

**Symposium on
Financial Industry to Contribute to Revitalizing Regional
Economy in Japan and Asia
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**Roles of Microfinance Finance in Economy and
Financial Inclusion of Cambodia**

**PHEAV SODALIN
Deputy Director of Banking Supervision
National Bank of Cambodia**



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I. Introduction

Cambodia's Demography and Microfinance



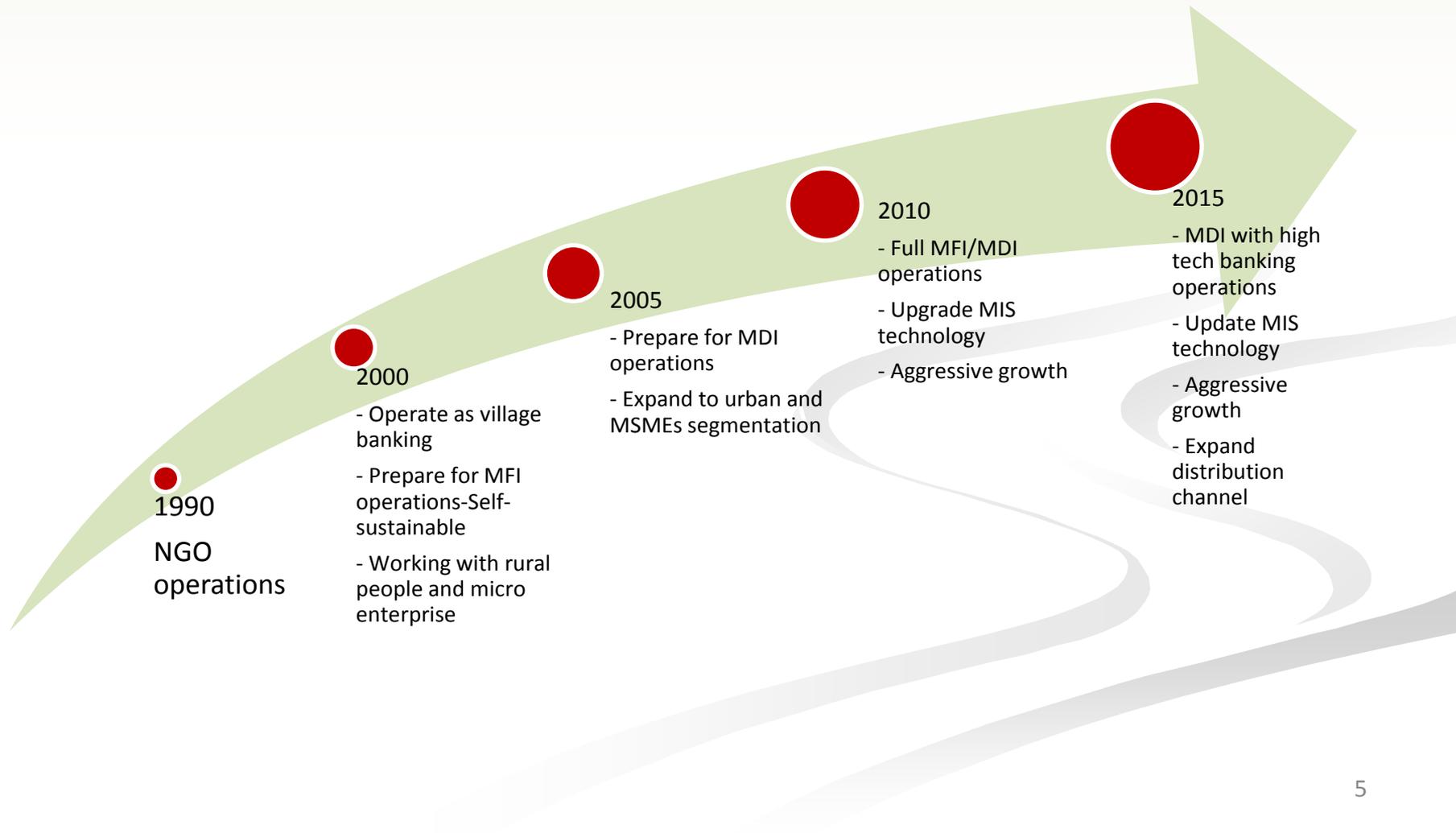
- Population: +15.4 millions
- Estimated population below poverty line: 17.7%
- Rural population: about 12 Millions
- Number of MFIs: 48
- Loan outstanding: USD 2,952 Millions
- Deposit balance: USD 1,318 Millions
- Number of borrowers: 2,022,235
- Number of depositors: 1,418,732

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.

Items	2008	2009	2010	2011	2012	2013	2014	2015
Number of Licensed MFIs	18	21	23	28	35	37	45	48
Number of office				701	901	1,028	1,229	1,308

Microfinance sector - evolution



II. Microfinance and Economic Growth

- Unique feature is private-owned and follows market competition
- Access to micro finance 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)

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

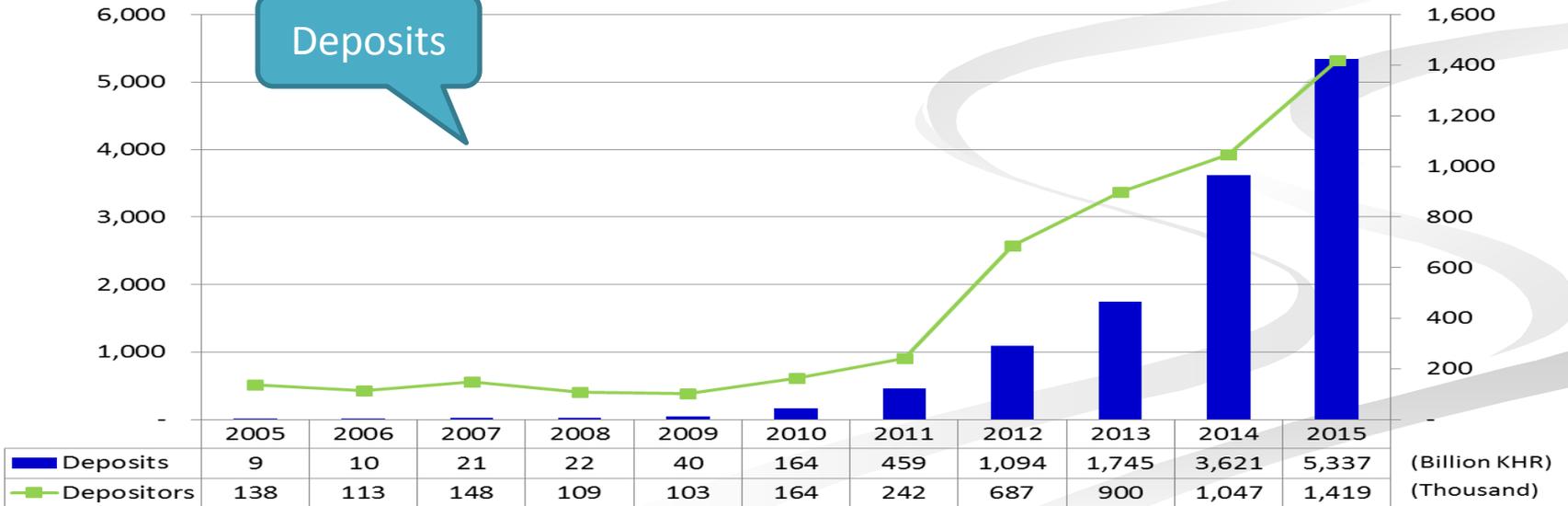
Borrowers & Portfolios by year (2005-2015)

Loans

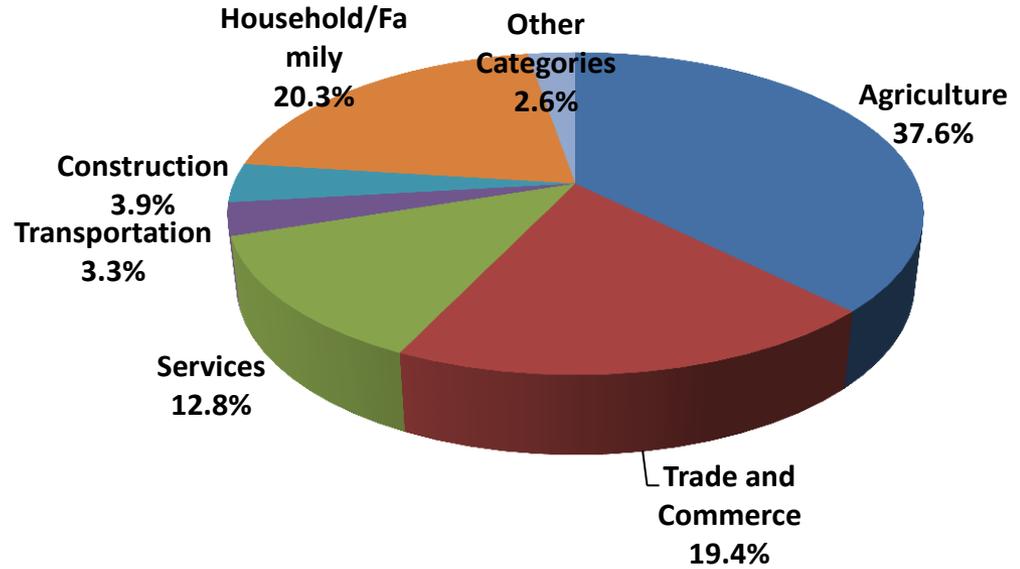


Deposits & Depositors (2005-2015)

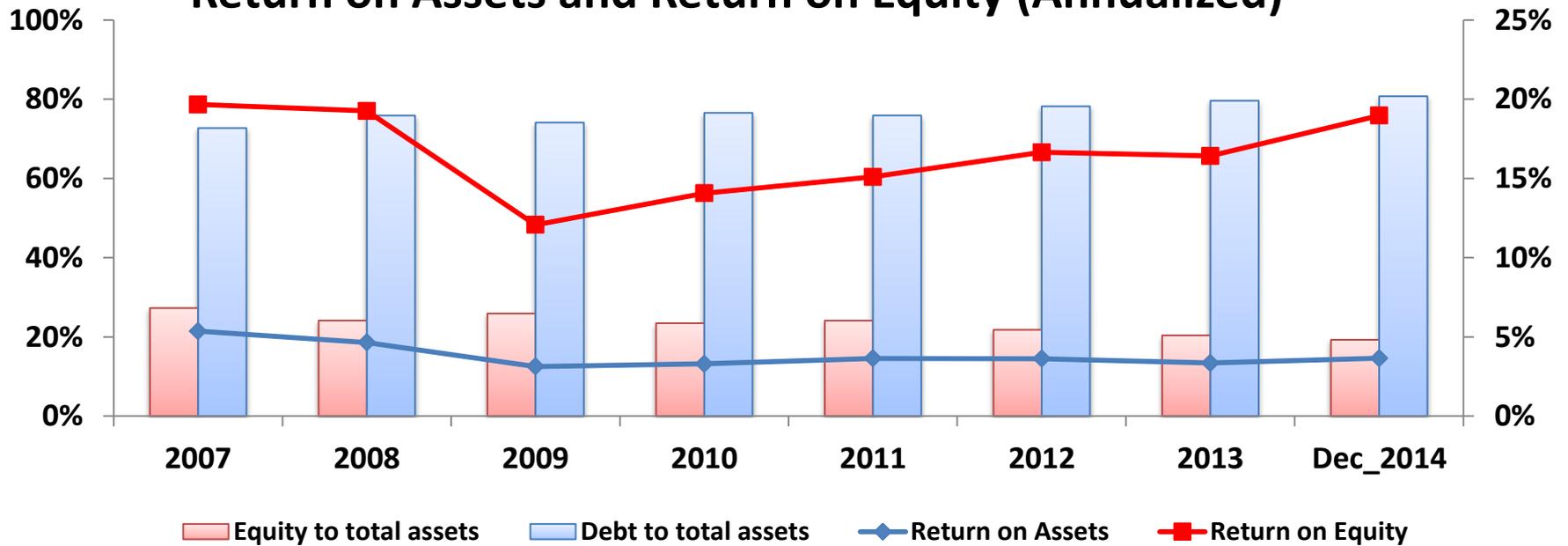
Deposits



Credit Classified by Sectors (As of June 2014)

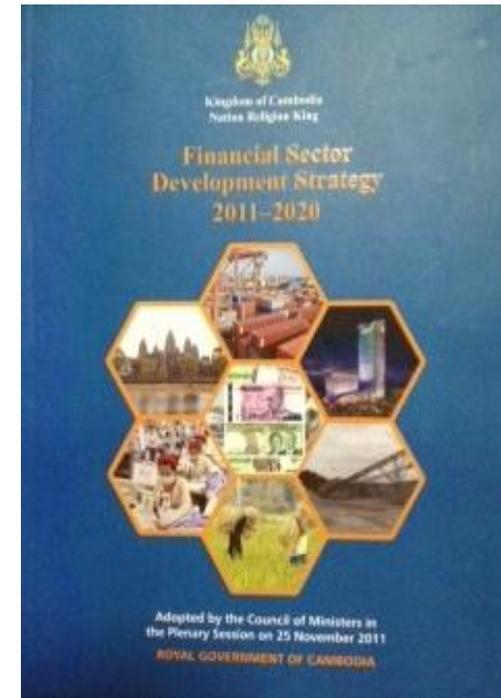
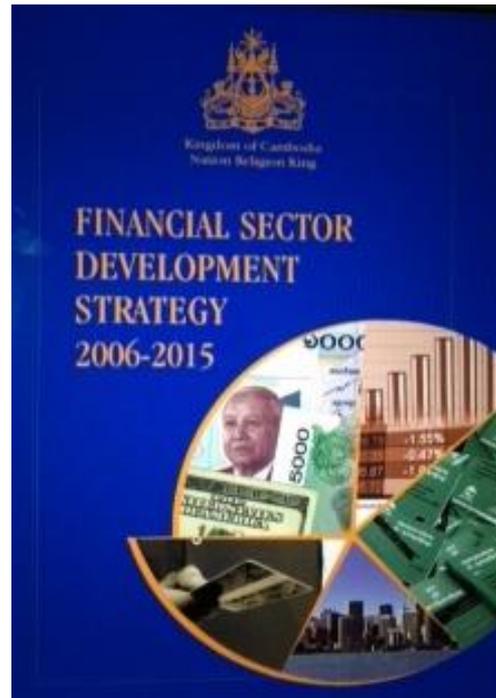


Return on Assets and Return on Equity (Annualized)

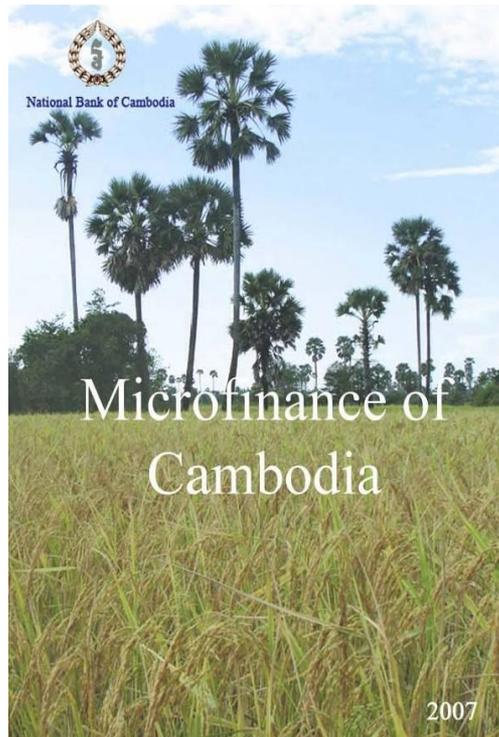


III. Financial Inclusion in Cambodia

Development of Financial Sector Development Strategy **2001-2010** , **2006-2015** and **2011-2020** to implementing Financial Inclusion



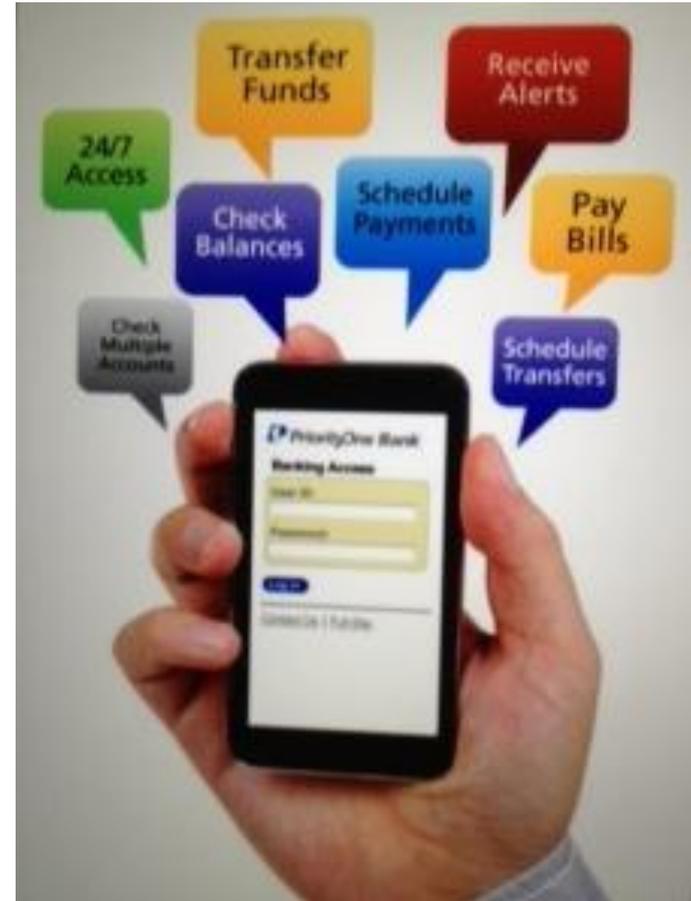
III. Financial Inclusion in Cambodia



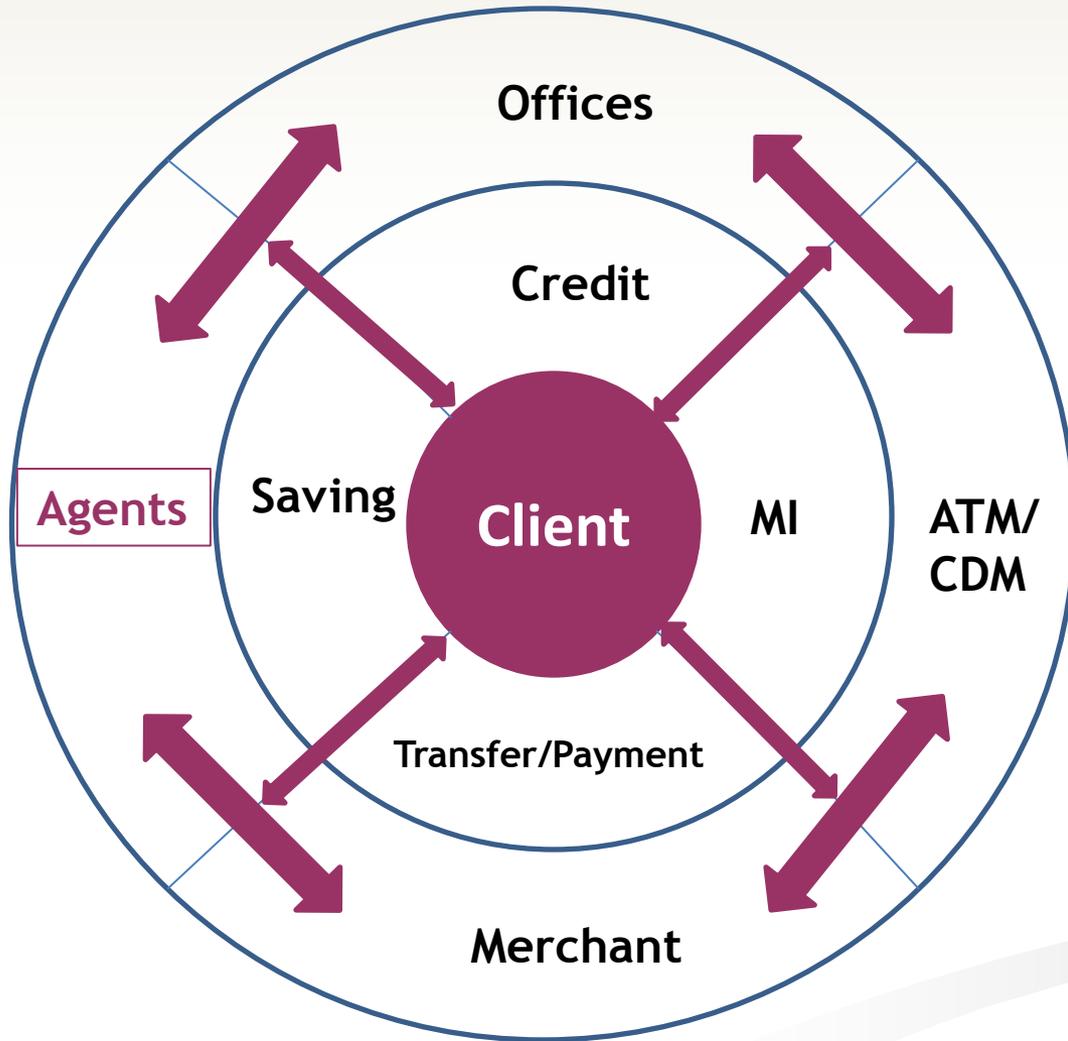
- Government Commitment to the development of the rural finance
 - Financial Education: seminar and workshops on financial products
 - Supportive regulatory framework
 - Transparency of interest rate and loan conditions
 - Favorable investment environment
 - Support from Credit Bureau to improve quality credit growth and enhance access to finance.
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- 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”₁₆

Conclusion

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!

