Roles of Microfinance Finance in Economy and Financial Inclusion of Cambodia

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Content

I. Introduction

II. Microfinance and Economic Growth

III. Financial Inclusion

IV. Conclusion
Cambodia’s Demography and Microfinance

- Population: +15.4 millions
- Estimated population below poverty line: 17.7%
- Rural population: about 12 Millions
- Number of MFIs: 48
- Loan outstanding: USD 2,952 Millions
- Deposit balance: USD 1,318 Millions
- Number of borrowers: 2,022,235
- Number of depositors: 1,418,732
I. Introduction

- Microfinance plays a major role in Cambodia’s economic growth.
- Increasing microfinance institutions in line with Cambodia’s GDP growth rate averaging 10% in the 1998-2008, and 7% in 2012-2015 have assisted in success in poverty reduction at 1% per year.

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</thead>
<tbody>
<tr>
<td>Number of Licensed MFIs</td>
<td>18</td>
<td>21</td>
<td>23</td>
<td>28</td>
<td>35</td>
<td>37</td>
<td>45</td>
<td>48</td>
</tr>
<tr>
<td>Number of office</td>
<td>701</td>
<td>901</td>
<td>1,028</td>
<td>1,229</td>
<td>1,308</td>
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Microfinance sector - evolution

1990
- NGO operations
- Working with rural people and micro enterprise
- Prepare for MFI operations-Self-sustainable

2000
- Operate as village banking
- Prepare for MFI operations
- Expand to urban and MSMEs segmentation

2005

2010
- Full MFI/MDI operations
- Upgrade MIS technology
- Aggressive growth

2015
- MDI with high tech banking operations
- Update MIS technology
- Aggressive growth
- Expand distribution channel
II. Microfinance and Economic Growth

- Unique feature is private-owned and follows market competition
- Access to microfinance services by the poor is crucial
- Favorable environment and policy create by the government ie transformation and development of MFIs
- Financial infrastructure is a factor to create a favorable environment for MFIs to achieve the sustainability ie information infrastructure, clearing and settlement system, legislations and regulations, technology and human resource development
## II. Microfinance and Economic Growth

(In Millions of USD)

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<thead>
<tr>
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<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Dec_2014</th>
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<tbody>
<tr>
<td>Total number of all Licensed MFIs</td>
<td>23</td>
<td>30</td>
<td>35</td>
<td>36</td>
<td>39</td>
</tr>
<tr>
<td>Total Assets</td>
<td>506.16</td>
<td>748.97</td>
<td>1,072.77</td>
<td>1,597.27</td>
<td>2,439.94</td>
</tr>
<tr>
<td>Total Loans to Customers</td>
<td>425.57</td>
<td>641.56</td>
<td>885.83</td>
<td>1,317.08</td>
<td>2,016.97</td>
</tr>
<tr>
<td>Total Customers' Deposits</td>
<td>40.47</td>
<td>113.76</td>
<td>273.87</td>
<td>437.97</td>
<td>888.49</td>
</tr>
<tr>
<td>Total Assets (growth)</td>
<td>38.30%</td>
<td>47.97%</td>
<td>43.23%</td>
<td>48.89%</td>
<td>52.76%</td>
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<tr>
<td>Total Loans (growth)</td>
<td>42.51%</td>
<td>50.75%</td>
<td>38.07%</td>
<td>48.68%</td>
<td>53.14%</td>
</tr>
<tr>
<td>Total Deposits (growth)</td>
<td>325.74%</td>
<td>181.11%</td>
<td>140.75%</td>
<td>59.92%</td>
<td>102.86%</td>
</tr>
<tr>
<td>Assets Percentage of GDP</td>
<td>4.36%</td>
<td>5.81%</td>
<td>7.56%</td>
<td>10.98%</td>
<td>16.77%</td>
</tr>
<tr>
<td>Deposit Percentage of GDP</td>
<td>0.35%</td>
<td>0.88%</td>
<td>1.93%</td>
<td>3.01%</td>
<td>6.11%</td>
</tr>
<tr>
<td>Loans Percentage of GDP</td>
<td>3.67%</td>
<td>4.98%</td>
<td>6.24%</td>
<td>9.05%</td>
<td>13.86%</td>
</tr>
<tr>
<td>Loan-deposit ratio</td>
<td>1052%</td>
<td>564%</td>
<td>323%</td>
<td>301%</td>
<td>227%</td>
</tr>
<tr>
<td>Paid-up Capital to GDP</td>
<td>0.40%</td>
<td>0.56%</td>
<td>0.74%</td>
<td>0.83%</td>
<td>1.14%</td>
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</table>
Credit Classified by Sectors
(As of June 2014)

- Agriculture: 37.6%
- Trade and Commerce: 19.4%
- Services: 12.8%
- Transportation: 3.3%
- Construction: 3.9%
- Household/Family: 20.3%
- Other Categories: 2.6%

Return on Assets and Return on Equity (Annualized)

- Equity to total assets
- Debt to total assets
- Return on Assets
- Return on Equity
III. Financial Inclusion in Cambodia

III. Financial Inclusion in Cambodia

- Government Commitment to the development of the rural finance
- Financial Education: seminar and workshops on financial products
- Supportive regulatory framework
- Transparency of interest rate and loan conditions
- Favorable investment environment
- Support from Credit Bureau to improve quality credit growth and enhance access to finance.

- The coverage expansion of Microfinance Institutions
- Development of new products and services to match the need and income streams of poor borrowers
- Enabling environment facilitating competition and foster innovation
III. Financial Inclusion in Cambodia

Delivery of small transactions in large volume at a lower cost
Example 1 of Financial Inclusion Activities
Example 2 of Financial Inclusion: Mobile banking (Agent):

- Deposit, Withdrawal
- Money transfer
- Payment
Challenges

Despite growth, some challenges such as:

- Interest rate: charged higher than banks, but lower than informal lenders
- Limited opportunity to tap into domestic funding, leading to much reliance on foreign funding and financing
Conclusion

• Microfinance established its offices to rural areas to allow all the people in the rural areas to access the formal financial services and expand their business as possible so that contribute to economic development successfully.

• MFIs in Cambodia have been well developed extend to cover all provincials and capital city of the kingdom through 1,308 office networks reaching to 2,022,235 more than 60% of household.

“Microfinance is the KEY breaking the poverty cycle”
The key factors contributed to sustainability of Cambodia’s MFIs:

- Importation of best practices from abroad at the earliest stages of development
- Significant demands for microfinance products
- HR systems that eventually enabled for the foreigners to hand over to Cambodians to run their operations
- A generally enabling regulatory environment, in particular the NBC’s willingness to allow MFIs to be financed by foreign debt and equity, so that they had enough money to reach economies of scale
Thank You!