

Cambodia's Initiatives Towards Increasing Financial Inclusion



Cambodia

National Financial Inclusion Priorities

Cambodia believes that enhancing financial inclusion will provide rooms for further development and hence poverty reduction. In this regard, the Royal Government of Cambodia (RGC) has cooperated with ADB in developing Financial Sector Development Strategy (FSDS 2001-2010, FSDS 2006-2015, and FSDS 2011-2020). The FSDS has been developed based on broad and inclusive participatory approach with all stakeholders in the financial sector in Cambodia.

The overall objective is a coherent, pragmatic and sustainable approach to financial sector development in Cambodia. At the same time, the FSDS has identified "Rural Finance", to become more inclusive, and considers the sector as "Microfinance". This encourages the diversification of risks and growth of diverse products, as well as becoming more inclusive for those in urban areas. The objective is thus a viable, pro-poor and effective microfinance system for providing affordable financial services to enable the poor to enhance their income and reduce poverty.

Challenges and the Way Forward on Financial Inclusion

Understand financial inclusion enhance Cambodia development and poverty reduction. The process in implement financial inclusive has faced many challenges including:

- Most of Cambodian people has low level of financial literacy
- Constraints facing the development of microfinance, which is the important source of financial inclusion, include: (i) strengthening regulatory and supervisory framework and capacity; (ii) expanding services; (iii) improving outreach; (iv) increasing consumer protection; (v) enhancing operational efficiency and soundness of service providers; and (vi) strengthening the supporting sector.

The ways forward on financial inclusion are:

- Develop financial literacy programs which collaborate between the stakeholders to promote financial literacy to the financial customers, especially for rural people.
- Strengthening the regulatory and supervisory framework in order to promote financial inclusion and at the same time preserve financial stability.
- Expand services to rural areas and promote microfinance intermediary, and at the same time enhance fair competition, transparency and disclosure
- Improve financial infrastructure such as credit bureau, and financial products such as mobile banking, micro-insurance and information communication technology (ICT) etc.
- Ensure that vision of microfinance institutions is to strengthen microfinance system and promote financial access to the poor with an affordable price, which then increase income and reduce poverty as the goal to pursue financial inclusion.

Financial Planning Month conducted by the Employees Trust Fund (TAP)

The strategies and initiatives developed by the National Bank of Cambodia on financial inclusion are:

- The expansion of the MFIs' operational networks as they are the key agents in promoting access to finance in Cambodia. For instance, more than 25.76% of the population has access to microfinance services.
- The rules and regulations have been improved by the NBC to support the expansion of microfinance services and products, including giving license to Microfinance Deposit-taking Institutions (MDIs). These MDIs provides not only credit services but also saving services for people in rural areas. This allows the MDIs less depend on foreign financial sources as the deposits from customer and use as the capital. With low cost received from customer deposit, MDIs could then provide loan to customers in a lower cost. Further, the ability of easing access to MDIs could reduce cost in access to financial services as well as a pool for saving.
- The development of mobile banking has not only contributed to the diversification of banking and financial products, but surely it has brought greater financial access for both bank and non-bank customers. It has been an important supportive engine of labor migration as well as urban-rural integration by facilitating transfer's services across the country.
- With NBC's support, a Credit Bureau was successfully established in early 2012 and which serves as a repository of borrowers' information in order to facilitate access to credit information by financial institutions. The Credit Bureau is aimed at reducing credit risks in lending and lowering transaction costs, thus making capital more accessible to businesses.

ASEAN FINANCIAL INCLUSION CONFERENCE

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