



## **CLIENT PROTECTION CERTIFICATION**

*Report for Amret Microfinance (Cambodia),  
Phnom Penh, Cambodia*

*Certified in June, 2016*

Mission Conducted by Micro-Credit Ratings International Ltd. (M-CRIL)  
Sanjay Sinha & Frances Sinha

*“Certified financial institutions have demonstrated their commitment and practice to treat the people they serve fairly. They contribute to a microfinance industry that prioritizes client care.”*

- *Isabelle Barrès, Director, the Smart Campaign*

This document was prepared by M-CRIL, a licensed certifier of the Smart Campaign’s Client Protection Certification Program. It contains excerpts of analysis from a certification mission conducted at Amret. Amret became client protection certified in June, 2016.

Certification missions entail a streamlined desk review of institutional policies and procedures followed by an on-site due diligence visit that includes extensive staff interviews and focus group discussions with clients. The certifier looks for evidence of adherence to the [Client Protection Principles](#) as evidenced by meeting [standards](#) associated with each principle in institutional policies, procedures, systems, organizational culture and staff behavior. In order to become certified, an institution must meet all of the client protection standards. Only organizations that pass certification will be made public. Certification status is valid for up to four years subject to a check-in after two years, after which an institution must undergo a new certification mission.

This summary presents selected excerpts from the certification mission analysis, which in total covers 30 standards of care. The evidence presented is not exhaustive but rather meant to illustrate what the certification standards of care look like in practice and to highlight specific practices by this institution. We encourage readers to reference the [client protection standards](#) when reading this report. For more information about the certification program and a list of certified organizations please visit the Smart Campaign’s website <http://www.smartcampaign.org/certification>.

If you have any questions or concerns about this report please contact:

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## Selected Examples of Practices

### Client Protection Principle 1 – Appropriate Product Design and Delivery

- Amret Ltd (Amret) offers loan products in different currencies and different amounts, with smaller loan sizes in local currency offered through Village Associations to group clients, and larger loan sizes including \$ and Thai Baht offered to individual clients. Group clients have typically been offered balloon payments of the principal with monthly repayment of interest. Individual clients are offered monthly instalments, of both interest and principal. This option is also now being offered to group clients, and seems appropriate to the evolving economy.
- Collateral is required from all individual clients and may be required from group clients, in case they seek higher loans, or represent a risk. The credit manuals have clear guidelines on the valuation of the collateral.
- Amret investigates reasons for client dropout through interaction with clients/ listening to clients and credit officers as well as through client satisfaction surveys. The annual client satisfaction surveys and market research is used to inform the development of new products. Feedback from clients is discussed during monthly field visits by senior managers of the Credit Department and others from Head Office.

### Client Protection Principle 2 – Prevention of Over-indebtedness

- Amret undertakes careful loan appraisal and client income analysis for all loans irrespective of the loan size and the lending methodology, for every loan.
- Credit Bureau of Cambodia (CBC) check is done for all loans irrespective of the loan cycle. For individual credit, it is also done for the co-borrowers. Amret reports data to Credit Bureau of Cambodia (CBC) as required on a monthly basis.
- Amret allows at most three outstanding loans with one client - whether from Amret or other MFIs. All outstanding loans are taken into account when determining repayment capacity.
- There is a detailed analysis of monthly trends in PAR 30. Amret has maintained good portfolio quality. PAR 30 for the past four years has never exceeded 2%.
- No incentive is paid to staff if PAR30 exceeds 1.0%.

### Client Protection Principle 3 – Transparency

- Terms and conditions, including pricing is communicated by field staff before disbursement. Loan contracts include all pricing details of the loan.
- Individual clients may pay instalments on their loans through an Amret 'Happy' savings account.
- Materials are in the local language, Khmer, but more importantly, since the majority of clients cannot read, staff verbally communicate using clear terms that clients can understand.
- The interest rates for different loan products, for different currencies and varying amounts are disclosed in detail in the website. Pricing for remittance and deposit products are also disclosed.
- Loan instalment repayments and balance amounts are clearly recorded on the loan cards, for all clients. IC clients receive receipts, which are stapled to their loan card.

### Client Protection Principle 4 – Responsible Pricing

- Amret follows the industry wide practice of offering products with a range of interest rates. Pricing is competitive and non-discriminatory.
- Operational efficiency is relatively low (9.61% in 2015), compared with peers.
- Clients can prepay their loan without paying any penalty after the 2nd monthly instalment.

## Selected Examples of Practices

Penalty for late repayment (5 days late) seems high, though competitors have similar rates, and it seems seldom enforced.

### Client Protection Principle 5 - Fair and Respectful Treatment of Clients

- Amret's Code of Conduct (CoC) was drawn up in 2013 - covering 9 ethical principles and including do's and don'ts on each principle
- The agreement and list of responsibilities of Village Association (VA) Chiefs (whose payment depends on on-time and full repayments) includes guidelines on collections. Further the audit check on VA Chief's behavior acts as a control mechanism.
- The HR team has developed a good set of slides on the Code of Conduct that are used for training new staff, and as refresher for existing staff. VA Chief are also oriented on do's and don'ts.
- The performance appraisal for field staff includes assessment on Amret's corporate values such as service, integrity, responsibility, respect, responsiveness and commitment. In addition to functional and cross-functional skills, staff are appraised on the behavioural skills.
- The Code of conduct appendix includes a graduated set of sanctions in relation to 'minor', 'medium' and 'severe' levels of mistakes. Each level of mistake can result in dismissal, with approval of the disciplinary committee. Specific examples of mistakes related to different sanctions need to be developed.

### Client Protection Principle 6 – Privacy of Client Data

- Amret has a written policy on internal confidentiality of data.
- Documents of clients are in a safe location in the branches. The IT system instructs staff to protect confidentiality of information and not share passwords. Monitoring departments check whether there is any violation of the policies.
- All systems are password protected with defined user rights. Employees are trained to keep their passwords confidential. Further staff are oriented on the privacy policy.
- Field staff are trained to communicate to clients that their information will be kept confidential and to explain sharing information with the Credit Bureau.
- Written consent is taken from clients for sharing their information, including photos.

### Client Protection Principle 7 – Mechanisms for Complaint Resolution

- The Customer Complaint Management and Redressal Policy includes various channels for reporting grievances, escalation mechanism and turnaround time.
- Field staff inform clients of their right to complain and the main methods to do so. This is now part of the list of client rights introduced and communicated from 2015.
- Amret has an effective system to record issues reported at the branches and timely forward it to the call centre at the Head Office. Follow up on resolution of complaints is done by the call centre agent.
- Monthly consolidation and analysis of issues based on categories (complaint/enquiry/suggestion), type of clients, geography is done and shared with the management. Turnaround time has been recently included in the analysis.