social workers. But above just loan collections and disbursements, **officers could be more purposeful in hearing their partners out and giving advice on businesses and loan management that would help these families in a more all-rounded away.**
 - **Loan officer advice and support is one of the best ways of ensuring that the loans become tools that are truly effective for the improvement of partner's income generating activities and thereby living standards.**
 - The positive perception of the loan officers by partners in general will facilitate this giving of advice and support.
- Practically speaking, this is also important because if partners view Sovann Phoum as only a source of loans, other channels of non-financial help such as advice, referrals to other NGOs for other socio-economic needs, or even business-oriented training, will be neglected and underutilized by these clients.
- **This points again to the benefits of having satellite offices in more areas to free up the officers to spend more time visiting partners to provide advice, counselling and support and partner-loan officer relations that go beyond banal loan transactions.**

LOANS

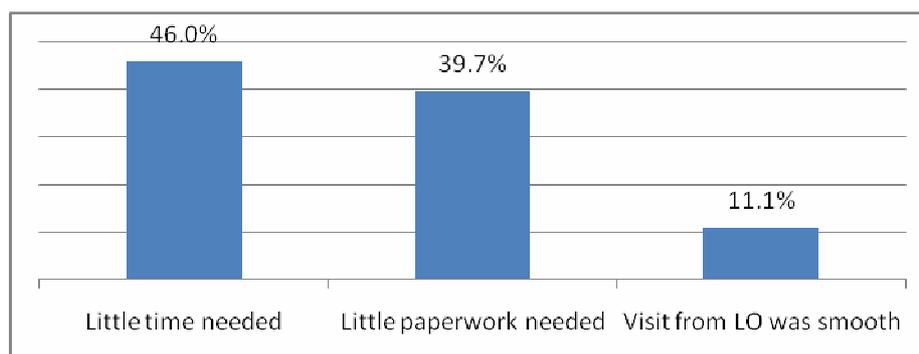
13. A. How easy is it to apply for a loan from SP?



B. Why?

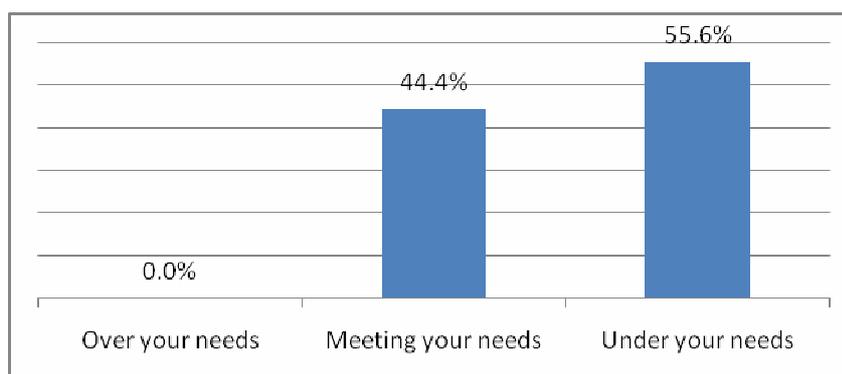
- 9.5% of those interviewed found it difficult to get a loan from Sovann Phoum, citing the reasons that:
 - A guarantor was needed
 - A visit had to be made to the village chief (local authority) to ask for his agreement that they get a loan. It was noted that a small amount had to be paid to the chief village for this.
 - Many questions were asked during the first 'home and business visit' by the loan officer to assess the loan request.
 - The filling of the form for the loan request was troublesome.
 - The most thought provoking difficulty mentioned by one informant was that his motor ID has been kept by Sovann Phoum for the loan period. This has caused him a lot of inconvenience. He has received several fines for driving his motorbike without the ID, and now has to resort to taking motor-dups to his place of work, which are an extra burden to him. **In view of this singular case, it is suggested that the operational policy regarding the keeping of certain documents as collateral be reconsidered. Certain assets such as motor-dups are used on a daily basis, without the documentation of which it is a significant inconvenience to the partner.**
- Other reasons that could have possibly been a source of dissatisfaction were however not cited by interviewees:
 - Too long to get a loan
 - Upfront savings required
 - Permanency of residence
 - Lack of information regarding loans

If easy, why:



- 84% of the respondents found it easy to apply for a loan from Sovann Phoum. It was observed that the very same points of dissatisfaction for those who found the loan application process difficult were what the rest found to be easy or not particularly difficult.
- **It is significant that a clear majority of respondents found the loan application easy. ‘Little time’ as well as ‘little paperwork required’ were the 2 oft-cited reasons.**
- **It can be reasonably assumed that the results to this question are biased in the sense that all the interviewees are people who have received loans successfully. It is reasonably assumed that those who attempted to apply for a loan but were unsuccessful would have very different answers to these same questions.**
- This question is particularly pertinent because a period of about 1.5 years has transpired since the implementation of a tighter set of conditions for potential borrowers in a bid to improve the organizations loan portfolio. The bigger question of significance is, **‘Are these set of conditions too stringent such that Sovann Phoum is denying micro-credit unjustifiably to many more people in real need of the loans?’**
- The answer to this question might be yes. More empirical data on this must be collected before a firmer answer can be given, but in a conversation to one staff of Samatapheap Khnyom (an NGO that does social work in many of the same areas as Sovann Phoum), the fact that quite a number of poor families seeking to take a loan were denied this due to strict conditions was highlighted.

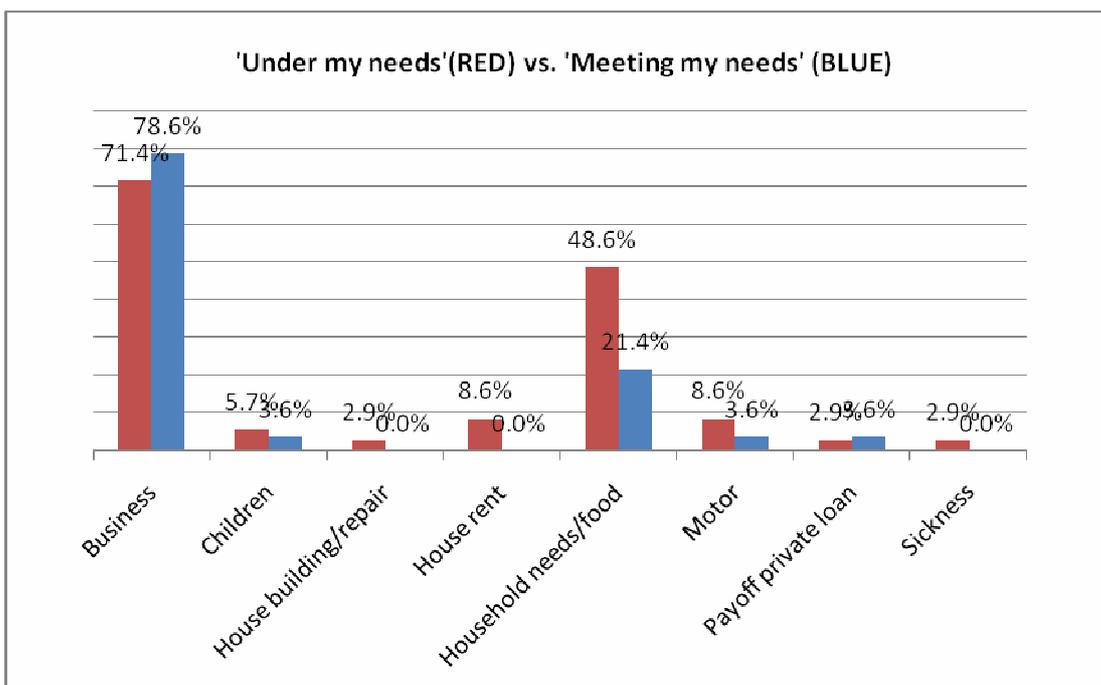
14. What do you think about the loan amount you’ve received from SP?



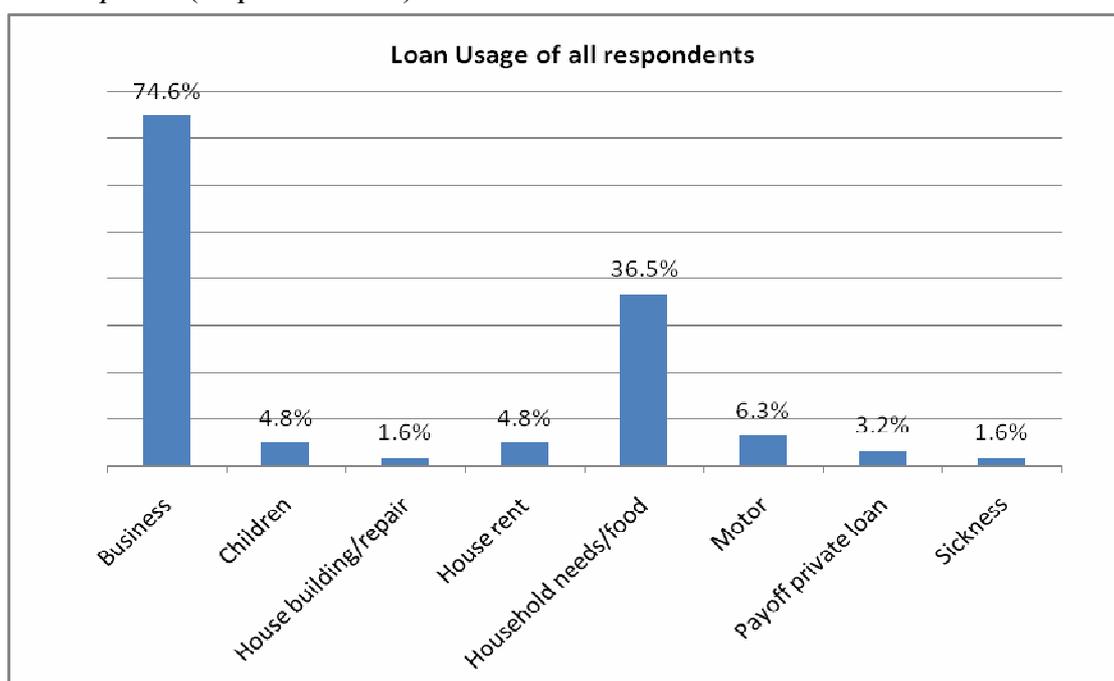
- **It is heartening to know that for 44.4% of the interviewees, the loan amount was meeting their needs. This is one indication that the target population of Sovann Phoum (the poorest of the poor) is benefiting from the loans.**
- Slightly more than half of the interviewees think that their loan size is not meeting their needs. This is not something particularly different from the results of similar customer satisfaction surveys carried out by other MFIs in the past. There is a general pattern of micro-credit clients feeling like they could do with a bigger loan.

Loan usage and sufficiency of loan size

- Some cross analysis was done with the type of income generating activity, loan size and what the loan is used for, to see if any trends could be observed. Cross tabulations with income generating activity and loan size yielded no significant patterns.
- However, when what the loan is used for was compared for the 2 groups of segments (viz. those who responded ‘Meeting my needs’ and those who responded ‘Under my needs’ in Q14), a certain observation could be made:



- **A significantly greater number of those who felt that the loan size was insufficient spent the loans on other non-income generating expenses (especially household necessities, utilities and food).** This observation is not conclusive, but it does clue us in somewhat to one reason why some clients might not find their loans enough.
- **Along the same line of loan usage, one would notice that one-quarter of all interviewees did not use the loan for business needs. A fair number of the rest also used part of the loan for other uses that did not contribute directly to their income generating activity.**
- There were even some interviewees who do not have any income generating activity to speak of, who took a loan.
- This set of data is worth noting given the fact that Sovann Phoum, in its Financial Services Policy (updated in October 2010), stated clearly that 'loans are provided to partners *for the purpose of income generating activities only*, and they *may not be used for personal consumption*' (emphasis added).



Private loans

- A worrying observation was made: that is, the prevalence of private loans. Private loans were often mentioned by interviewees when the topic of loan size was discussed. There were two situations which were most common:
 - Part of the loan from Sovann Phoum was used to pay off private loans;
 - The loan amount from Sovann Phoum was not sufficient for the partner's needs and he or she had to borrow from a private lender to supplement the loan.
- There are certain aspects of private loans that make them undesirable and quite a burden to those who often have no choice but to take them:
 - Interest rates are very high. One informant told us that for a 60,000 riel loan, a total interest of 12,000 riel (20%) had to be paid over 24 days.
 - Repayment is sometimes on a daily basis, which exerts a burden on the household's disposable income.
 - Private loans are informal agreements and are not governed by any proper contracts or laws. Although this was not mentioned by any of the clients, certain issues are foreseeable should the borrower default because he is unable to pay back.
 - Some of the partners are spending a part of their loan on repaying interest; they receive neither an income, nor any actual tangible benefit from this part of the loan usage.

Recommendations

- **Is Sovann Phoum extending loans to its intended segment of the population?**
It is extremely difficult to determine this because it was observed that a number of clients who were unable to cope with repayment in fact still requested for a bigger loan. The difficulty of making repayments did not seem to be a consideration for them in requesting a bigger loan. **With this in mind, the high percentage of partners asking for a bigger loan may not really tell us if we are reaching the target population or not, but rather, point to the need for partner education and training in basic financial management.** If the answer to the question above is yes, is a revision of loan sizes upwards needed (because even the target population of Sovann Phoum, i.e. the poorest of the poor, requires more capital for business expenses)?
- Does Sovann Phoum need to **diversify the type of loan products that it offers** (such as business, housing, etc.)?
There are certain reasons that would encourage such a move:
 - Presently, partners are using loans on expenses other than business ones and therefore find that the loan size is insufficient, as seen in the preceding analysis on Loan Usage. Creating different loan products would introduce such a discipline which is otherwise difficult to implement by having a single type of loan product as is the case currently.
 - The business profile of the partner changes over time. For example, a loyal partner has a business at first, but she has to stop in order to take care of her child after giving birth. She nevertheless still needs a loan for family needs which would help her family maintain their present socio-economic status. A different loan product would be of great help to her.
 - The decision to limit the use of loans to business uses was because non-income generating usages would not provide the partner with a means of repaying the loan. However, we should note that the taking of a loan and repayment are most often a family effort. That is to say that, the partner often has other sources of income

(from family members of the partner) that help ensure repayment. We should nevertheless guard against loans taken by households that have limited sources of income and are therefore likely unable to repay loans used for non-income generating uses.

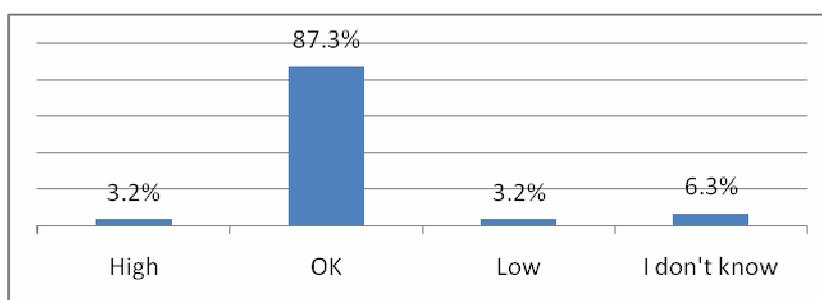
- The use of loans for uses other than an income generating activity is a common practice among existing partners already.
- **The prevalence of private loans, as well as the pattern of loan usage among Sovann Phoum partners, highlights again the importance of training.** Through trainings in loan management and business strategies, we can encourage them to be purposeful in making a distinction between business expenses and household ones, and **show them how to make good use of the loan as a leverage to improving their income generating activities and hence family's disposable income capacity to make savings in the long run.** This will help to reduce their dependence on burdensome private loans in future.

Case in point: One female interviewee from Boeung Salang has a pork business. Her husband works as a farmer away from Phnom Penh and never gives her any money, so she has to support the children herself. She took a private loan before because she did not have enough money to support the family, but is trying to pay it off now, using a portion of the Sovann Phoum loan, because it is burdensome (high interest rate and daily repayment). This is her fifth cycle and she is taking a loan of 200,000 Riel.

- This small loan size in her fifth cycle points us to the fact that her business has an irregular income and that increasing her loan size (what she requested) may not be the best way to help her. The long run solution is to empower her with skills to run a profitable business which will ultimately help her pay off the private loan, reduce her dependence on private loans, and support her family in the long run.
- **It is suggested also that the loan officer team implement the practice of keeping track of loan applications that were rejected (Name, location, date of application, reason for rejection).** This helps in 2 ways:
 - Sovann Phoum can keep a record of the number of people who are not able to join the programme and for what reasons. This will help the organization judge if the policy conditions implemented 18 months ago are too strict, something which this study was unable to determine empirically.
 - This helps with the handing over process. Even if an existing loan officer leaves the organization, his replacement has records which will help him to know the history of loan applications in his area of responsibility.

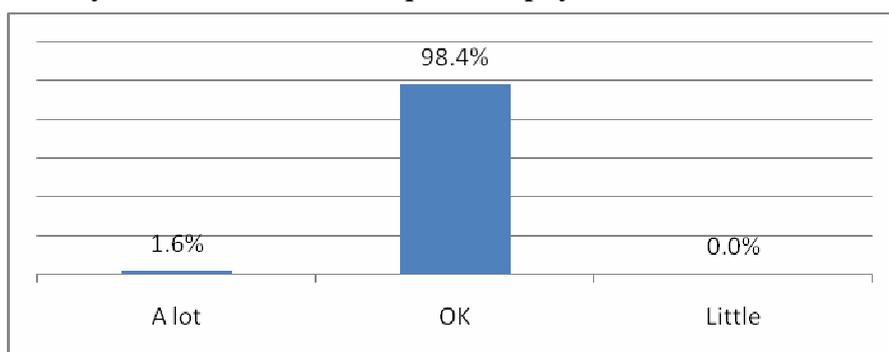
REPAYMENT

15. What do you think about the interest rate that you are paying (2-3%)?



- **The majority of clients are satisfied with the present interest rate of 3%,** which a fair number note are more competitive in comparison to private loans and other MFIs they are aware of.

16. What do you think about the required repayment amount each time?

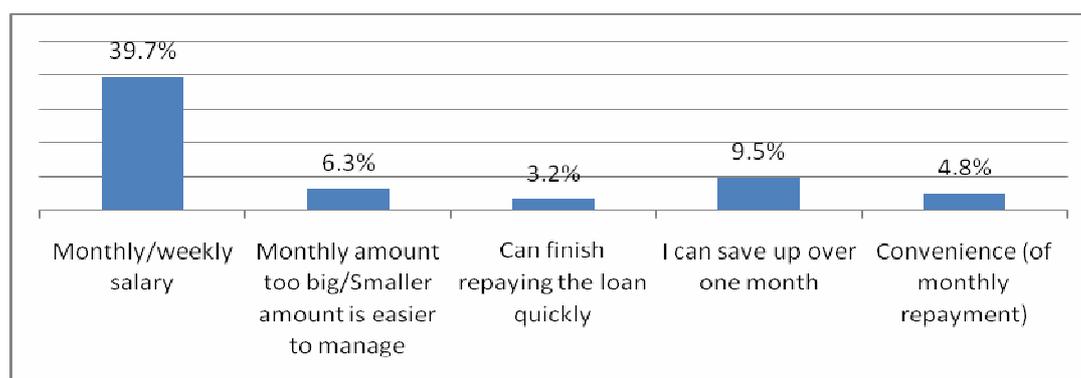


- All except one interviewee thought that repayment amount that they made either monthly or weekly was manageable. This could mean one of two things: either that the loan size and repayment frequency correspond to the needs of clients, or that the loan size is below the repayment capacity (and perhaps needs) of partners.

Q17 and Q18 were designed with the intent of understanding the saving and spending habits of partners, their sources of repayment money and their attitudes toward repayment frequency. These rather open-ended questions give us some indication as to whether Sovann Phoum's financial policies with regard to repayment and savings in line with realities on the ground.

17. Why would you rather make a repayment every week or every month?

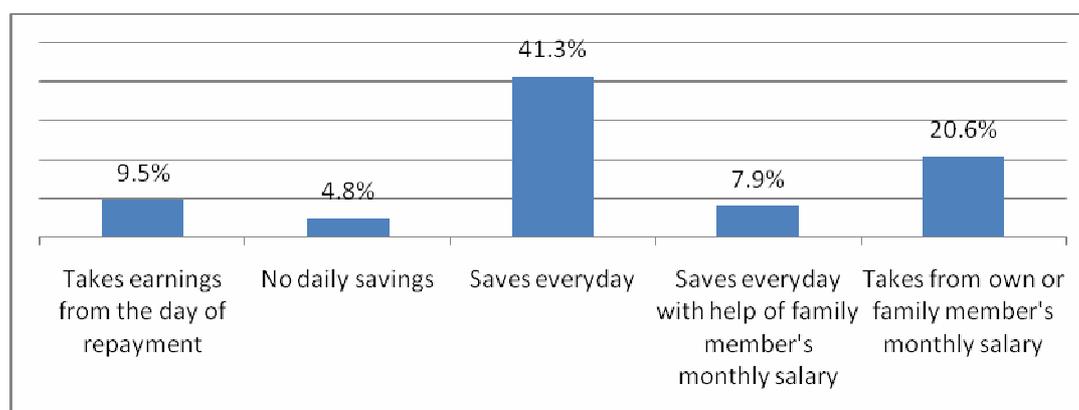
A wide variety of answers were given for these 2 questions, and they have been distilled into the following:



- **So what considerations do partners have with regard to the frequency of repayment?** Many of the interviewees prefer that the frequency of repayment correspond to the frequency of the receipt of their salary. For example, if the main source of money for repayment was their own or a family member's monthly salary, they preferred a monthly repayment.
- These other considerations were also brought up:
 - o The size of the repayment amount – a monthly repayment would mean a bigger amount which is unmanageable to them.
 - o The speed of paying off the loan – some were keen to pay off the loan as quickly as possible
 - o The time needed to save up for repayment – for some, daily or weekly sales were erratic and a monthly repayment schedule provided them some space to save up for repayment.
 - o Convenience – a few interviewees said that monthly repayments were convenient because they would have to go to make repayment less often.

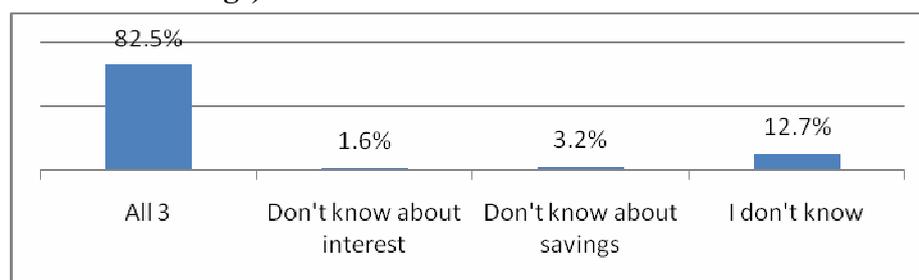
- **In conclusion, given this range of considerations, it is no wonder that the flexibility of repayment frequency is a feature that partners appreciate, as it allows them to decide according to their own circumstances.**

18. How do you set aside money for your repayments?



- Unexpectedly, a large number of interviewees (41.3%) save on a daily basis to make repayment. This practice of saving regularly for repayment is positive.
- Of course, **this positive habit is not repeated in the area of general savings. In this respect, very few of those interviewed saved up for the future on a regular basis (this shall be dealt with in Q22 on the usefulness of savings).** This can probably be understood as a result of the fact that repayment is an immediate concern that must be addressed, while the future or any contingency are eventual and not ‘pressing needs’.
- 28% of interviewees also told us that they depend on another family member’s monthly salary to make all or part of the repayments. This reflects that the fact that taking a loan is often a family decision, and making repayments, a family effort.

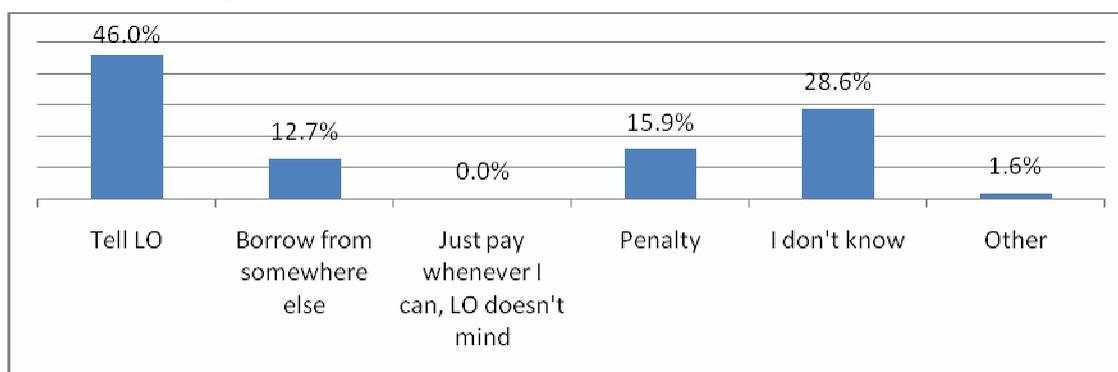
19. Each time you make a repayment, what are you paying for exactly? (Principle, interest and savings)



- While most interviewees responded confidently that they knew the 3 components of their repayments (viz. principle, interest and savings), **17.5% were clueless about it.** This latter group of interviewees is an important reminder that some of those within Sovann Phoum’s target population among the poor have little education, and may not be aware that they are in fact paying for the loan service (in the form of interest) and that it is not an act of charity. This points to the need for partner education and information through the loan officer team.
- This leads us to another observation of note that was made during the course of the interviews. **Some loan schedules (the sheet of paper that lists the repayment frequency, amounts, as well as the different component of the loan, and meant to be kept by the partner as a record) were in English only, incomprehensible to the partner.** While the loan officer’s explanation of the various aspects of loan policy are the

most important means of giving information to the partner, some attention should be paid to certain details such as the language of the loan schedules.

20. What happens when you cannot repay your loan, even after the late repayment collection day?



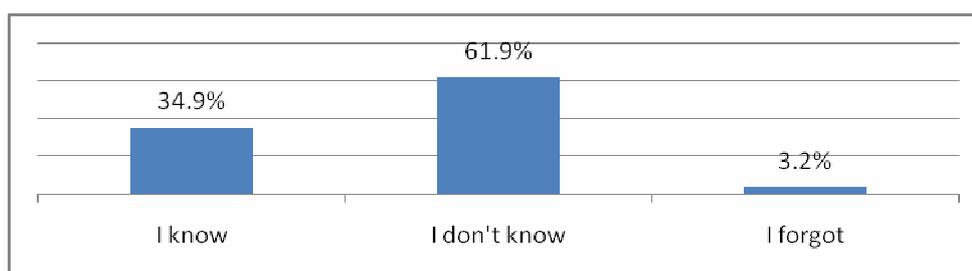
- Almost half the interviewees responded that they would tell the loan officer. Many among them recalled their experience of being late, when the loan officer let them make the late repayment together with the repayment of the following week. This is one of the principal reasons why they say that the loan officer is understanding, something that they appreciate very much.
- While a few respondents believe that they will never get a penalty when they are late, most are aware of the possibility, although **the general sense is that they can approach the loan officer first to negotiate a late repayment with them first.**
- One particular instance of late repayment deserves consideration here. One family that makes weekly repayments incurred late repayments because they had to return to their hometown for a period of three weeks. This family was one of the few that said that the loan officer was not understanding at all. In such an instance, what should be done?
- It should be noted that the 28.6% which responded that they did not know what would happen in the case of a late repayment qualified that this was because they had never been late before. Indeed, many of the other interviewees who gave other responses were anxious and swift to point out too that they had never been late and would try their best to never be late. This reflects their desire to get a re-loan, the application for which takes into account their history of timely repayments.
- This also reflects that there is a bias in this group of respondents who have generally had a good history of repayments, and therefore no imaginable reason why they should fear the loan officer or have negative views about him. One experience with one loan officer chasing a partner for late repayment did not seem so pleasant, unlike what the data from this question show. The opinions of people who incur late repayments more frequently or for a longer time will likely have different answers to this question and as well as the question on what they think about the staff of Sovann Phoum.

Recommendations

- The loan officer team should pay attention to giving partners a loan schedule in the Khmer language.

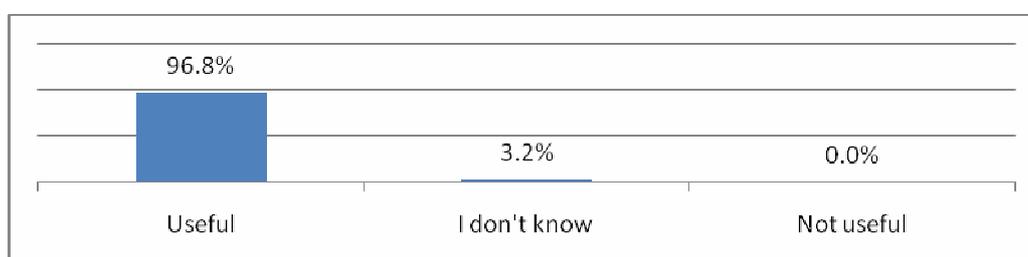
SAVINGS

21. How much savings do you have with SP?

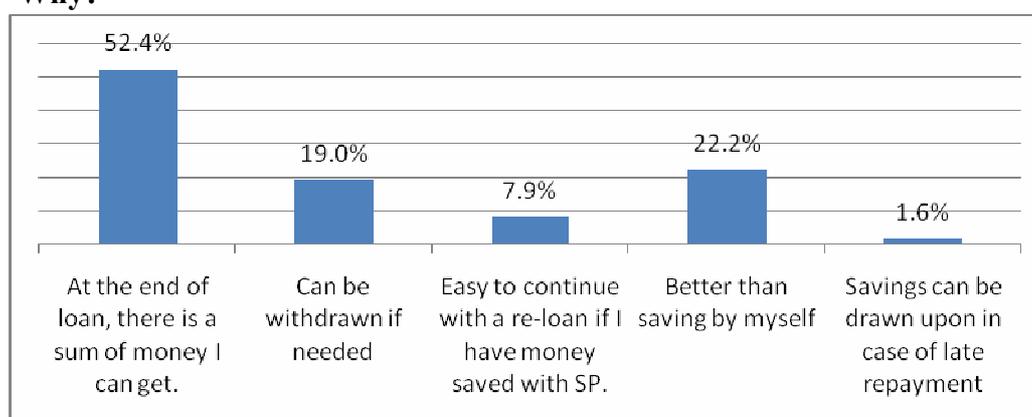


- While 84.1% of the interviewees were aware that they have savings with Sovann Phoum, almost two-thirds of them were not aware of the amount. Despite this, almost all of them (see Q22) find savings useful and are very positive towards the compulsory savings programme that Sovann Phoum imposes on every partner.

22. What do you think about compulsory savings with SP?



Why?



- Partners are mostly very appreciative of the fact that they are able to save some money as they take a loan with Sovann Phoum. From the range of responses given when they were asked why they thought savings were useful, we can tell that there is a good sense on the ground of the value of saving.
- **The interviewees were very appreciative of the compulsory savings policy precisely because they see much value in saving, but find it difficult to save on their own.**
- There were two reasons mentioned as to why they found it difficult to save on their own:
 - o First, that they are always tempted to buy snacks or other things either for themselves or their children. What they appreciate is that they are forced to save, and that their money is kept away from them.
 - o Second, one woman mentioned that if she were to keep her savings at home, her husband would take the money to buy alcohol.
- While the Sovann Phoum Financial Services Policies manual (updated in October, 2010) states that the savings scheme “encourages every partner to develop a healthy discipline

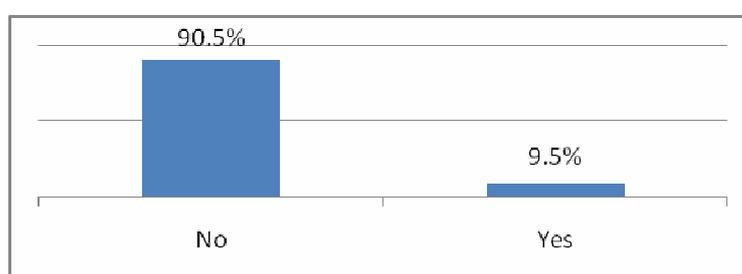
regarding the management of his/her savings”, **it is not certain whether a true habit of saving has been inculcated in partners, since more than 22.2% (the figure is surely much higher although a specific number cannot be given) of clients are not presently able to save on their own.**

Recommendations

- The compulsory savings programme is a feature of the Sovann Phoum policy which is very positively viewed by partners. It should be continued, and **consideration can even be made to allow partners to decide if they want to save a bigger percentage of their loan.**
- Another suggestion is to consider if specific “objective-savings” products can be designed to address this widespread desire to save with an institution.

NON-FINANCIAL SERVICES/TRAINING

23. A. Have you ever attended any training?



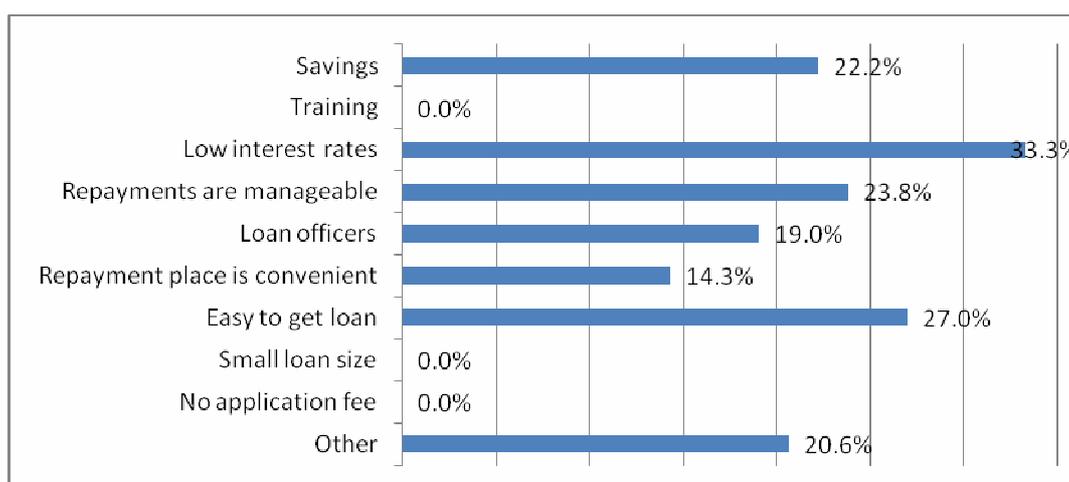
- **Figures indicate that very few partners or their family members have attended any training before.** While the Annual Activity Report 2010 indicates that 145 out of 489 active clients (29%) attended at least one of the business-related trainings in 2010, **only 9.5% of our respondents said that they have attended training before.** This distinct disparity might point to the fact that interviewees did not realize a certain training session was indeed training, since trainings are often informal and conducted for a very small group of partners each time.
- All partners who attended training found it useful, explaining that it helped them improve their sales and increase their business know-how. The only complaint mentioned was that the location of training was too far (outside the village).
- For those who have never attended training, 34% indicated an interest in attending training on business (how to improve one’s business) and skills/vocational training courses. **The rest who have no interest in attending training state that they are too busy, and that they are quite content to receive a loan. Entrepreneurship and business training is clearly not a priority for most interviewees.**
- Vocational training is not a part of the micro-credit programme but partners generally did not differentiate clearly the different branches of Sovann Phoum’s operations. While this area is not directly related to the present report, this interest in vocational training (14.3% of interviewees) serves as a good indicator that there is a sizeable potential audience for the organization’s existing vocational training programme. Most of these interviewees expressed the desire for their children to gain a skill that could earn them a living, and 3 others said that they were extremely grateful for the vocational training which their children underwent.

Recommendations

- It is suggested that loan officers pay more attention to **presenting the business training programmes in a way that highlights their value to improving the profit of partners' income generating activities.**
- Loan officers could also **provide information on training every time a re-loan is taken.** Several interviewees noted that they were only told of training at the start of their first cycle, but never again.
- It is understandable as to why loan officers are not too enthusiastic in promoting trainings. This is because they have not been systematically planned and implemented, and there is not a range of trainings on offer that would really attract the partners at the moment.
- A further question to ponder is whether the present trainings are the best mode for channelling capacity building advice to partners. Clients have ongoing businesses and jobs, so the channelling of advice must be convenient to them. **A suggestion is to supplement training sessions with more home visits where personal counselling for businesses, loan management and even other issues is given.** This is both convenient for partners and helps loan officers understand the needs of their partners.
- Given the packed schedule, the report by Do Bich Phuong on Sovann Phoum's non-financial services suggests quite rightly that a few families in each area that are in real need of such advice be identified and followed up with by the loan officers. This is because it is difficult for loan officers to make home visits to all partners on a regular basis.
- With regard to Sovann Phoum's vocational training programme, **consideration should be made to extending vocational training opportunities** (possibly for a minimal fee) to the children of present partners, since there is much potential for expansion in this area as indicated by the amount of interest expressed throughout the interviews.

OVERALL PERCEPTION

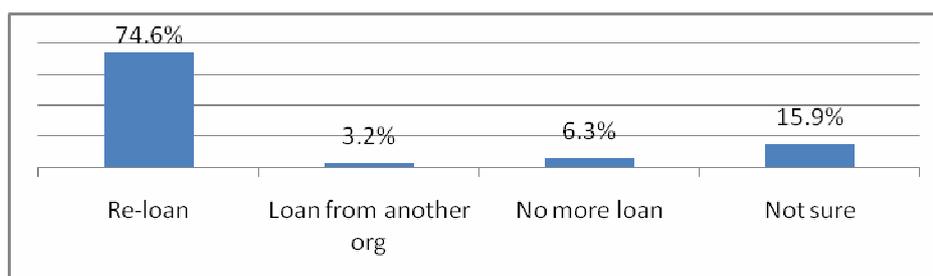
24. What is the main reason that made you choose to take a loan with SP instead of another MFI?



- The top 5 reasons for which partners chose the Sovann Phoum microcredit programme are:
 - Low interest rates
 - The application for a loan is easy
 - Repayments are manageable
 - The compulsory savings scheme is good

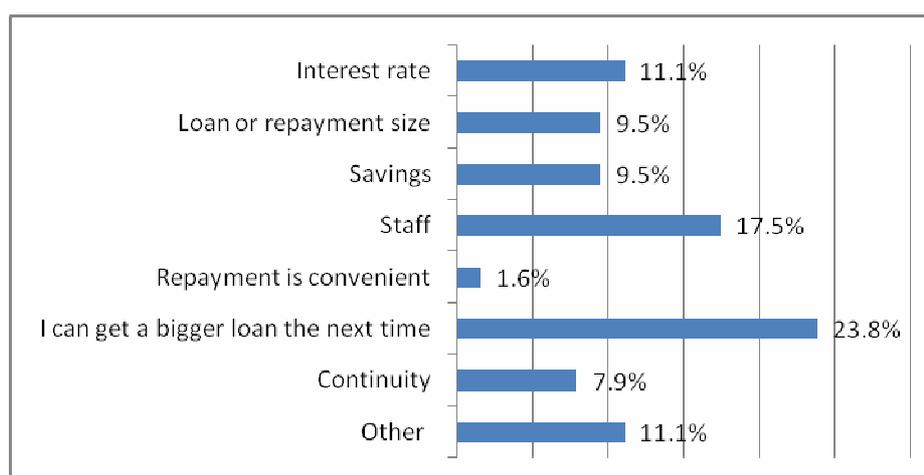
- Loan officers are helpful, understanding and approachable
- Several other noteworthy reasons for choosing Sovann Phoum were brought up:
 - The option of choosing repayment frequency (either weekly or monthly).
 - Clear and simple information about the loan policy given by loan officers. This makes the loans accessible to even those who have little education and are unfamiliar with financial concepts.
 - Sovann Phoum was the only micro-credit institution (MFI) that the partner knew and he or she needed the money.
 - Sovann Phoum understands and helps the poor.

25. A. At the end of your current loan, would you like to:



B. Why?

IF 'Re-loan with SP':



- As seen from the first part of this question, **three-quarters of the interviewees expressed the desire to take a re-loan once their present loan is over.** One of the biggest reasons given is that they can get a bigger loan the next cycle. The second most frequently cited reason are the loan officers who are both understanding and approachable, making the overall loan experience (loan application and repayments) a pleasant, easily understood and smooth one.
- In seeking to understand why partners want to continue with a re-loan, the reasons cited in Q24 should also be considered.
- Of note, **the idea of continuity is very important for at least 58.7% of the interviewees.** In other words, many of them appreciate the benefits that come with remaining with one single MFI, in our case, Sovann Phoum. By choosing to continue with Sovann Phoum as a micro-credit client, one enjoys the advantages of:
 - A progressively increasing savings amount, which accumulates with every subsequent cycle;
 - A long-term relationship with the loan officer (who will be familiar with their household situation, businesses and needs);

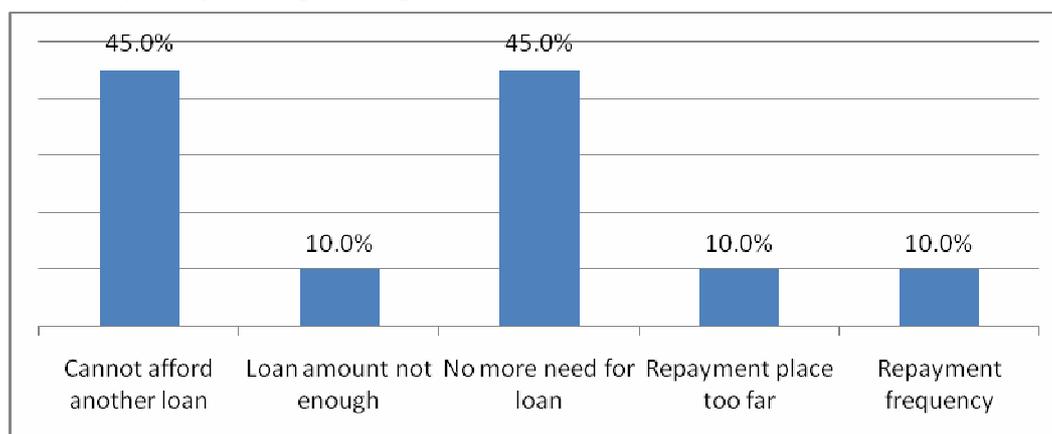
- Progressively bigger loans with each subsequent cycle;
- The perceived convenience and little effort required to apply with the same organization for another loan.
- *N.B.: 58.7% was derived through the summation of responses 1.3, 1.4, 1.6 and 1.7.*
- This encouraging figure has been corroborated by an equally positive partner loyalty rate of 71.5% in the latest June 2011 Micro-credit report.
- For those who responded that they would take a loan with another MFI (3.2%), the following two reasons were cited:
 - Insufficient loan size (1.6%)
 - Difficulty in finding a guarantor (1.6%)
- For those who said that they would take no more loan (6.3%), this is because they:
 - Cannot afford to take another loan (3.2%). For most cases, the business is not doing well. In a few others, an accident, sickness or theft took place, which reduced the capital in the household and made repayment too burdensome;
 - Have no more need for loan (3.2%). The need for which they took the present loan no longer exists, or they have become self-reliant within the household for meeting their own financial needs;
- A certain segment of respondents replied that they were not sure if they would take another loan (15.9%). This was never because they were not sure about Sovann Phoum as a source of loans, but rather that they could only decide on taking a re-loan when the need arose.

EXIT SURVEY ANALYSIS

N.B.: This survey was administered to only 20 former partners. This number is small and significant biases might therefore exist in the percentages. This possibility has been kept in mind and only general conclusions have been drawn from the data in this next section.

Also, as with the preceding Customer Satisfaction Survey, there is another significant bias in the data for the fact that we were unable to include people denied a loan and former partners discontinued from taking loans in this survey.

Q1 Why did you stop taking loans from Sovann Phoum?



- **The fact that 45% of respondents left the programme because they have no more need for loans is a positive sign.** This means that they have either become self-sustaining as a business, or other sources of income within the family are now able to support the business and other household needs.
- On the other hand, **45% of them could no longer afford to take a loan with Sovann Phoum.** This was either due to poor business earnings, or a sudden accident or emergency that reduced the family's savings. Those who met with an accident or sickness in the family found their ability to cope with the extra burden of repaying loans severely reduced. In these cases, some would then borrow small sums from neighbours or relatives, or not borrow any money at all.
- The other reasons highlighted in this question should be equally noted, for they might represent a much larger percentage of individuals in reality (given the inaccuracy of this small sample population):
 - **Loan amount is not enough:** often this desire for a larger loan size is combined with the reluctance to go through the hassle of meeting all the conditions stipulated for big loans. Certain other MFIs offer larger loans with fewer conditions, even if this might not be an amount that partners can cope with.
 - **'Repayment place is too far'** meant in both instances that too much money was spent on transport to the Sovann Phoum office to make repayments. Both respondents had to pay 5,000 Riel every week for the motor-dup trip there and back.
 - **Repayment frequency**
Case in point: This was an issue for two interviewees who were required to make weekly repayments. It was difficult at times for them to repay because business sales went up and down, but they were denied a monthly repayment that would have made it easier to save up for repayment. When we asked them why they were denied this, they said that no explanation was given. We understood later from the loan officer that they were not allowed to make monthly repayments because they

lived in a rented house, and a monthly repayment schedule would make it difficult to track them should they move away during the loan repayment period. This concern is reasonable, although the Financial Services Policies (updated in October 2010) does not stipulate this (“for re-loans, the repayment frequency is decided depending on each partner’s income generating activities”).

Q2 Did you change to another MFI? If yes, why? If no, do you plan to get a loan from Sovann Phoum in future?

- Only 20% of interviewees changed to another MFI or private lender. 75% of this group cited bigger loan size as the reason for leaving, while 25% of them mentioned ‘easy access to loan’ as the reason. This latter individual was actually keen on taking a loan again with Sovann Phoum but was not allowed to do so because she had lost her job. She is presently borrowing from another organization for her son’s medical fees, although she does not like that the interest rates are higher and there is no savings plan.
- Of the 80% who did not change to another MFI, all except two interviewees mentioned the desire or possibility of taking a loan again from Sovann Phoum because they were satisfied with its services.
- Between the two interviewees, one said that she would not take a loan again because she had earned enough from her tailoring business and was now able to support herself and her family. The other’s husband has a stable income which is sufficient for supporting the family and her business and therefore does not require a loan again.
- It should be emphasized that among the 80%, half of them were not sure if they would take a loan again, but if the need arose, it was Sovann Phoum that they would approach for a loan.

CONCLUSION

On hindsight, biases in the data have been significant in some respects because those who were denied loans and those disallowed from continuing were not included in this survey. Nevertheless, a number of interesting observations have been gleaned from this survey. Some observations have led to conclusions and recommendations, while other have raised many more questions to which there are no straightforward answers. It is hoped that this report as a whole provides much food for thought, and that the recommendations (recapped in the following) may be considered.

1. **More satellite offices** – consideration should be made to increase the number of satellite offices for reasons of operational efficiency. This frees up the loan officer team to undertake more training, promotional and home-visit activities.
2. **More active promotion** – active promotion by the loan officer on the field is the main approach by which Sovann Phoum should seek to extend Sovann Phoum's client base. A more systematic way of promoting the programme should be developed.
3. **Training and advice is important** – the need for a more purposeful effort to train partners in loan management and business skills has been observed in the prevalence of private loans and the pattern of loan usage among partners. It is also suggested that training session be supplemented with more home visits by loan officers to specifically identified families that need much help and advice. Loan officer advice and support is one of the best ways of ensuring that the loans become tools that are truly effective for the improvement of partner's income generating activities and thereby living standards.
4. **Loan conditions too strict?** It is suggested also that the loan officer team implement the practice of keeping track of loan applications that were rejected in order to keep a record of the number of people who are not able to join the programme and for what reasons, and to judge if the policy conditions implemented 18 months ago have been too strict, something which this study was unable to determine empirically. This also helps with the handing over process between loan officers.
5. **Expand scope of financial and savings products** – Findings indicate that there is scope for developing other financial services (loans) to cover personal needs, as well as savings plans that allow a greater amount of savings.

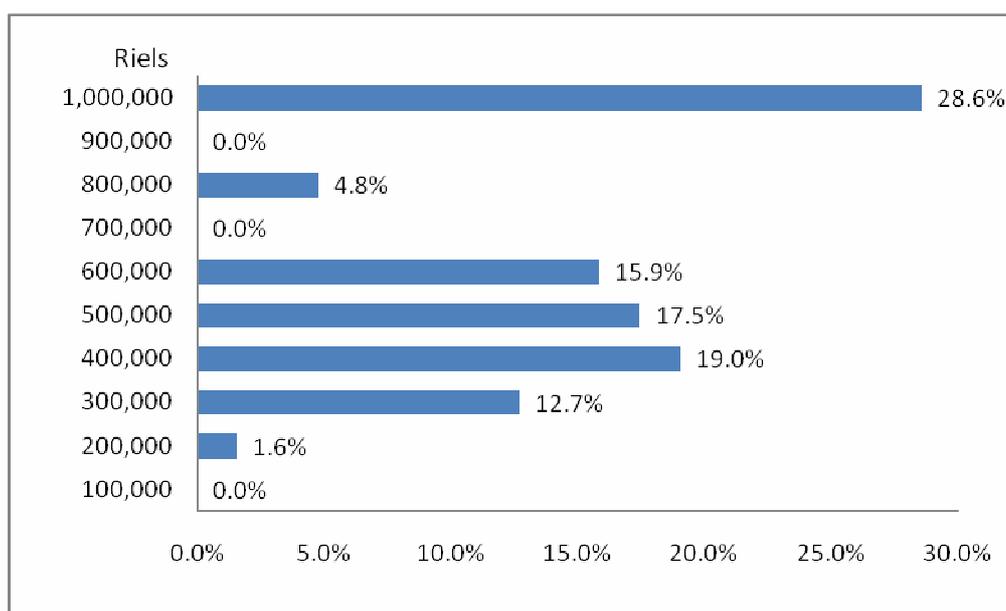
Annex A – Demographic profile of sample population *Not including Exit Survey respondents*

Age – The average age of the interviewees is 43 years.

Gender – 81% of the sample population are females and 19% are males.

Type of Loan – All those interviewed took small loans (i.e. loans ranging from 100,000 to 1,000,000 Riel)

The average loan amount and the spread – The average loan size of the sample population is 623,000 Riel. See the following graph for spread of loan sizes.



Cycle – On average, interviewees were in their 3rd cycle.