

# Ensuring responsible financial inclusion in Cambodia

15 November 2023



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**Incofin IM –  
Moderator**

**Noémie Renier**  
Partner, Head of  
Debt Financial  
Institutions

**Introduction to our panel**



**Cambodia  
Microfinance  
Association (CMA)**

**Phal Vandy**  
Secretary General



**SPTF+CERISE**

**Nitin Madan**  
Regional Director,  
RIFF-SEA, SPTF



**MIMOSA / e-MFP**

**Daniel Rozas**  
Senior Microfinance  
Expert



**Cambodia Research Project on  
Microfinance**

**Dr. Frank Bliss**  
Professor, Senior Research  
Fellow and teaching officer at  
the Institute for Development  
and Peace (INEF), University  
of Duisburg-Essen

## Ensuring responsible financial inclusion in Cambodia

Stories and research point at increasing over-indebtedness risk in Cambodia. Several initiatives have been taken to enhance financial literacy, rights, and consumer protection.

- *What is the magnitude and complexity of the problem?*
- *What has the sector been doing to protect Cambodian clients to date, and what are the initiatives in progress?*
- *Are these responses enough? What more should be done?*

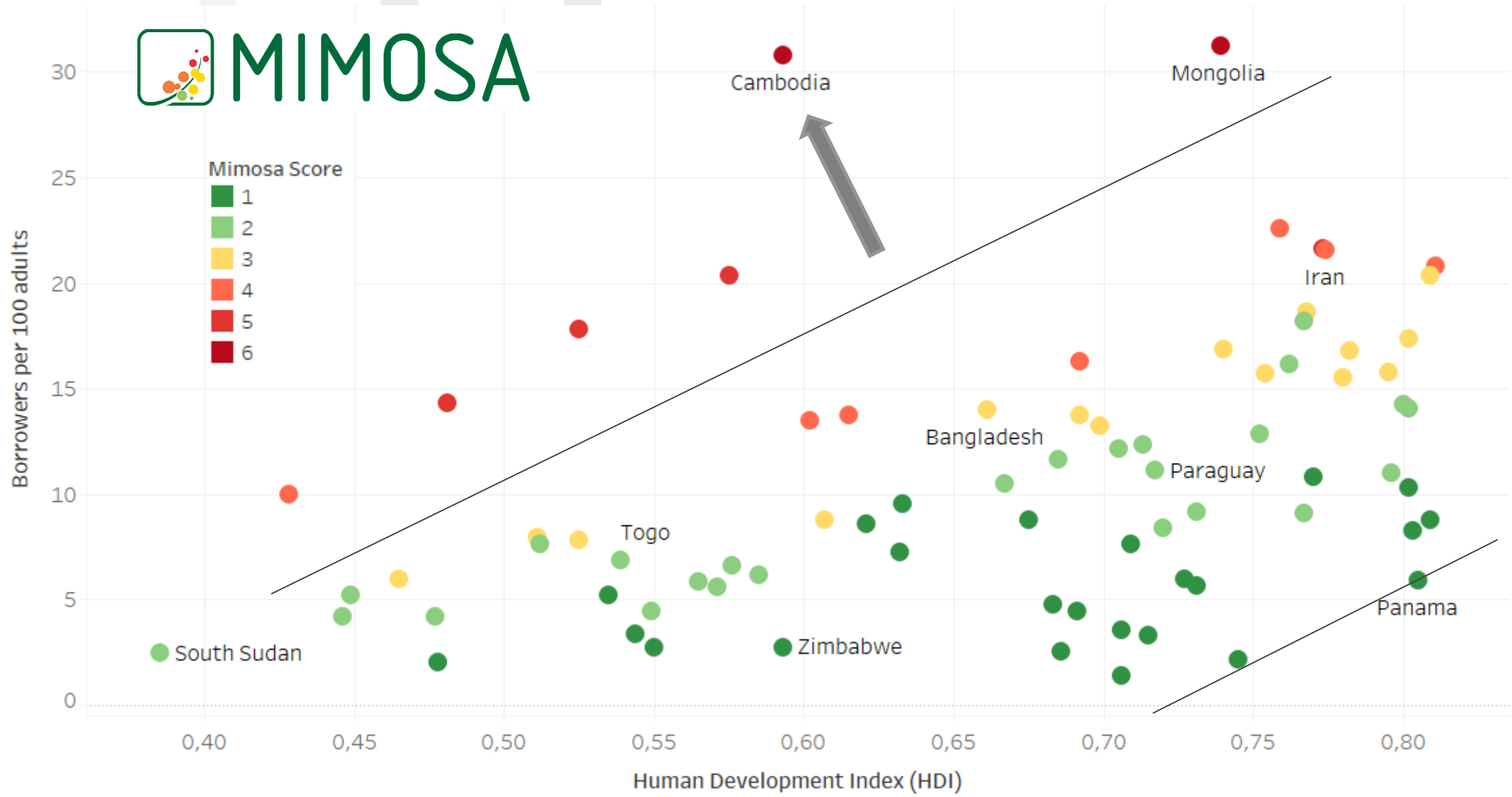
Cambodian problems  
in <sup>5</sup>  
3 acts and 4 minutes

1.

**#1 in borrowers**  
**#1 in loan sizes**



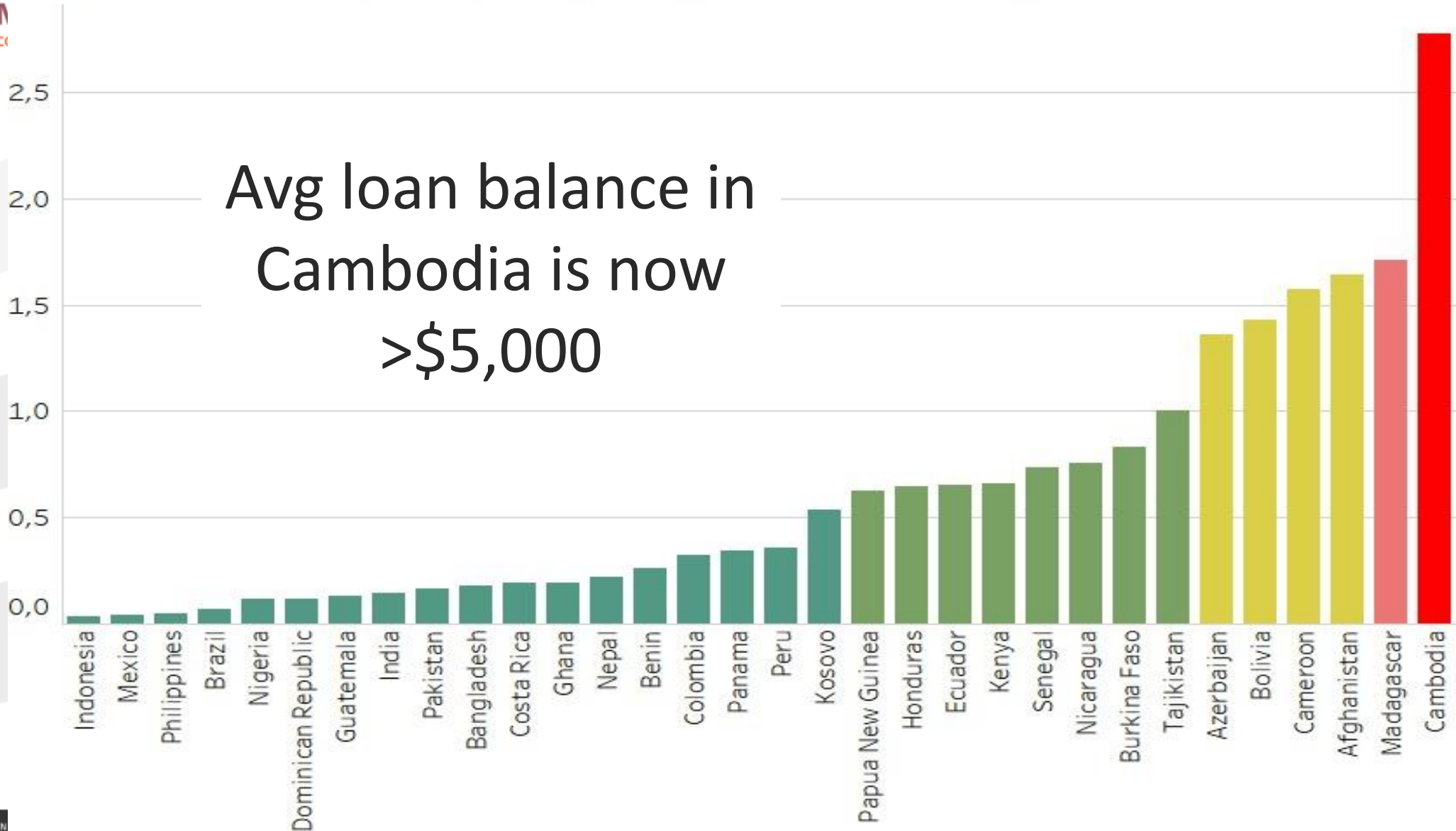
# MIMOSA

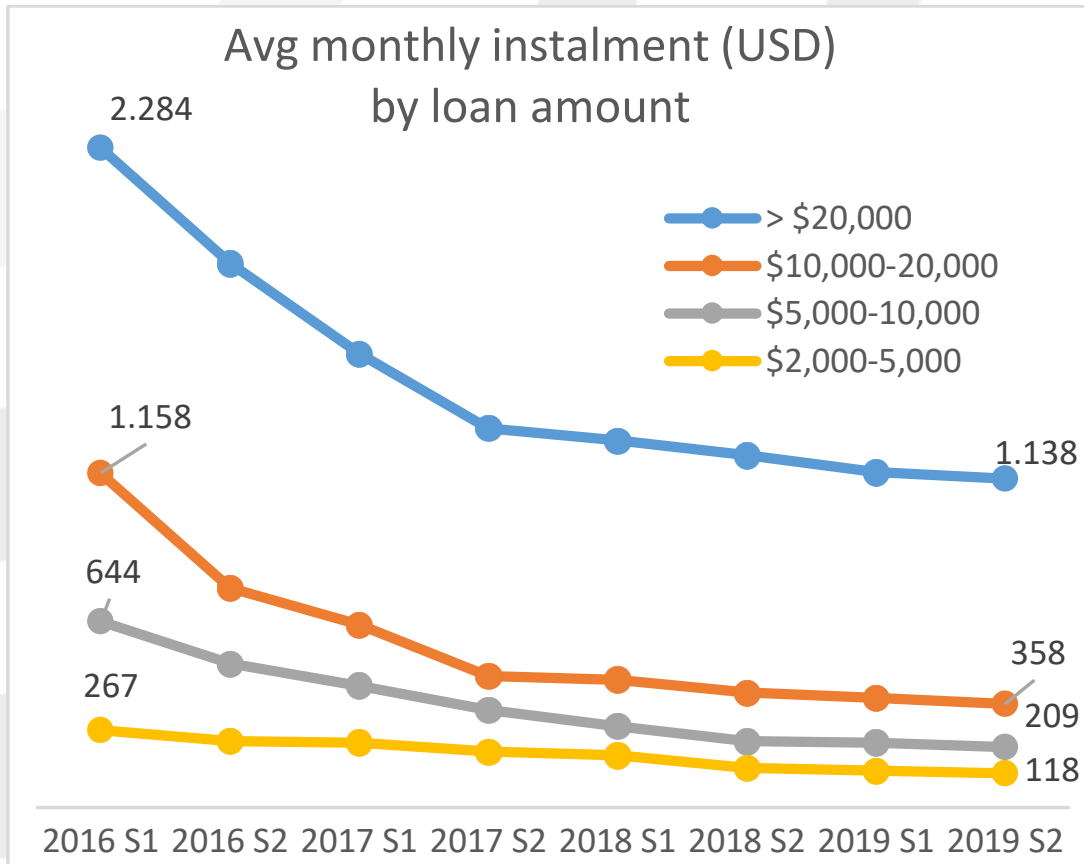




# Avg loan balance / GNI per capita (MIX Market 2018)

Avg loan balance in Cambodia is now >\$5,000





Source: CBC; data is for loan disbursements during the indicated period; loans below \$2000 are excluded, due to the high proportion of interest-only loans that have no monthly installment



II.

**Over-indebtedness: problem**

**Over-leverage: bigger  
problem**

III.

A matter of doing,  
not just wrongdoing.

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**Discussion**



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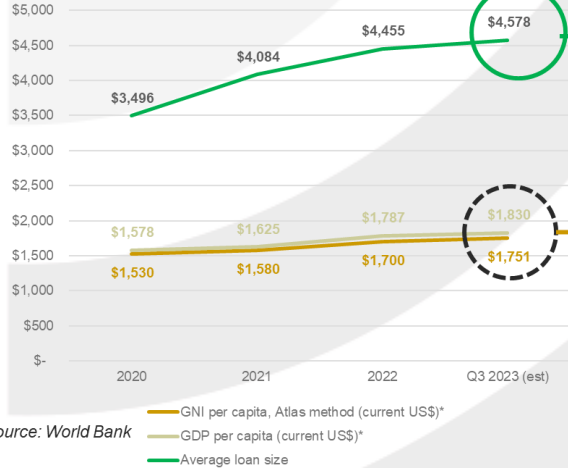
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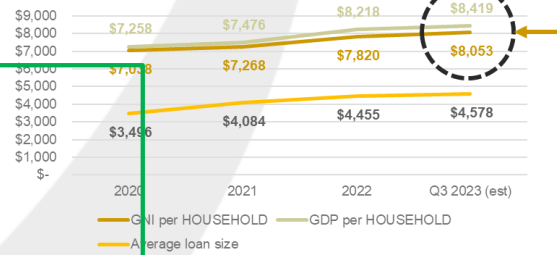
# I. Key Context of Microfinance in Cambodia



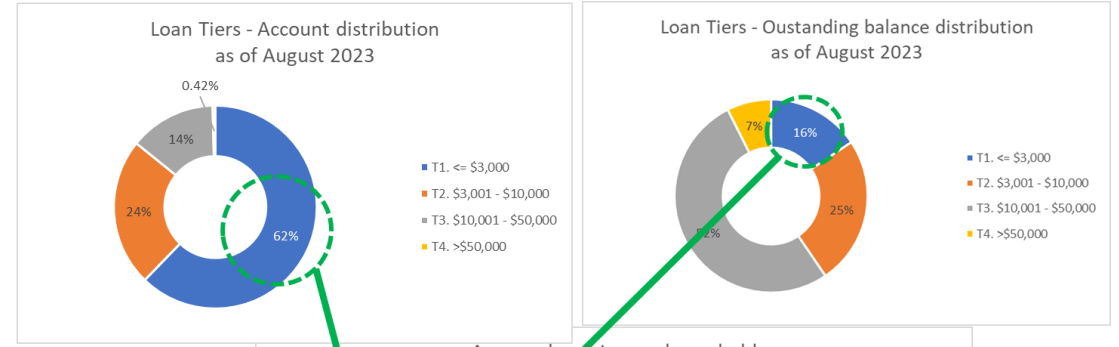
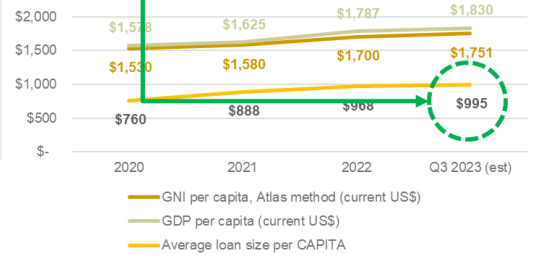
**Lending in Cambodia is household based**  
Average loan size per household



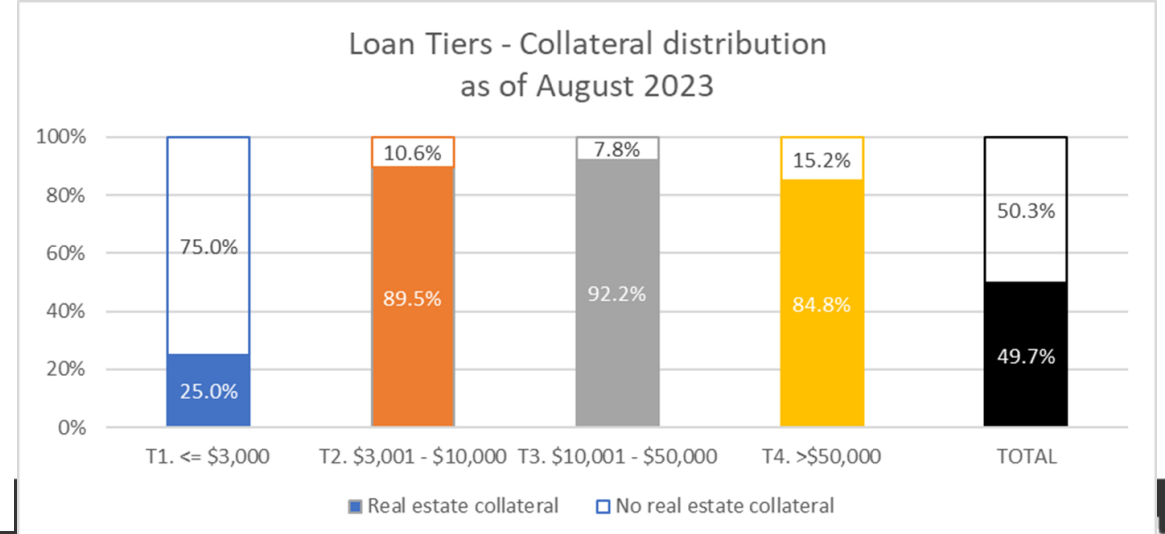
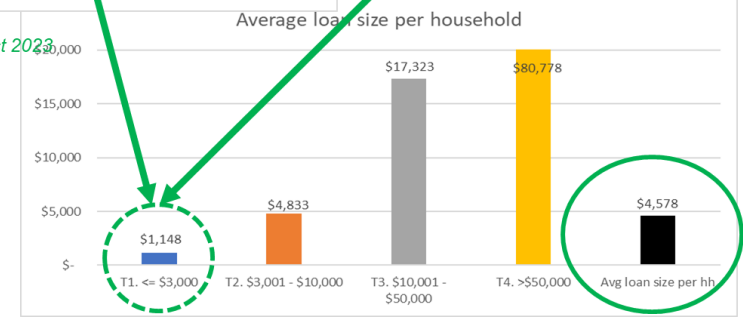
**Average loan size (adjustment on GNI/GDP per household)**



**Average loan size (adjustment on loan size per capita)**



Source: CBC as of August 2023



**75% of the loan up to \$3,000 has NO real estate collateral**

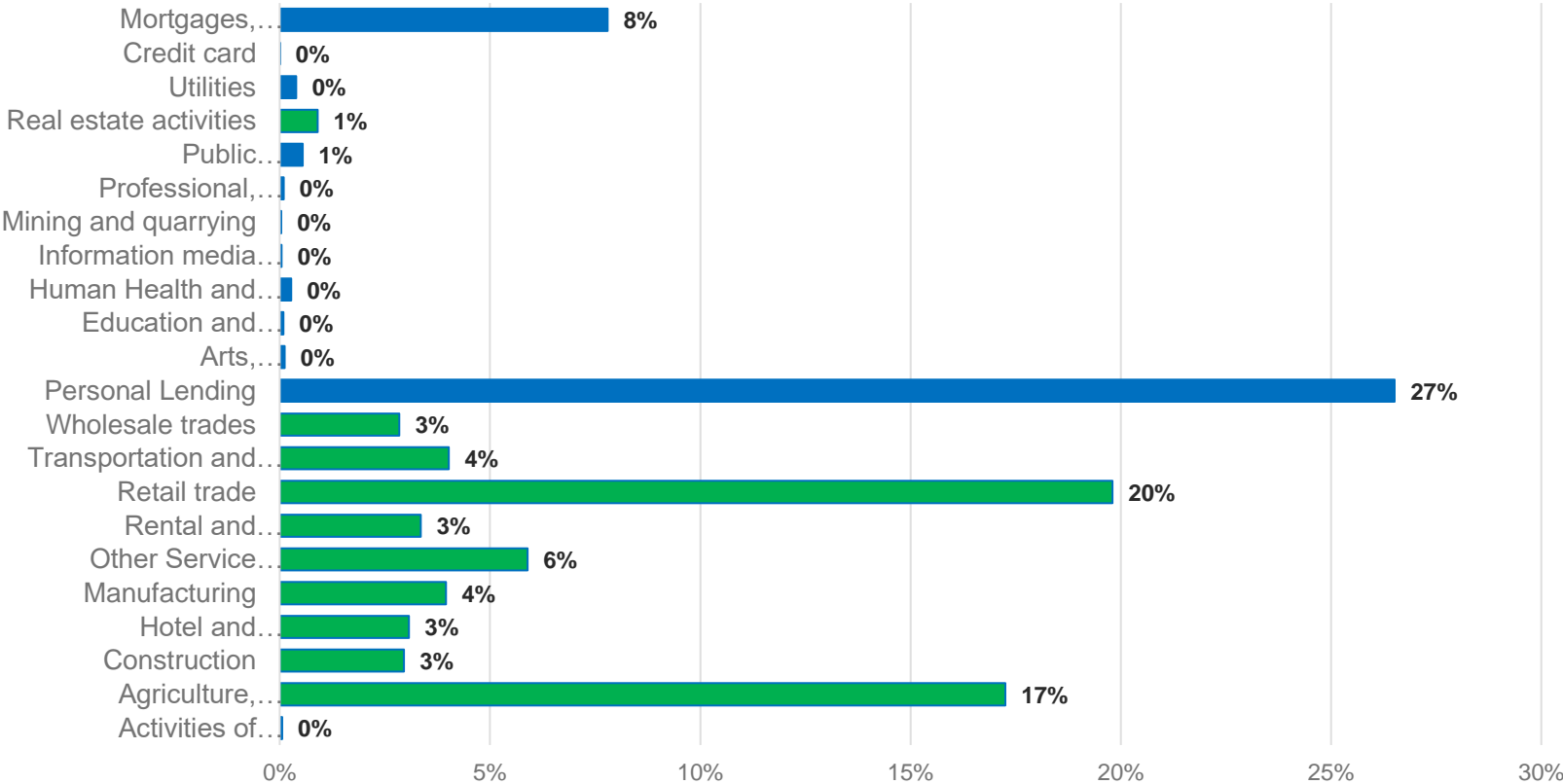
**While nearly 6% reported some sales of land over the past five years, 20% reported purchases of some land. Source: Impact Study 2023 by M-Cril**

# I. Key Context of Microfinance in Cambodia (Cont.)



Type of Enterprise	Number of Employees	Assets (US\$)	% Share in Number Country-wide	% women-owned
Micro	< 10 employees	<50,000	96.4%	62%
Small	11 - 50 employees	50,000 – 250,000	2.2%	26%
Medium	51 - 100 employees	250,000-500,000	2.1%	26%
Large	> 100 employees	500,000	0.2%	n.a.
Total				61%
Sources: Cambodia Intercensal Economic Survey 2014; IFC 2019				

## Loan of MFI to Economic Sector (Consumer and Commercial Loan) – Aug 2023



**Microfinance in Cambodia not only lend to households, but importantly provide lending to Micro- SME (~ 510,000 establishment) to create jobs for community contributing to socio-economic development.**

**Cambodia is the Micro- SME Country\_ According to data from Cambodia's Ministry of Industry, Science, Technology & Innovation (MISTI), Micro Enterprises have an important share of the market, Country-wide.**



**Quote from Impact Study 2023:** *“Life is complex; there is no straightforward correlation with financial services. And there is no general environment of distress amongst microfinance clients. Nevertheless, some lives have been directly affected by a vicious cycle of debt. This happens in any financial services activity, whether from lending by microfinance service providers or by the regulated commercial banking sector. It happens in every country in the world whether with low income or high-income populations”.*

### Challenge

- 1- Although rapid growth provide good opportunity for financial inclusion, however facing challenging on responsible inclusiveness
- 2- Hight Cost for Lending\_ challenging to the principle of promoting affordable lending
- 3- Lack of Financial Literacy among the consumers
- 4- Shadow Banking “informal money lenders, and other none regulated lenders”
- 5- Extreme criticism, sensitizing the generalization on the sector without constructive solutions would not help
- 6- Limited of affordable lending scheme for Micro-SME, Household Agricultural Farmers, Green Financing Initiatives

### Efforts

- 1- Working on the Responsible Growth (Self Regulations, Capacity building on responsible and ethical landings.
- 2- Promote local deposits, advocate to NBC and Government on affordable lending
- 3- Financial Literacy Campaigns and Initiate the Safe Finance Project in community.
- 4-On going advocacy with government on the solutions related the challenges of shadow banking.
- 5- Working with UN Resident Coordinator Office to establish regular mechanism on the constructive partnership on the Microfinance in sector in Cambodia
- 6- Advocate for more affordable lending scheme for low/ middle income clients



## Continued Efforts on Market System Strengthening Approaches

### Supply Side

- Codes of Equitable Microfinance Lending
- Banking and Financial Institution Codes of Conduct (COC)
- The Lending Guideline (LG)
- Harmonization of CoC with International Standards (Cerise+ SPTF)
- Workshop on Strengthening Responsible Inclusive Finance in Cambodia
- **CEO's and Shareholders' Training Workshop on "The Roles of Governance in Ensuring Commitment and Effective Implementation of Client Protection in Banks and Financial Institutions"**
- Regional Workshop on Strengthening Effectiveness and Ethical Branch Management
- Capacity building of Loan Officers on Responsible Lending Program by the Institute of Banking and Finance
- **Financial Health Sector Monitoring Framework**
- **Disciplinary Mechanism\_ Warning Letter\_ Reporting to supervision mechanism of NBC**

### Demand Side

- Digital Financial Literacy Campaign\_ to maximize scope and impacts
- Improve the financial literacy contents that promote reaches to the low income, limited education, unreached populations
- Monthly Sub- national microfinance workshops with NBC at Provincial and District Level across the country.
- Development of the Simple Poverty Scorecard
- Loan restructure, take supportive approaches to support clients who struggle with payback capacity.
- **Strengthening Safe Finance in Community - "Enhance Financial Literacy, Consumer Empowerment and Protection"**
- **Standard Contract and Standard Contractual Terms**
- **Advocating for affordable lending for consumers, especially for the Micro- SME, Household Agricultural Farmers, Green Financing Initiatives to continue to contributing to socio- environmental and economic development.**



# IV. Next Steps\_ Building on Responsible Inclusive Finance in Cambodia



- Board of Directors/ Shareholders Program- Both CMA& ABC with Center for Banking Studies.
- CEO Program-Both CMA& ABC with Center for Banking Studies.
- Branch Manager Program-Both CMA& ABC with Center for Banking Studies.
- CO and Front-line Staff Program- Both CMA& ABC with Institute of Banking and Finance.
- Harmonization the COC and the CP Pathway
- Strengthening Safe Finance in the community
- Consumer Protection Center ( Client Complain Resolution, Ombudsman, Financial Literacy, and Counselling)

## Responsible Inclusive Finance Frameworks 2023- 2026





### V. Next Steps\_ Cont. Strengthen Consumer Protection Mechanism and Practices in Cambodia



Consultation Meeting on the  
The Revision of the Prakas on Resolution of Consumer Complaints  
(Draft)



Workshop on Complaints Management  
by Financial Institutions

**Consumer Protection Center**  
(Working in Progress)

- Client Complain Resolution
- Ombudsman
- Financial Literacy
- Counselling

**Jointed Mechanism of the  
Financial Sector Resolutions  
on  
Consumer Complaint Handling  
Management Framework**

Updated Drafted\_ September 2023

By Association of Banks in Cambodia and Cambodia Microfinance Association



# Conclusions



**EUROPEAN  
MICROFINANCE WEEK**  
connecting the inclusive finance world

**THANK YOU !**