AMK Cambodia: *Using client data to inform the strategy*[1]

INTRODUCTION

This case study is directed toward microfinance providers who seek to improve their social performance management (SPM) practices. The case of Cambodian MFI Angkor Mikroheranhvatho (Kampuchea) Co. Ltd (AMK) highlights how providers can collect and use social data to monitor the institution's progress toward achieving its social goals.

The good practices discussed in this case study exemplify how providers can implement one of the standards found in the SPTF Universal Standards for Social Performance Management:[2] The organisation collects, reports, and ensures the accuracy of client-level data that are specific to the institution's social goals (Standard 1b).

Practitioners can use this case study to understand how to implement Standard 1b in practice, and to strengthen their own practices related to client data collection and use. See **Annex 1** for information on how AMK's practices compare to the practices found in the Universal Standards.

INTRODUCTION

In 2003, Concern Worldwide founded Angkor Mikroheranhvatho (Kampuchea) Co. Ltd (AMK) in Cambodia, and in 2010, AMK received a license as a microfinance deposit-taking institution. As of March 2014, AMK served 322,363 borrowers and 74,499 savers in all provinces (24) of Cambodia through 128 offices (see **Table 1** for Key Performance Indicators).

Social Mission: AMK's mission is to help large numbers of poor people to improve their livelihood options through the delivery of appropriate and viable microfinance services. The company growth model has always been based on deepening the outreach in rural areas where poor are traditionally concentrated. The company shows a strong commitment toward the achievement of the double bottom line; emphasis on poverty is part of both the intent and daily practice of the organization.[3] Shareholders and top management are dedicated to achieving the social mission, and the board has a Social Performance Committee.

AMK's strategy includes a clear set of social objectives designed to ensure the pursuit and achievement of its social mission. It regularly monitors and reports on the trends on its main social performance indicators, such as depth of outreach, client well-being changes, client satisfaction, exits, etc.

Table 1: Key performance indicators

Area/year	2012	2013	2014*
Borrowers	292,412	324,576	322,363
Loan portfolio ($K)	61,367	77,878	83,905
Savings clients	29,910	58,642	74,499
Savings portfolio ($K)	8,220	18,315	22,638
PAR% (>30 days)	0.12%	0.16%	0.17%
Adjusted client exit (%)	13%	16.5%	N/A
Women client (%)	87%	85%	85%
Outreach to rural clients (%)	94%	97%	97%
Staff (total)	1,187	1,444	1,602
Staff turnover (%)	11%	13%	N/A

*Data from March 2014

Box 1: The Social Performance Fund[4]

The Social Performance (SP) Fund for Networks is designed to mainstream the new Universal Standards for Social Performance Management. The SP Fund works with 10 networks that run 18-month projects to document learning and experience around innovative solutions to implementing the essential practices of the Universal Standards. They also support their members to reach full or partial compliance with one or more dimensions of the Universal Standards. Supported by the Ford Foundation, the Fund is managed by the Microfinance Centre (MFC), a microfinance resource center and network serving the Europe and Central Asia region and beyond.

Targeted Products and Services: AMK offers products designed to attract poor clients. Most clients who join AMK are from the lowest socio-economic strata of the country. The company approach is to design products that match the needs of target customers at different points along the poverty spectrum.

AMK offers a variety of services including credit, savings, money transfers, and micro-insurance. Operations are mainly concentrated in rural areas with 62% of clients receiving agricultural loans. Reaching rural clients is not easy, but AMK uses mobile agents to offer savings products—a unique model in Cambodia.

Monitoring poverty: To ensure that products and services are reaching the rural poor, AMK uses an in-house system to assess the socio-economic profile of each client and to measure the change created in their lives. Using this system, AMK can determine whether it is reaching target clients, and how these clients' lives are changing over time.

AMK monitors the socio-economic status of clients, including changes in client wellbeing. AMK's client monitoring system requires field staff to collect client data, which is then reviewed by management and the Board. **Figure 1** presents a three-step overview of the client monitoring system. Each step is explained in more detail below.

AMK'S MONITORING SYSTEM

Step 1: Collect Client Data

Developing data collection tools: Between 2005 and 2006, AMK's Research Department set out to identify the best and most statistically reliable methodology for measuring poverty. As a first step, AMK developed a pilot questionnaire to identify the most relevant indicators for poor households in Cambodia. After selecting a group of 45 suitable indicators, AMK tested them for statistical significance using 450 sample households, and determined a final list of 22 indicators to measure client wellbeing. Based on the findings from this pilot, the Research Department developed two tools:

1. *The Wellbeing Scoring Tool:* A quantitative tool that uses indicators such as assets, food and nutrition, and education level to determine a poverty score. The score is used to classify households into different poverty groups.

Figure 1: Overview of AMK's Client Monitoring System

2. *The Food Expenditure Tool:* A quantitative tool that measures household spending on food, which serves as one measure of household wellbeing.

AMK determined that they would rely more heavily on the data collected from Wellbeing Scoring Tool, as it not only assesses client poverty levels but also provides AMK with a variety of information on client characteristics, including:

- **Vulnerability to risks:** Indicators measure areas of potential client vulnerability such as food security, self-reported difficulties in affording large expenses, use of casual work to generate income, and savings/reinvestment behaviour.

- **Physical assets:** Indicators measure the assets of the household including land ownership, dwelling materials (floor, roof, etc.), and household goods owned (TV, toilet, etc.).

- **Human assets:** Indicators measure the capacity of the entire household to generate income and expenses, including number of members earning income, members with insurance, literacy level of members, etc.

- **Social capital:** Indicators measure the degree to which members of the household participate in and are supported by the wider community, such as leadership roles in community organizations.

- **Expenditures:** Indicators measure the amount spent by the household on common goods (e.g., clothing), on food, and on health.

The tool is based on Principal Component Analysis (PCA), a statistical technique that identifies indicators that capture common characteristics of poverty and weighs

them according to their contribution to the overall poverty score.[5] The result is an index that assigns to each household a score representing that household's "wellbeing status" in relation to all the households in the sample (relative poverty measure).

Collecting Data: AMK's Research Department is responsible for collecting client data. The robust department collects poverty and food security information and is also responsible for collecting client exit surveys, staff satisfaction surveys, reports on client multiple borrowing/over-indebtedness, reports on competition in Cambodia, and ad hoc market research for product development.

Step 2: Analyze Data

AMK believes that the ultimate reason for collecting client data is to inform management decisions. The institution approaches data collecting with important questions, including:

- Are we reaching poor, rural clients (i.e., target clients)?

- Are our clients benefitting from our products and services?

- How can we improve our products and services so that clients realize greater benefits?

While AMK collects client data on an ongoing basis, the institution analyses and presents the data only periodically. These reports are called "Client Change Studies." Periodic reporting allows the Research Department to thoroughly clean and analyze the data in a cost efficient way. It also allows management and the board to focus on one report at a time, thereby improving their ability to use the data for meaningful decision making.

Client Change Studies: AMK developed the first Client Change Study in 2008. The study analysed data collected by the Research Department on client and non-client households from 2006 to 2008. The research examined chronic poverty (scarcity persisting over a long period of time) and transient poverty (scarcity that comes and goes) among AMK clients and non-clients, attempting to determine any difference between the two groups in terms of increases in expenditures and asset accumulation.

The 2012 Change Study compared 2011-2012 data from a sample of households (both clients and non-clients) to 2006-2008 data from the same sample households, in an attempt to demonstrate change over time.

One significant change implemented in the 2012 study was the adoption of the "ID Poor Project" as a new measurement of the absolute poverty. This government-sponsored program seeks to provide an absolute poverty measurement for poor households in Cambodia, providing benchmark data that can be used to classify poverty using three categories: "Poor I" (poorest), "Poor II" and "Non-Poor." Households are placed into a category based on an assessment of material assets and their relative poverty level within their local community. The main objective of the program is to identify households in need of government safety-nets (e.g., discounted medical services, educational scholarships) but the methodology can also be used by other organizations working with poor people, including AMK.

Research Intelligence Reports: In addition to these Client Change Studies, the Research Department produces an annual "profile" of clients and non-clients—called a Research Intelligence Report. The reports are prepared in collaboration with several departments including Operations, Human Resources, Internal Audit, and Finance, to ensure a complete picture of the client experience and to create buy-in for SPM across the organization.

The purpose of the Research Intelligence Report is to provide information to management on shorter-term social outcomes, in order to monitor whether AMK is achieving its social goals. The reports also stimulate ideas for product and operational adjustments that better serve clients.

Step 3: Use Analysis for Decision-Making

The ultimate purpose of collecting client data is to inform management decisions, including operational and product improvements. Senior management receives client data reports directly from the Research Department each month and shares a portion of this information with the board of directors quarterly.

Results: The results of the 2008 Client Change Study showed that AMK clients made bigger improvements in both expenditures and asset accumulation, as compared to non-clients. The analysis also indicated that those improvements were comparatively higher among the transitory poor rather than the chronically poor.

In addition to these higher-level findings, AMK uncovered socio-economic dynamics that explained client poverty more intricately. The study found that

[5] This definition of the AMK-PCA score relies on a variety of sources, including the IFPRI/CGAP publication by Henry et al. Henry, Carla; Sharma, M.; Lapenu, C.; Zeller, M. (2003) Microfinance Poverty Assessment Tool. CGAP Technical Tool Series No.5.

both client and non-client households who were chronically poor demonstrated a low propensity to save. Alternatively, transiently poor who received a loan from AMK appeared more successful in creating safety nets against future shocks (i.e., cash or in-kind saving and asset accumulation). Additionally, the results of the 2012 survey indicated that the availability of capital increases the chances of economic progress at the household level.

Over the period of analysis (2006-2012) Cambodia went through several economic shocks—including an economic crisis, food price inflation, natural disasters, and political instability—that made the data comparison more challenging, especially because the study could not capture the impact of shocks over short periods of time.

Regardless of this challenge, the results of the 2012 Client Change Study allowed management and the board to understand client poverty more deeply and make important operational decisions.

Using the results for management decisions: The results of the 2008 Client Change Study revealed an even greater need for AMK clients to access savings and strengthened the institution's resolve to offer savings products for clients.

Similarly, the 2012 study revealed that the company should remain committed towards serving the poorer client segments. The study has also demonstrated that microcredit alone might have little impact on client's life if not coupled with additional services as savings and microinsurance. AMK's forthcoming microinsurance product is a direct result of these findings, and is being designed to respond to the particular client vulnerabilities identified by study.

AMK continues to benefit from clients data, using it to make product and service adjustments. For example, information about client demographics, cash flow patterns, and client livelihoods was used to design a very successful credit line product for low-income farmers.

Invest in quality data

The Research Department requires about 1% of AMK's total operational budget each year. The department spends approximately 40% of its budget and time on collecting client data, while the rest is dedicated to additional types of market research.

AMK believes it is important to devote sufficient resources to client data collection, so that each step in the process yields high-quality information that is useful for management purposes. Expenses such as training staff in accurate data collection and investing in software to analyze data and produce accurate reports are essential for a good final outcome.

However, this does not mean that costs should be high, and there are ways to make the process more efficient. AMK's data collection process doubles as a way to collect information on the institution's Key Performance Indicators (KPIs) such as breadth and depth of outreach, transparency of information to clients, and client protection. AMK believes that it is essential to collect information for a clear purpose and to make good use of the information for management decisions, in order to justify the cost to the institution.

Additionally, AMK spreads the responsibilities for data collection, analysis, and use among many different internal stakeholders, thereby sharing costs among different departments and simultaneously creating deeper buy-in across the organization and among board

Table 2: Respective contributions of internal stakeholders

Position	Role in brief	Annual time required
Board of Directors	Review social data reports and use for decision making process	4 meetings
Social Performance Committee of the Board	Advise the overall board on how to interpret the social data reports and make recommendations for how to improve products/ operations based on the information	Meeting twice/year + frequent emails
Research Department	Develop poverty assessment tools Conduct Client Change Studies (~every 5 years) Competitor analysis reports (several, on-going) Data collection using client wellbeing tools	3 months 8 months 3 months On-going
Executive Committee (CEO, CFO, CBO, COO)	Review social data reports from the Research Department and make product/operational decisions, including implementing board decisions	Monthly meeting
Other: HR, Credit, Marketing, Audit, Call centre, IT, Training and Product Development	Reinforce and implement the action items which are recommended and approved by management and the board	On-going

[5] This definition of the AMK-PCA score relies on a variety of sources, including the IFPRI/CGAP publication by Henry et al. Henry, Carla; Sharma, M.; Lapenu, C.; Zeller, M. (2003) Microfinance Poverty Assessment Tool. CGAP Technical Tool Series No.5.

members. **Table 2** demonstrates the roles for various internal stakeholders, as well as the time commitment expected for each.

Choose your tools carefully

AMK developed their own client wellbeing tools and has refined them many times. This has required considerable time and effort, but the institution believes that in order to produce useful information, client measurement tools must accurately measure client wellbeing. In fact, over the years, AMK has declined to use some ready-made and cost-effective tools because they did not believe they would capture accurate information.

For example, after the 2008 Client Change Study, AMK realized that the results from the current tool were not robust enough to prove causality and did not allow comparison with international and national poverty lines.

AMK sought to address some of these shortcomings, and decided to test a new poverty assessment tool that would allow the institution to measure poverty against international poverty lines—the Progress out of Poverty

"Understanding client profiles and demand has always been a key for product and service development and enhancement. It also provides a roadmap for management to achieve its strategic goals." -Kea Borann, CEO

Index (PPI). The Research Department piloted the PPI on a sample of 1,000 clients and was surprised when the new tool measured clients as less poor than when poverty was measured using the existing wellbeing tool.[6]

Examining this disparity between poverty scores, AMK recognised the importance of using a tool that would allow the institution to compare its poverty results against national and international poverty lines and with peer institutions. However, AMK management had serious concerns about using the PPI as it was based on Cambodian census data that was almost a decade old. Ultimately, AMK decided not to use the PPI until it could be updated with new data.

ANNEX 1: COMPARING AMK'S DATA MONITORING SYSTEM TO THE UNIVERSAL STANDARDS

Dimension 1: Define and monitor social goals

Standard 1b: The institution collects, reports, and ensures the accuracy of client-level data that are specific to the institution's social goals.

	Essential Practice	Evaluation of AMK's Practices
1b.1	The institution collects data for each of its social goals and the MIX social performance data.	AMK collects a robust set of social data that is linked to the institution's social goals. AMK also reports to MIX on social performance data (**www.mixmarket.org/mfi/amk**)
1b.2	The institution has protocols for the collection, quality control, analysis, and reporting of social performance data.	Supervisory staff monitor the data collected on a sample of clients/applicants. Internal Audit also verifies client data on a sample basis. The institution is working to improve the quality of the data collected during the loan application process—specifically the quality of the data on the estimation of client assets and income/expenses.
1b.3	The institution ensures the quality of the data collected by validating its data and training its employees on data collection and entry.	The research department staff collect client data and are well trained in data collection, cleaning, and analysis. Supervisory staff validate the data collection process.
1b.4	The institution's management information system disaggregates data by gender and other client characteristics.	Client profile data is disaggregated by gender, urban/rural, borrowers with multiple loans, product usage, household penetration, village penetration, poverty level by different segments, and other variables.

[5] This definition of the AMK-PCA score relies on a variety of sources, including the IFPRI/CGAP publication by Henry et al. Henry, Carla; Sharma, M.; Lapenu, C.; Zeller, M. (2003) Microfinance Poverty Assessment Tool. CGAP Technical Tool Series No.5.
[6] Using the PPI, AMK found that 13% of clients were below poverty line while the existing tool showed 57%.

Dimension 1: Define and monitor social goals

Standard 1b: The institution collects, reports, and ensures the accuracy of client-level data that are specific to the institution's social goals.

	Essential Practice	Evaluation of AMK's Practices
1b.5	If the institution states poverty reduction as one of its social goals, it monitors the poverty levels of its clients using a poverty assessment tool.	AMK uses the Client Wellbeing Tool to measure the relative poverty levels of clients. Absolute poverty levels are measured through the Rural Food Poverty Line and Poverty Level by ID Poor classification.
1b.6	The institution discloses social performance information, including the MIX Social Performance data.	AMK makes their social performance data public through reports and case studies, as well as publishing social performance data on the MIX.

Dimension 2: Ensure board, management and employee commitment to social goals

	Standard	Notes on AMK system
2a	Members of the board of directors hold the institution accountable to its mission and social goals.	Reporting to the Board includes trends in the social performance indicators as the depth of outreach, level of compliance with Universal Standards, and client change study results. Findings related to client satisfaction and exit study, multiple borrowing, client complaints, and staff satisfaction are also discussed at the level of the board Social Performance Committee.
2b	Senior management oversees implementation of the institution's strategy for achieving its social goals.	Senior management regularly reviews a variety of social performance information.
2c	Employees are recruited, evaluated, and recognized based on both social and financial performance criteria.	New staff is trained and tested on AMK's vision, mission, and the **Client Protection Principles** as well as on policy and procedures. Staff appraisal is conducted twice a year on both social and financial indicators.

For more information:

To find out more information the work of AMK and its supporters, please visit the links below:

AMK Cambodia website: **www.amkcambodia.com**
AMK on the MIX Market: **www.mixmarket.org/mfi/amk**
Microfinanza Rating: **www.microfinanzarating.com**
The Microfinance Centre: **www.mfc.org.pl**
Social Performance Task Force: **www.sptf.info**