

JOINT CONFERENCE ON REMITTANCES

12-13 September 2005
ADB, Manila, Philippines

Presentation

THE CHANNELING FUNDS TO RURAL AREAS THROUGH MICROFINANCE

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**“Remittances and Poverty Reduction:
Learning from Regional Experiences and Perspectives”**

**Topic : The Channeling Funds to Rural
Areas through Microfinance**

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Background of Cambodia



- Population is 14 mil. in 2004
- Women is 52%
- Annual growth rate is 2.5%
- Average household size is 5.2 persons
- Population in the rural area is 84%
- Income per capita is less than US300

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Overview of Banks in Cambodia

There are:

- 15 Commercial Banks,
- 3 Specialized Banks,
- 11 Micro Finances and
- 27 MFI NGOs registered with the National Bank of Cambodia, operating in Cambodia, especially in crowded populated area and major provincial towns,
- Those Institutions are very important to economic development since they are committed to guarantee financial services in Cambodia.

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ACLEDA Background

ACLEDA-1993 Established in January 1993 as Non-Government Organisation (**ACLEDA NGO**)

ACLEDA-2000 Obtained the Specialised Banking license
in October 2000 (**ACLEDA Bank Limited**)

ACLEDA-2003 Obtained the full Commercial Bank license in December 2003 (**ACLEDA Bank Plc.**)

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**Highlight on ACLEDA Bank's
Products, Services growth and
Networks before and after
Transformation
2000 - July 2005**

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- ACLEDA Bank's Vision

ACLEDA Bank's vision is to be Cambodia's leading commercial bank providing superior financial services to all segments of the community.

- ACLEDA Bank's Mission

Our mission is to provide micro, small and medium entrepreneurs with the wherewithal to manage their financial resources efficiently and by doing so to improve the quality of their lives. By achieving these goals we will ensure a sustainable and growing benefit to our shareholders, our staff and the community at large. We will at all times observe the highest principles of ethical behaviour, respect for society, the law and the environment.

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ACLEDA's Result and Impact

■ At the transformation (NGO, Oct 2000)

- Portfolio : US\$15.4 M
- Customers : 56,706
- PAR : 6.59%
- Offices : 28
- Staff : 445
- Total assets:22,294,714

■ After the transformation (Bank, July 2005)

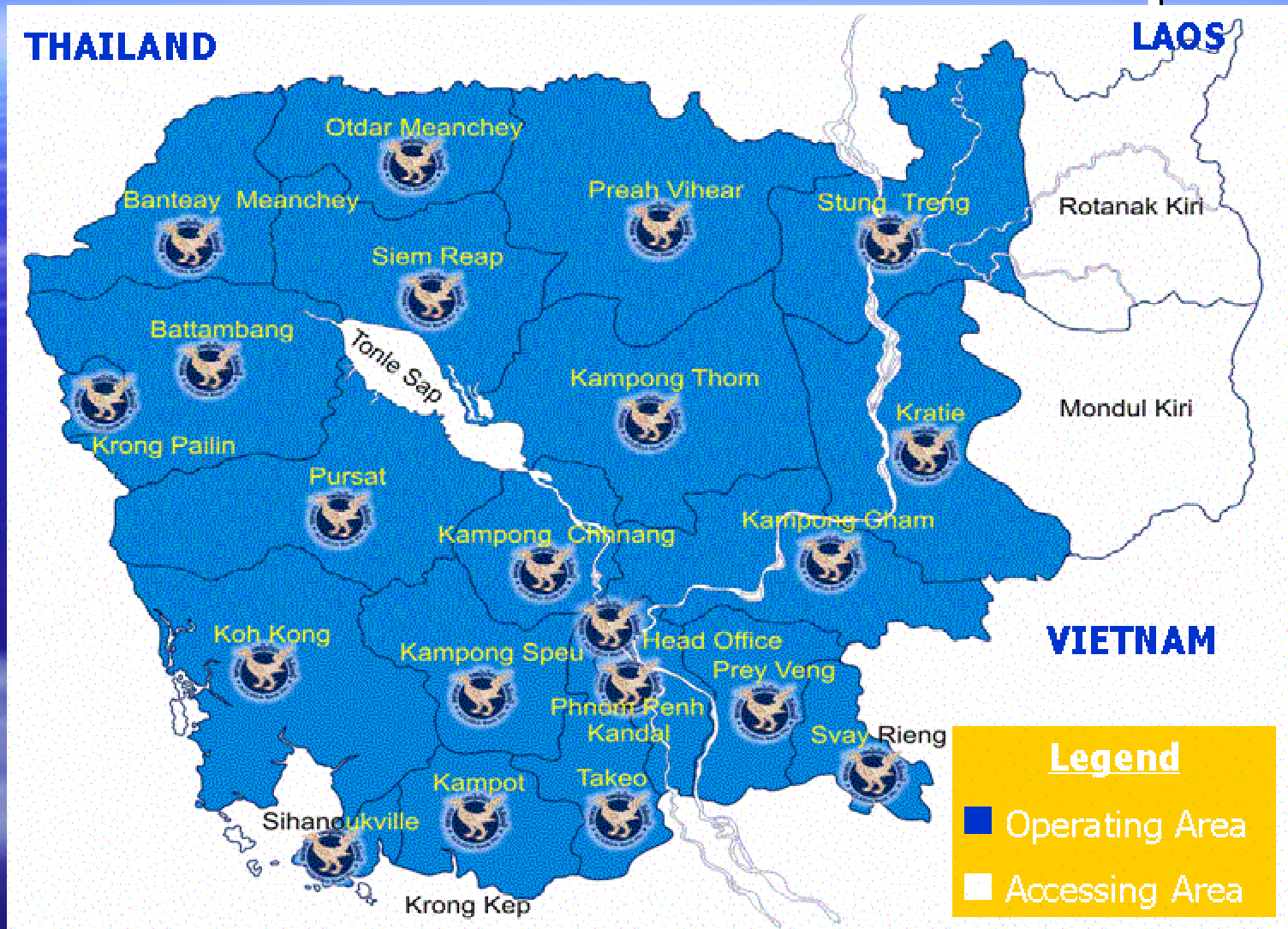
- Portfolio: US\$ 80,776 M
- Customers :131,343
- PAR : 0.93%
- Offices : 136
- Staff : 2,341
- Total assets:120,100,106

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Strategic Focus for the next 5 years

- The four businesses targeted are:
- Micro and small scale credit ('Micro-finance' – our traditional business);
- Small to medium enterprise banking including credit and other services such as foreign exchange and trade finance;
- Retail Banking (deposits, credit and transfer) – to the general public;
- Cash management services (transfers, collections, payrolls, etc.) – to all sectors including commercial, national and multi-national companies, financial institutions, government and development agencies.

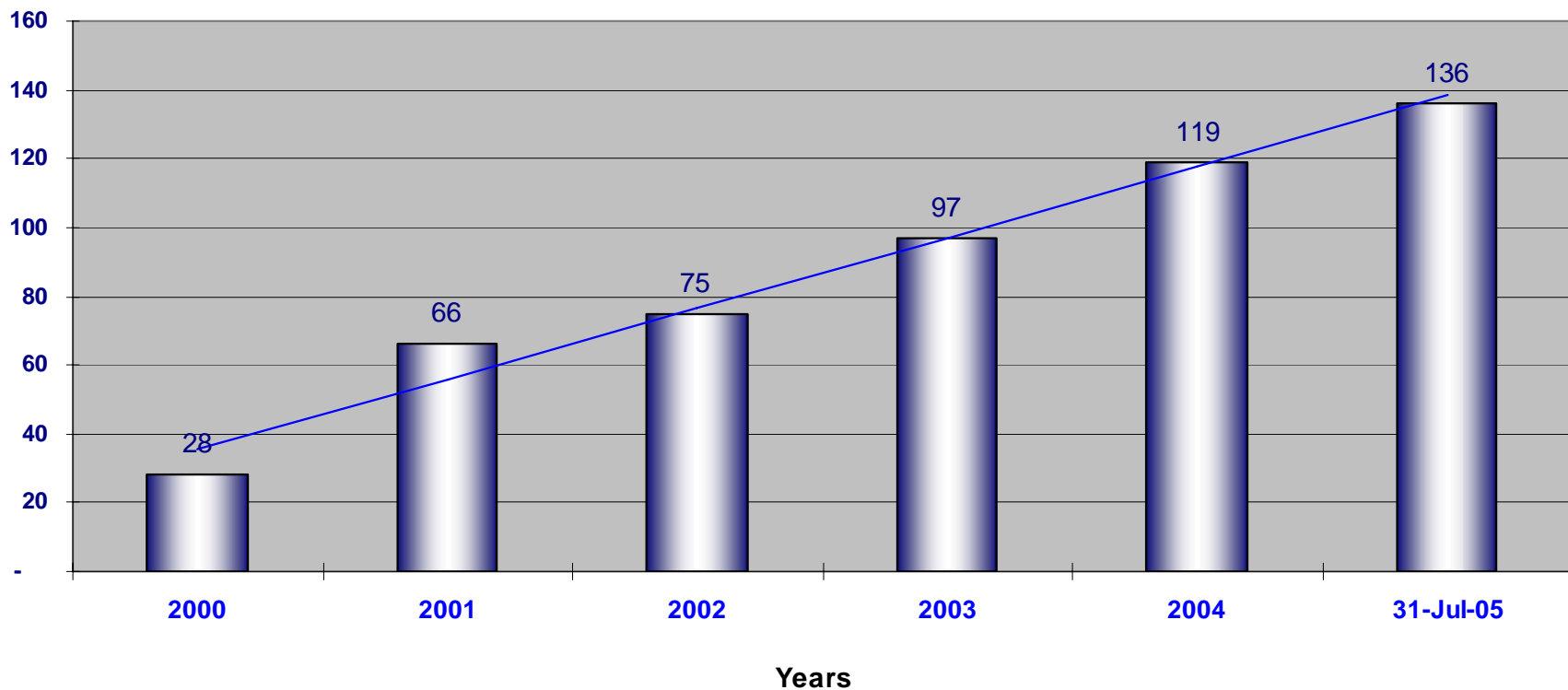
ACLEDA Bank Network Map



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Branch/Office Expansion

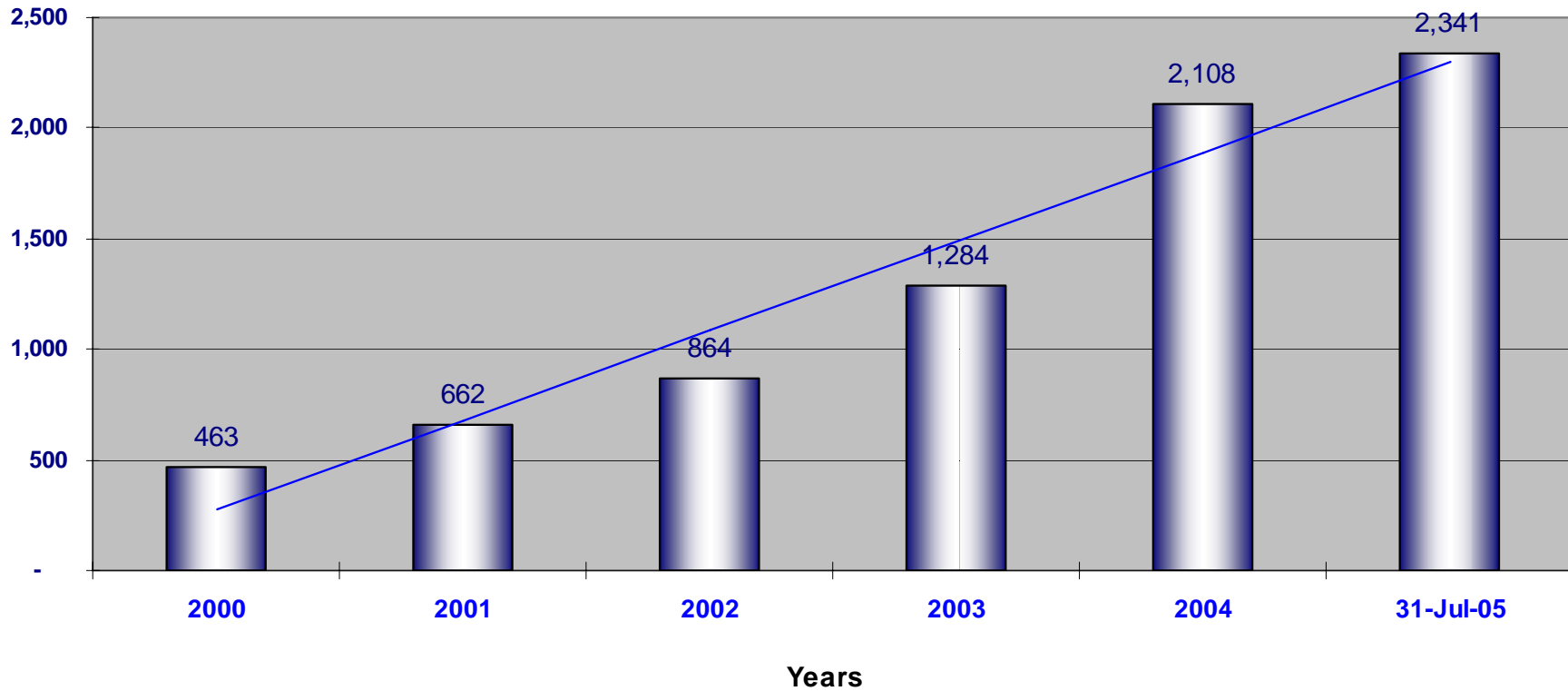
HISTORY OF OFFICES EXPANSION



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Employees

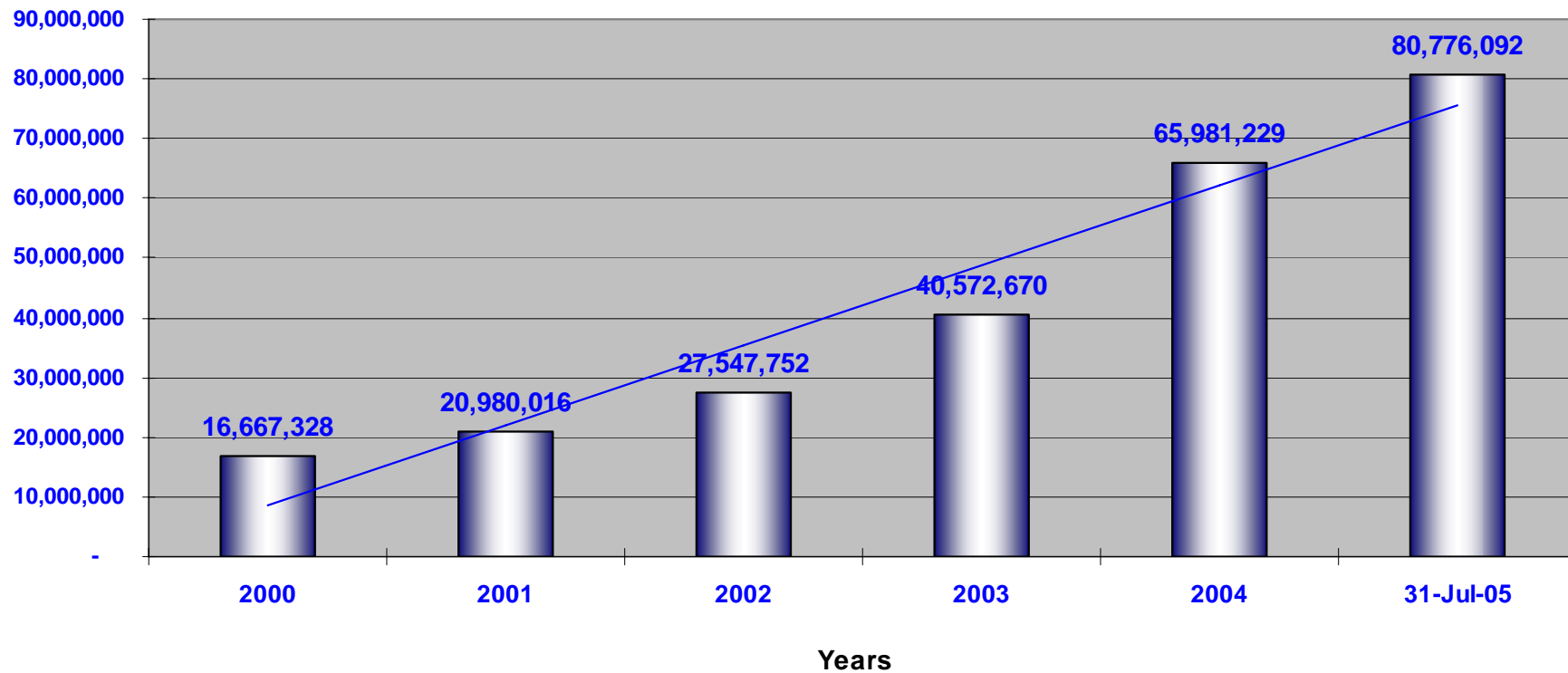
HISTORY OF EMPLOYEES



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Loan Portfolio Growth in USD

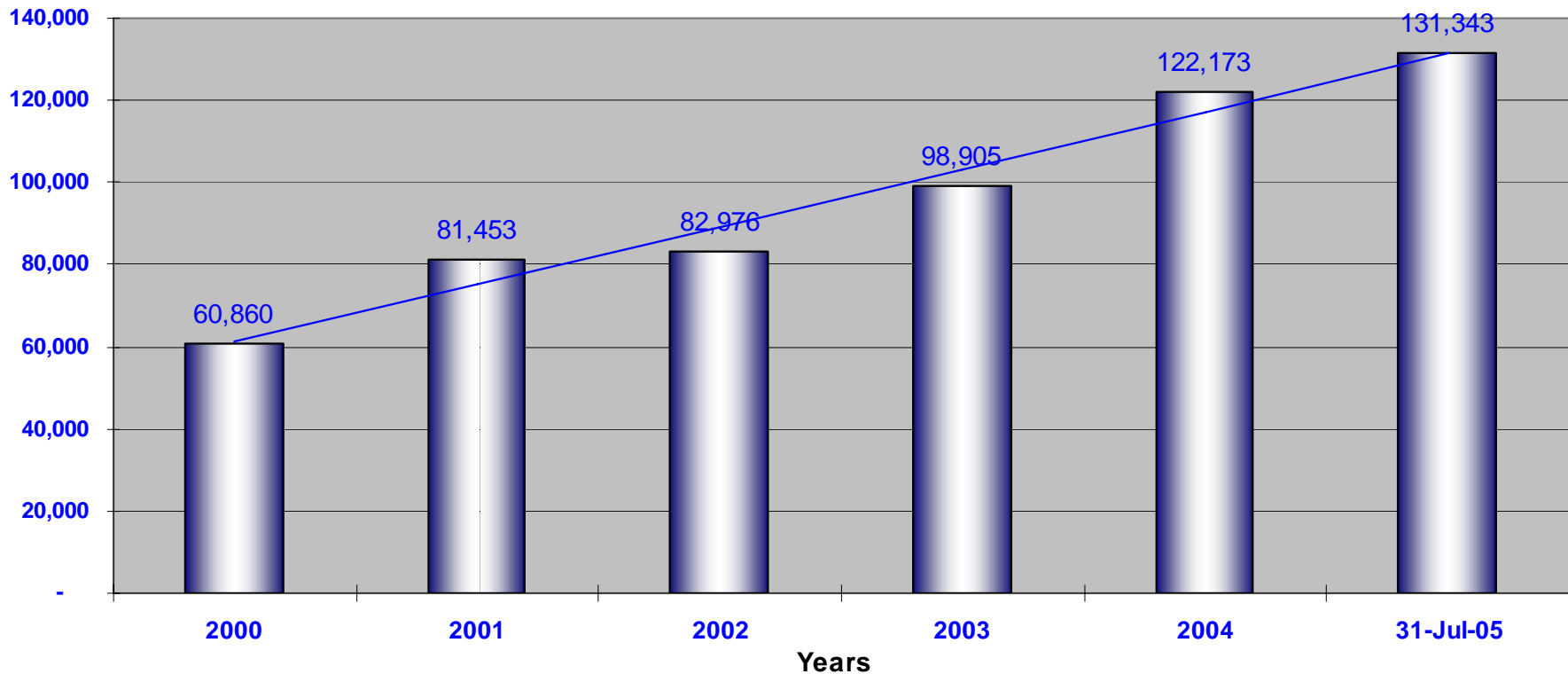
HISTORY OF LOAN PORTFOLIO GROWTH IN USD



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Loan Customer Growth

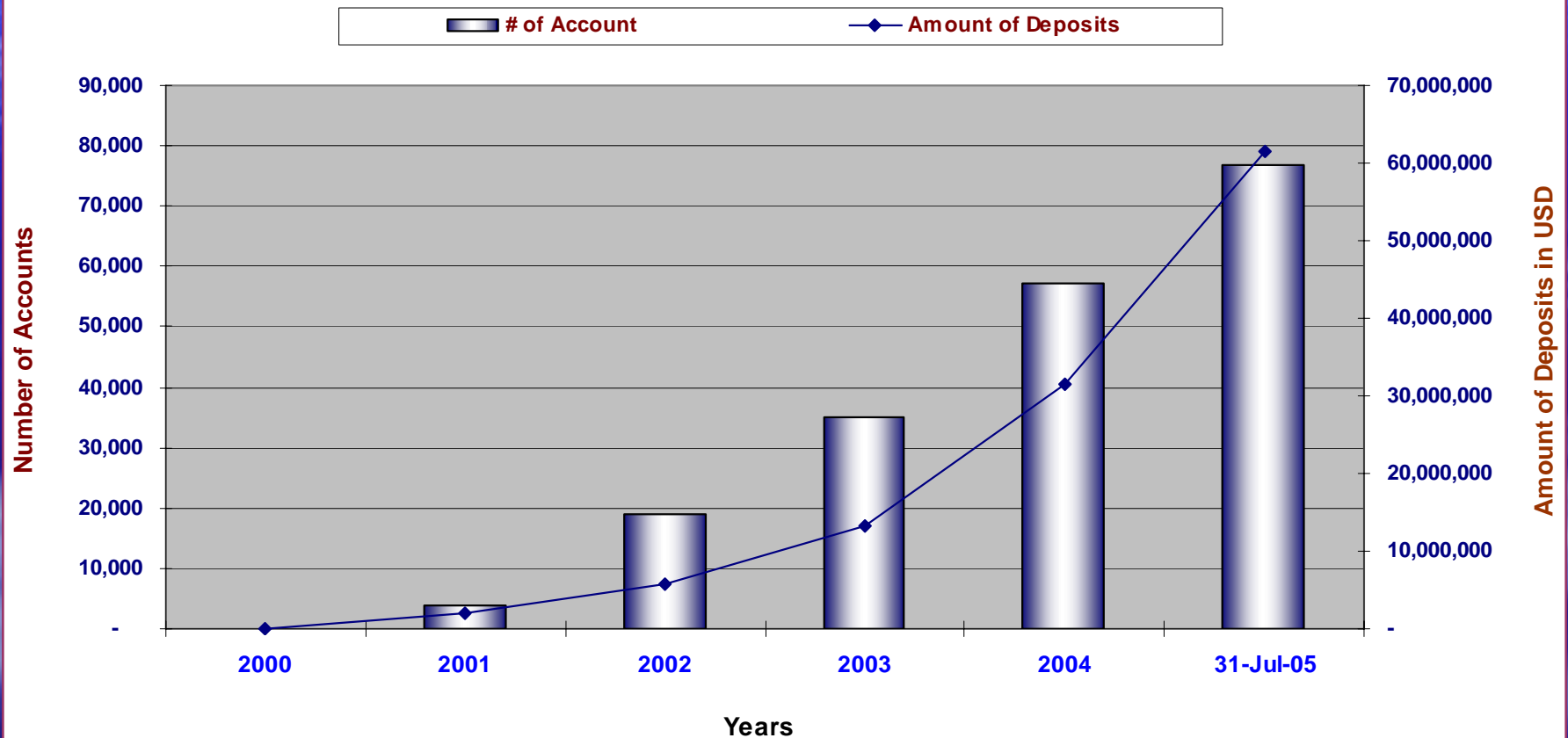
HISTORY OF LOAN CUSTOMER GROWTH



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Saving and Deposit

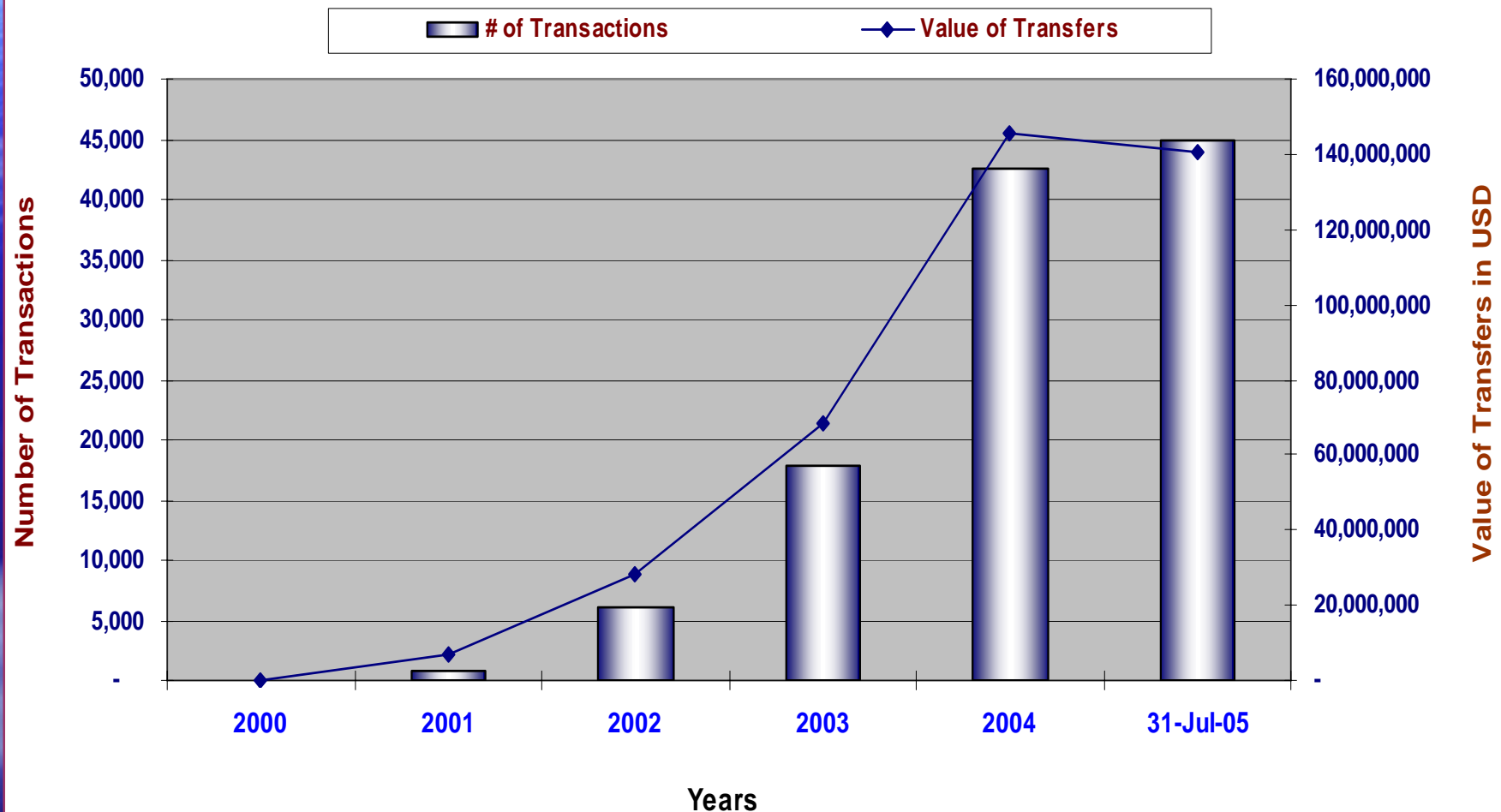
HISTORY OF DEPOSIT MOBILIZATION



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Local Money Transfer

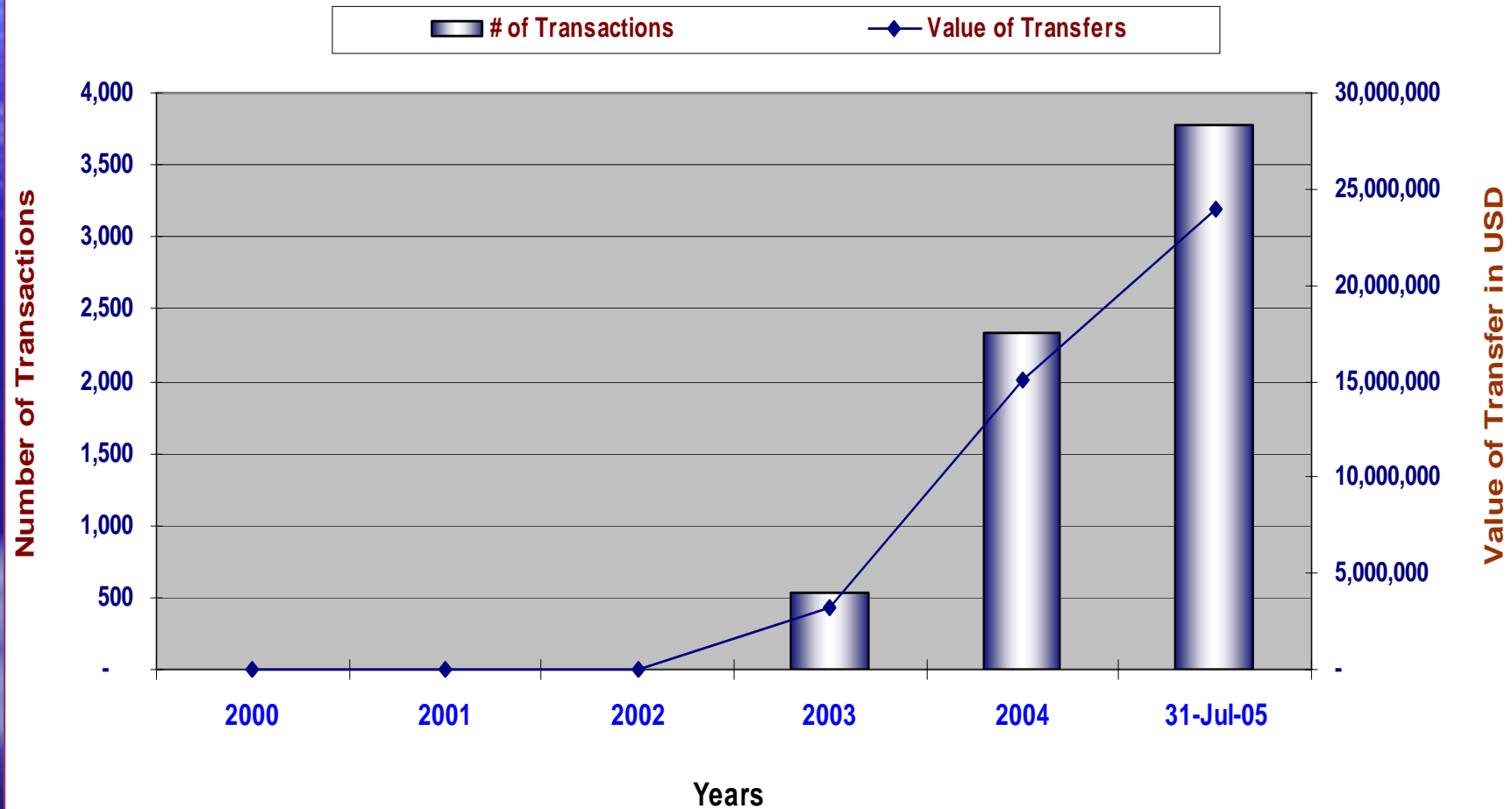
HISTORY OF LOCAL TRANSFERS



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By SWIFT

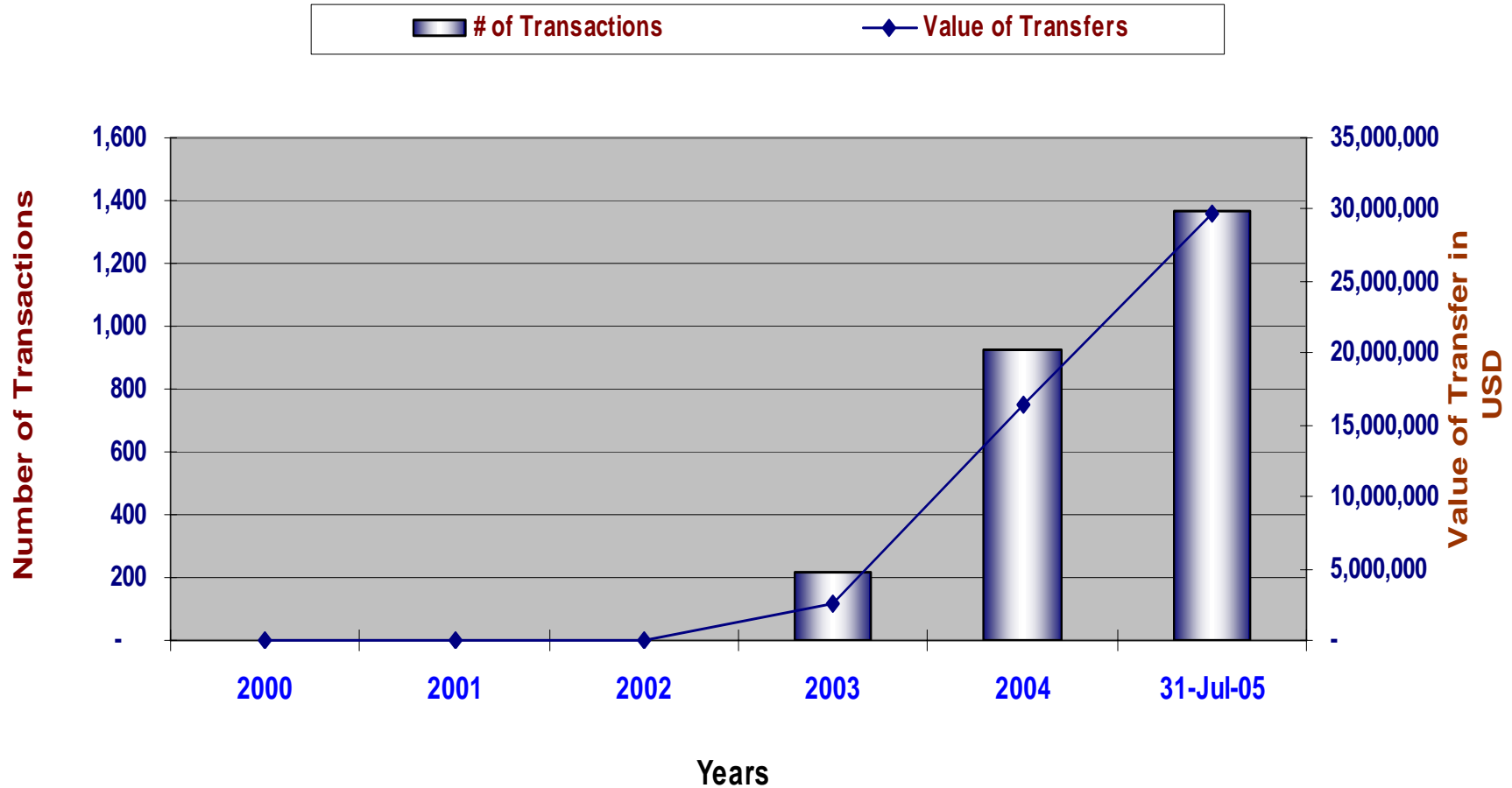
HISTORY OF TRANSFER BY SWIFT-IN



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By SWIFT

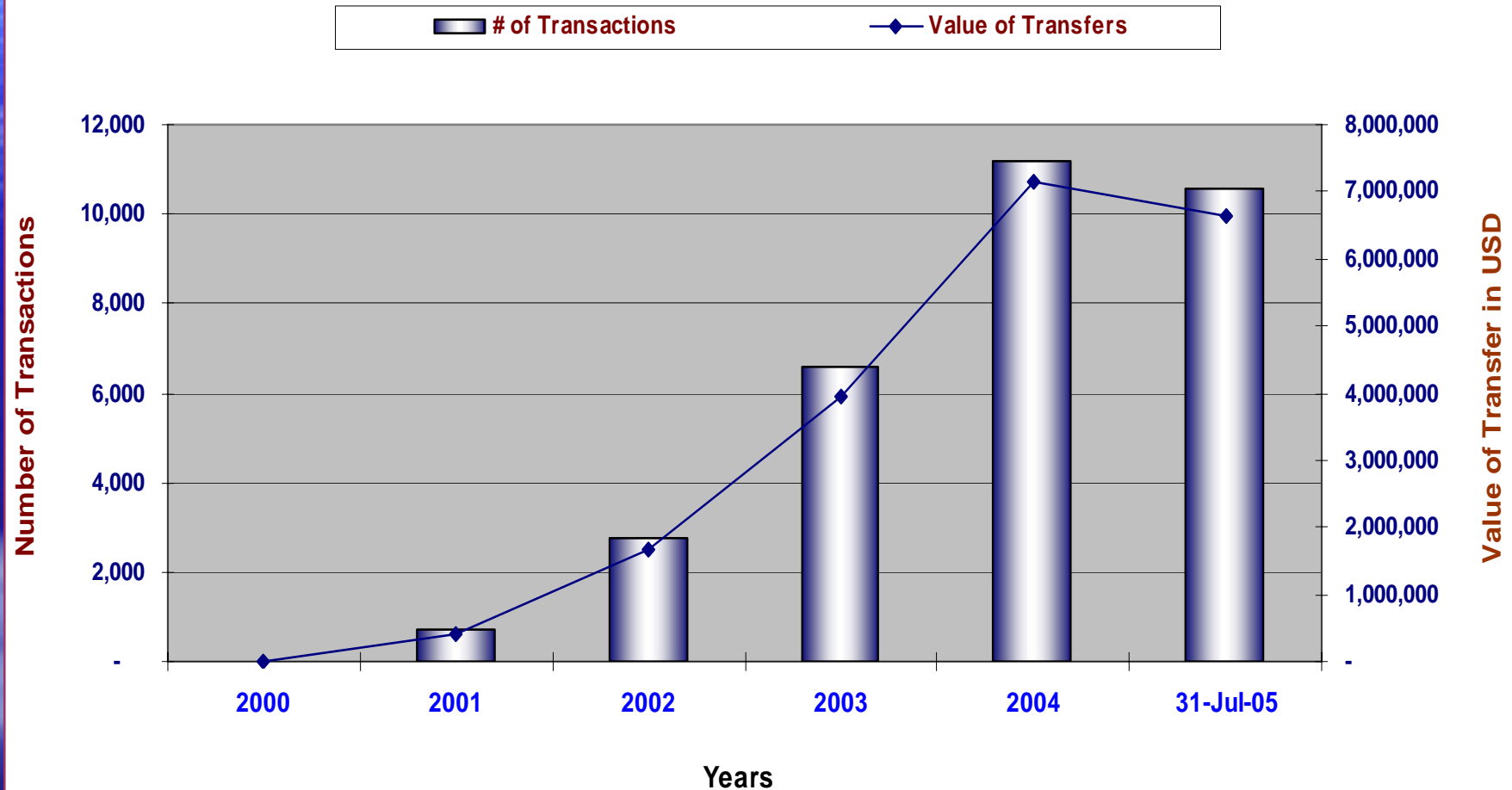
HISTORY OF TRANSFER BY SWIFT-OUT



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By Western Union

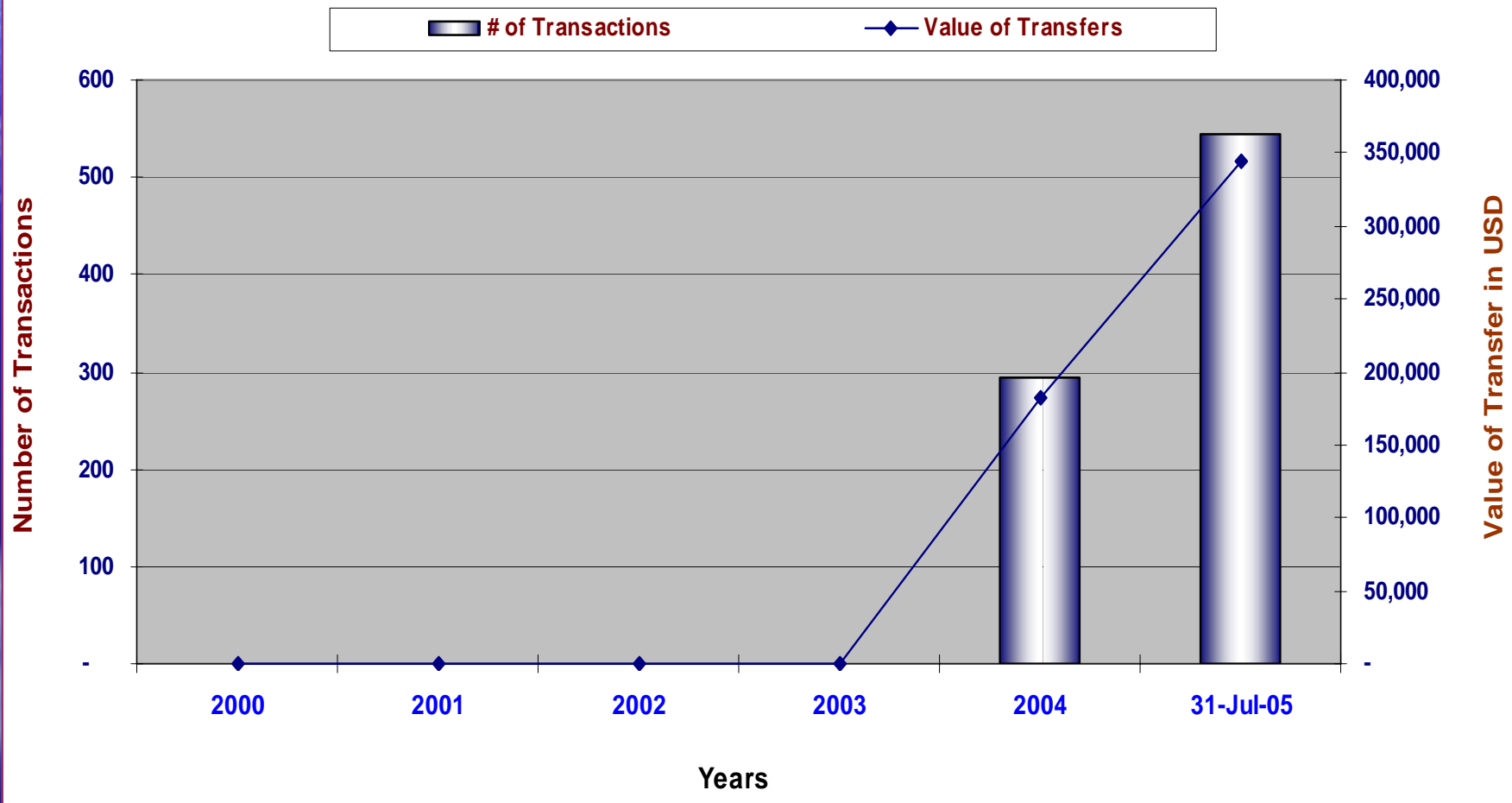
HISTORY OF TRANSFER BY WESTERN UNION-IN



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By Western Union

HISTORY OF TRANSFER BY WESTERN UNION-OUT



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ACLEDA Bank compares with other Banks

	ACLEDA Bank	Other Banks
Operation Areas	Urban and Rural	Urban
Offices	136	40
Loans	Micro/Small/ Medium	Medium and Corporate
Customers	No limit (all segment)	Limit (Upper segment)
IT Systems	Online	Off Line

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Network of ACLEDA Bank

- **Outreach Structure:**

Geographically, ACLEDA Bank has expanded to have the largest network in Cambodia, which will benefit to savings, transfer, and other financial services.

- More Provincial, district offices and service posts got established to be at the closed length to the customers in order to be more convenient and serve them quickly.

Network of ACLEDA Bank (continue)

- There are 21 provinces in Cambodia, of these 21 provinces; ACLEDA Bank has operated in 19 provinces and town with 136 provincial branches and district offices.
- ACLEDA Bank management believes that having offices closed to the customers, ACLEDA Bank can serve the customers better and faster.
- It is more convenient to both ACLEDA Bank and customers. Furthermore this is the competitive advantage of ACLEDA Bank whereby the other commercial banks cannot do the same at this stage.

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Challenge with Project Implementation

- **Methods used to overcome challenges:**
- **Decentralisation** in decision making so that the branches and offices can make the decision quickly in time for the customers' needs.
- **Location**- establishing many branches and offices to be at the close length to the customers.
- **Products and services**- diversifying products and services and sell them according to the market needs and demand.
- **Price**- Because of the diversification of products and services, ACLEDA Bank has set the prices accordingly so that the customers choose in their satisfaction.

- **Promotion** - use the existing customers to promote for ACLEDA Bank products and service ACLEDA Bank chooses the lower segment of the market as the target market whereby the other commercial banks and other financial institutions are discouraged to move in.

For agriculture lending: Customers are required to diversify their businesses (other business activities in addition to traditional agriculture); Mixed types of agricultural activities; customers are allowed to choose method of loan payment (they can pay principal partly from the beginning and pay at the maturity (at the harvest or crop collection)).

Conclusion

- There is no impact survey or study if the customers become better after having access to ACLEDA Bank financial services. But ACLEDA Bank can guarantee that the customers can always have access to ACLEDA Bank financial services in both rural and urban areas.
- ACLEDA Bank has noted that financial intermediation is a vital element in developing local economies and reduces the relative dependence of the country on foreign capital by utilising domestic savings for investments.

- Experience has shown that providing access to financial services to people raises income and creates employment, allows people to improve their liquidity,
- Management increases the efficiency of the use of available capital. Therefore further growth and development of banks/ MFIs will stimulate local economies which are one of the most effective ways to alleviate poverty.

Thank you for your attention

www.acledabank.com.kh

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