

The Effect of Covid-19 on Saving and Debt

The Headline Results Series¹. Round 1 Data Collection.

Angkor Research and Consulting and Future Forum²

Cambodian savings and debt are an ever-present discussion in the contemporary development of the kingdom. In particular, the role of the microfinance industry has received close attention³. There are currently over 2 million Cambodian's with some form of microfinance loan. Where economic pressures have been enhanced under the Covid-19 pandemic, the interplay between debt and savings is crucial in determining the economic outcomes of families nationwide.

Noting the critical gap in ground-level data to make informed policy decisions in response to the pandemic, Angkor Research and Consulting, in partnership with Future Forum, are undertaking an economic impact study⁴, and subsequent policy review, on Covid-19. The purpose of which is to undertake a random sampling of Cambodian households with a view to identifying the economic impacts of Covid-19. ***The headline results series will provide policy stakeholders an opportunity to explore key findings from each round of data collection throughout the project.*** The remainder of this brief will detail the headline results pertaining to wage workers in the study.

[1] Household Saving

Table 1 contains the information on the reported household savings level in January and April 2020. In January, 40 percent (437 households) held cash saving, 35 percent (386 households) held platin (alloyed gold), and 28 percent (314 households) held Meash (fine gold). By April, there was a reported decrease across all forms of saving: cash savings decreased by 23 percent, platin savings decreased by 11 percent, and Meash savings decreased by 14 percent. The only outlier in this time was the savings of Meash in Kampong Speu, which increased by 6 percent.

Table 1: Forms of Saving (# of Households)

		PNP (N=280)	SRP (N=200)	KPP (N=203)	SvRP (N=200)	KPS (N=204)	Pooled (N=1,087)
Cash Savings	January	50	90	119	55	123	437
	April	35	61	104	36	99	335
Platin (alloyed gold) Savings	January	101	68	90	47	80	386
	April	79	63	82	41	77	342
Meash (fine gold) Savings	January	52	58	80	55	69	314
	April	32	48	77	41	73	271

¹ This Covid-19 Economic Impact Study for Cambodia has been initiated, designed, and implemented by Angkor Research and Consulting. Analysis and write-up have been conducted in project partnership with Future Forum.

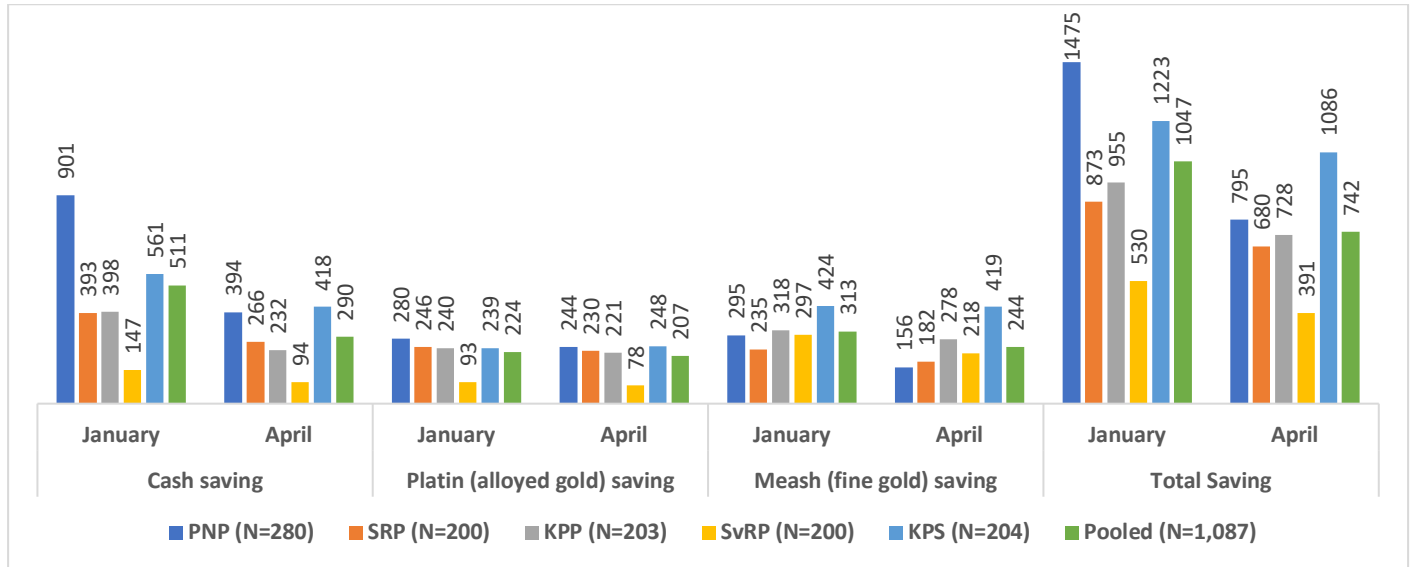
² This study is supported by the Australian Government through the Department of Foreign Affairs and Trade and The Asia Foundation. The views expressed in this study are of the authors' alone and are not necessarily the views of the Australian Government or The Asia Foundation.

³ In 2019, human rights organisations LICADHO and STT released a report of the sectors debt effect on human rights. See the report [here](#).

⁴ Utilising a cluster-based sample selection methodology, the sample is clustered at the provincial, district and village level. This survey will be a longitudinal study focused on wage workers, families with micro/small enterprises and farmers in Kampot, Kampong Speu, Svay Rieng, Siem Reap, and Phnom Penh municipality. For further information on the sampling design and approach please contact Ian Ramage on ian@angkorresearch.com.

Figure 1 captures the average (mean) total savings by amount, and by province. Of note, the average cash savings fell from \$511 in January to \$290 in April (a 43 percent reduction), with Platin savings falling from \$224 to \$207 (a 7.5 percent reduction). Meash dropped from \$313 in January to \$244 (a 22 percent reduction).

Figure 1: Amount of Saving (USD)



[2] Household Debt

Existing Loan

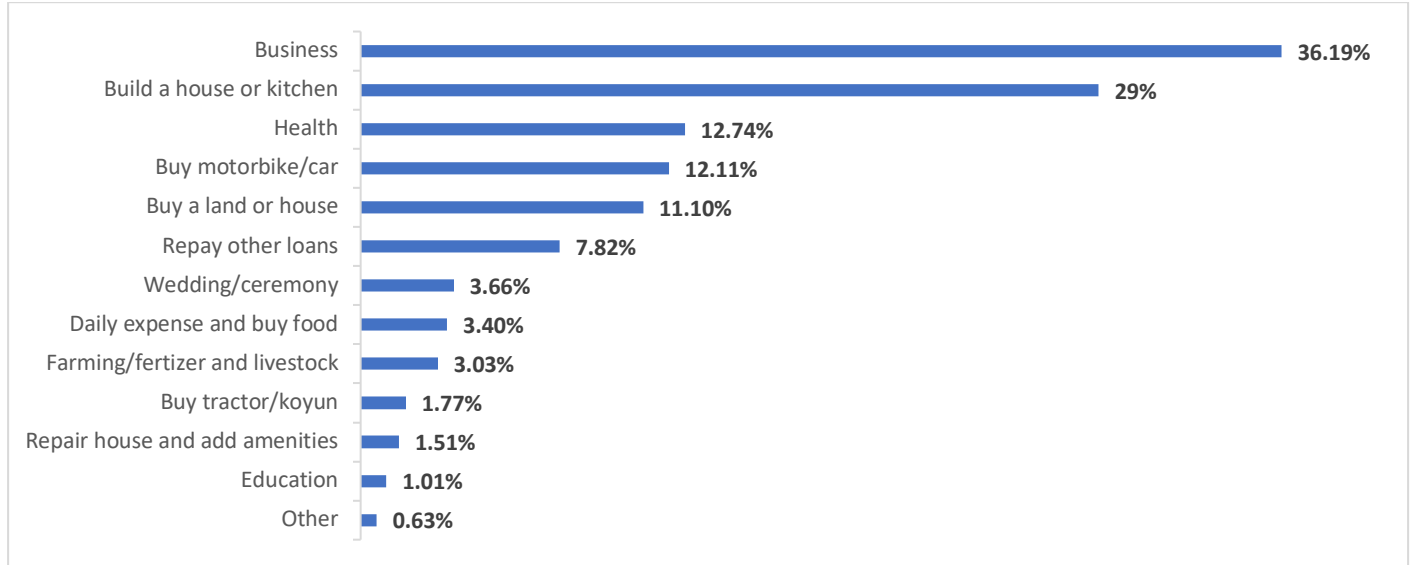
Table 2 contains the reported household debt in January and April. Over the period the average debt level has increased from 59 percent of households to almost 62 percent of households. At the provincial level, the largest increases in debt have taken place in Kampong Speu and Siem Reap. Although they had a smaller proportion of loans, households in Phnom Penh city took had a larger average reported amount at \$11,522 followed by Kampong Speu, Svay Rieng, Siem Reap and Kampot province.

Table 2: Existing loan between January and April 2020

Province	January		April	
	Fr	Proportion	Fr	Proportion
Phnom Penh (N=280)	133	47.50%	137	48.90%
Siem Reap (N=200)	132	66%	141	70.50%
Kampot (N=203)	116	57.10%	126	62.10%
Svay Rieng (N=200)	119	59.50%	121	60.50%
Kampong Speu (N=204)	141	69.10%	146	71.60%
Pooled (N=1087)	641	59%	671	61.70%

Broken down by source, existing loans are primarily sourced from microfinance institutions (54 percent). In addition, loans are taken from banks (26 percent), friend/relative/neighbor (10 percent), and informal money lenders (8 percent). Figure 2 contains the reported reasons that households have given for taking out loans. Predominantly, households take out loans for the purpose of supporting their business, building a house, or healthcare.

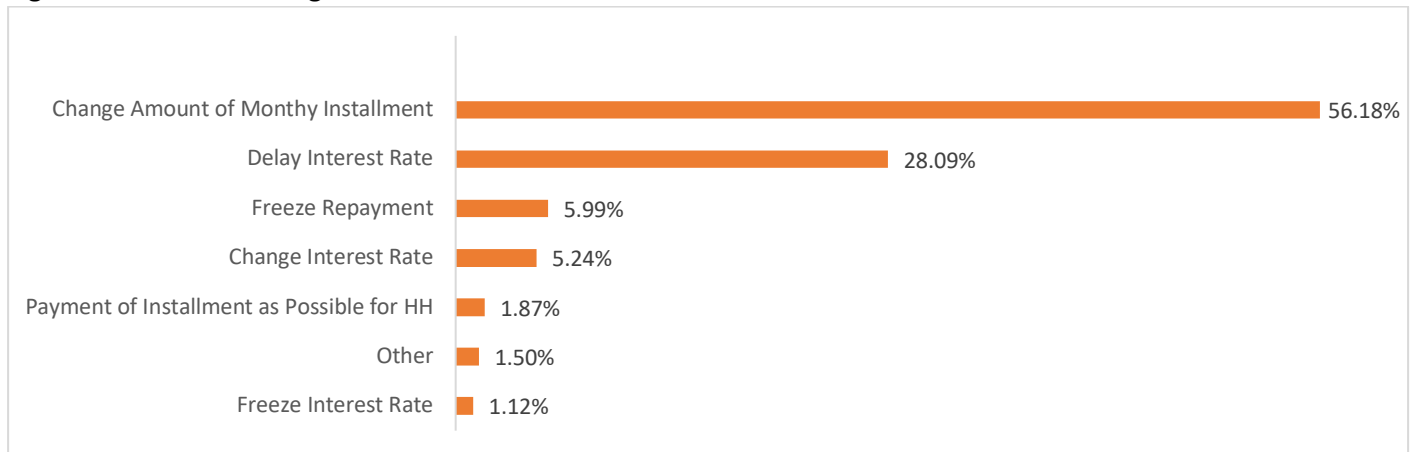
Figure 2: Reasons for Loan



Changes of existing loan during pandemic

Figure 3 contains the reported changes in loan repayment conditions between January and April. In total, 267 of 792 household with debt reported that their loan conditions had changed in some way. Of that group, 56.8 percent of them noted a reduction in the monthly installments, with 28 percent receiving a delay in the interest rate, and 6 percent benefitting from a freeze in payments.

Figure 3: Loan term changes



New Loan Taken in April

Table 3 contains the reported figures for new loans taken out between January and April. In total 116 households took out new loans. The average amount taken was \$2880, with an average repayment term of almost 22 months. Siem Reap accounts for the highest number of new loans (46), followed by Kampot (29), Kampong Speu (21), Phnom Penh (15) and Svay Rieng (5).

Table 3: New Loan in April

Areas	Fr	Amount in USD	Term (month)
Phnom Penh (N=137)	15	634.7	31.78
Siem Reap (N=141)	46	1706	15.16
Kampot (N=126)	29	2549.3	23.72
Svay Rieng (N=121)	5	2445	22.80
Kampong Speu (N=146)	21	4088	31.14
Pooled (N=671)	116	2880.8	21.93

[3] Summary of Findings

The first-round of data collection has highlighted the changing characteristic of households' saving (in three categories including Cash, Platin, and fine gold) and debt between January and April 2020.

The proportion of household savings has decreased by 16.6 percent between January and April 2020, while the proportion of household's debt has increased from 59 percent in January to 61.7 percent in April (where 116 households have taken on new loans). The amount of saving in Cash, Platin and fine gold fell dramatically by 43 percent, 8 percent, and 21 percent respectively across the sample.

Households in Phnom Penh haven take on a larger amount of loan burden. In April 2020, of the 116 households that took on a new loan, the average amount was \$2280.80. Kampong Speu province was top in terms of the amount of new loans taken.

Regarding loan sources, this period has seen a tendency for new loans to shift towards informal sources. For instance, the source of loan from money lenders and from friend/relative/neighbor increased by 10 percent and 19.5 percent respectively, while the source of loan from microfinance institution and from banks decreased by 14.9 percent and 19.2 percent respectively.