

## **Briefing note**

The Senate Commission 8 on Health, Social Affairs, Youth Rehabilitation, Labors, Vocational Training and Women Affairs

# **Financial inclusion of women as a driver of development for SDGs: Review of women's obstacles in Cambodia**

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## **1. Introduction**

Financial inclusion is defined as the process in achieving universal access to a wide range of financial services at a reasonable cost, that include not only banking products such as accounts, credit or savings, but also insurance, remittances and financial counseling.<sup>1</sup> Similarly, financial inclusion of women refers to the fact that women have effective access to those financial products and services to support their business and households needs.<sup>2</sup>

Globally, it is estimated that “nearly one out of every three women in the world or 1.1 billion women” could not access the formal financial system.<sup>3</sup> Financial inclusion of women is important for improving equality and wellbeing of people. Research shows that by providing women with access to the formal financial system, five issues<sup>4</sup> as defined in the SDGs could be addressed<sup>5</sup>. When women have access to the formal financial system, they will not be vulnerable to loan sharks or face the risks of loss or theft of their financial savings. Having access to finance, women have more opportunities to participate in economic activities, have control over their finances and have decision-making on how finance should be used for the benefit of their family.<sup>6</sup>

Cambodia has acknowledged the importance of financial inclusion of women. The country has called on all financial institutions to better target clients for financial support, especially focusing on women who are heads of households.<sup>7</sup> Despite these efforts, financial inclusion of women remains a problem in Cambodia compared to some countries in Southeast Asia.<sup>8</sup> This briefing note seeks to explain the key obstacles to the achievement of financial inclusion of women in Cambodia. It first reviews the current status of women in financial inclusion; secondly, obstacles that hinder women from accessing credit and repaying loans; and finally, the government policies to help address financial inclusion of women in Cambodia.

## **2. Current status of financial inclusion of women**

### ***2.1 General status of women in economic activities***

Cambodia has a population of about 15.47 million as of 2015 with the female population accounting for 51 percent of the total population. Female headed households represent only 15 percent while male-headed households account for 85 percent in 2015.<sup>9</sup>

Women accounted for 49 percent of the total labor force in 2012. Although the labor force participation rate (LFPR) of women is slightly lower than men at 80 percent, compared to 89 percent for men, for the age group 15-64 years, the LFPR for young women aged 15-19 years is higher than young men, at 66 percent and 64 percent respectively.<sup>10</sup>

Despite the high participation of women in the labor force, they often stay at low-skilled jobs in comparison to men. Less than 4 percent of women worked at a high-skilled level such as managers, professionals and technicians/associate professionals.<sup>11</sup> Women mainly work in three sectors: 1) agriculture, forestry and fisheries, 2) wholesale and retail trade and services, and 3) manufacturing, all of which, represents 89 percent of all women's employment.<sup>12</sup>

## ***2.2 Banking and financial institutions in Cambodia***

Banking and financial institutions in Cambodia are rapidly growing in terms of their scope and scale of operations (see Table 1). By 2016, Cambodia had 37 commercial banks, 15 specialized banks, 7 foreign bank representative offices, 7 deposit-taking microfinance institutions, 63 microfinance institutions, 170 rural credit operators, 12 leasing companies, 1 credit bureau company and 2,261 money changers.<sup>13</sup> These banks and Microfinance Institutions (MFIs) continue to expand their transactions by opening branches, installing Automatic Teller Machines (ATM) and providing electronic payment services to their clients across the country.<sup>14</sup> Besides banking and financial institutions, insurance institutions are also growing in Cambodia.

**Table 1: ATMs, branches of MFIs and commercial banks and insurance institutions from 2013-2015**

	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Commercial banks</b>	35	36	36
<b>Specialized banks</b>	9	11	11
<b>Foreign bank representative offices</b>	6	7	8
<b>MFIs</b>	38	39	58
<b>Rural credit operators</b>	33	38	104
<b>ATMs</b>	865	1,137	1,416
<b>ATMs per 100,000 adults</b>	8	11	13
<b>Branches of deposit taking MFIs</b>	1,279	1,383	1,632
<b>Branches of non-deposit taking MFIs</b>	786	1,311	2,186
<b>Branches of all MFIs per 100,000 adults</b>	21	26	36
<b>Branches of commercial banks</b>	452	557	614
<b>Branches of commercial banks per 100,000 adults</b>	5	6	6
<b>Institutions of insurance corporation</b>	10	10	11

Source: IMF database, 2015, NBC 2013, 2014 & 2015. Phnom Penh, Cambodia.

## ***2.3 Money transfer companies***

Cambodia also has private money transfer companies to support cash transactions for rural people. These money transfer networks have their own agents located at the village level, making it accessible and quick for local people. Their service is easy and does not require clients to have

a bank account. In addition to domestic transactions, some companies are also available to provide international remittance services. Seven major companies are operating cash transfer services in Cambodia, such as Wing, Smart Luy, Metfone's eMoney, Thai-owned True Money, Asia Wei Luy, microfinance institution AMK's Mobile Money Transfer, and Ly Hour Pay Pro (See Table 2).<sup>15</sup>

**Table 2: Agents of mobile money transfer companies in Cambodia**

Company name	Launch date	No. of agents
Wing	January 2009	5,000
eMoney	March 2015	4,500
TrueMoney	January 2016	5,000
AMK Money Transfer	October 2014	2,500
Asia Wei Luy	February 2015	1,650
Ly Hour Pay Pro	February 2016	1,000

Source: Phnom Penh Post, issued on 8 November 2016, A Tighter Race to Deliver Money.

## **2.4 Access to accounts, savings and borrowing**

Despite the growing number of financial institutions, the Global Findex Database showed that in 2014, only 22 percent of Cambodians over 15 years old had an account with a formal financial institution, 4 percent had a formal savings account, and 28 percent had undertaken formal borrowing. Compared to other countries in Southeast Asia, Cambodia has the lowest percentage of those who had an account and formal savings, but had the highest percentage of those who undertake formal borrowing (See Table 3).<sup>16</sup>

**Table 3: Comparative distribution of population who have accounts, formal savings and formal borrowing across countries in Southeast Asia**

	Account (% age 15+)	Formal Saving (% age 15+)	Formal Borrowing (% age 15+)
<b>Cambodia</b>	22	4	28
<b>Vietnam</b>	31	15	18
<b>Thailand</b>	78	41	15
<b>Malaysia</b>	81	34	20
<b>Singapore</b>	96	46	14

Source: WB 2014. *Financial Inclusion Data/Global Findex*.

However, the National Bank of Cambodia in 2014 reported higher percentages. The annual report of NBC in 2014 stated that 42 percent of Cambodian adults had access to financial services from banks and MFIs, which included 3.3 million depositors and 2.2 million borrowers in 2014.<sup>17</sup> In 2015, NBC reported the increase to 51 percent of Cambodian adults who access financial services, in which depositors account for 4 million persons and borrowers for 2.5 million persons.<sup>18</sup> However, no gender disaggregated data related to financial access was provided in the NBC report.

MFIs play the main role in providing financial services to people in rural areas. Some MFIs (e.g. Kredit and AMK) developed several products to support poor rural clients including women (e.g., they create community loans, group loans without collateral, education loans and emergency loans). According to the Cambodia Microfinance Association, by Quarter 4 in 2016, there were 1,921,956 borrowers and 1,596,863 depositors who access finance from MFIs.<sup>19</sup> Women are the majority of those who access MFIs in Cambodia since 2013. According to Network Information Exchange that collected information from 37 microfinance institutions and 5 organizations, it showed that women accounted for 80 percent (1,006,700 women) of the total clients of MFIs in 2013<sup>20</sup>.

Besides providing saving and credit services, some MFIs also provide micro-insurance. For example, Chamroeun Microfinance provides micro-insurance, for which a person needs to spend only USD 0.65 per month as a premium to cover hospitalization, accidental disability, and death.<sup>21</sup>

## ***2.5 Women-owned SMEs to access credit***

According to the 2011 Cambodia Economic Census, there were 505,134 businesses operating in Cambodia, which employ 1,676,263 people, of whom, women account for 61.2 percent and men only 38.8 percent. Of the 505,134 businesses, women-own businesses represent 65.1 percent while men only 34.9 percent.<sup>22</sup>

Most of the women-own businesses in Cambodia were often small (engaging only one person), were operated informally and/or only aimed to generate income for households. These businesses covered only a few industrial sectors, mainly related to wholesale and retail trade, services, accommodation and food, manufacturing and other services (See Table 4).<sup>23</sup>

**Table 4: Business activities disaggregated by gender**

Business Activities	Number of enterprises		
	Total	Male owners	Female owners
<b>Total enterprises</b>	505,134	176,128	329,006
	100.0%	34.9%	65.1%
<b>Wholesale and retail trade; repair of motor vehicles and motorcycles</b>	289,130	73,516	215,614
	57.2%	14.6%	42.7%
<b>Accommodation and food service activities</b>	69,569	14,612	54,957
	13.8%	2.9%	10.9%
<b>Manufacturing</b>	75,031	39,998	35,033
	14.9%	7.9%	6.9%
<b>Other activities</b>	71,404	48,002	23,402
	14.1%	9.5%	4.6%

Source: NIS/MOP 2011. Cambodia Economic Census. Phnom Penh, Cambodia.

A credit gap is still a major problem for women-owned SMEs. Among SMEs in Cambodia that are owned by women, 89 percent did not use financial services from any financial institutions, partly because they could not access it. Among 11 percent of those who use financial services, 8 percent were underserved and only 3 percent well served. The ability of women-owned SMEs to access financial services in Cambodia is lowest compared to other countries in the region (e.g., Indonesia, Philippines and Vietnam). Vietnam had the highest percentage of women-owned SMEs who could access well-served financial services) (See Table 5).<sup>24</sup>

**Table 5: Accessibility to financial services by women-owned SMEs across Southeast Asia**

Country	NON-USERS OF FINANCIAL SERVICES		USERS OF FINANCIAL SERVICES	
	Do not need credit	Unserved	Underserved	Well-served
Cambodia	48%	41%	8%	3%
Indonesia	31%	42%	19%	8%
Philippines	39%	24%	22%	16%
Vietnam	25%	29%	26%	21%

Source: WOMEN'S WORLD BANKING(2015). Access to finance of women-owned SMEs in Southeast Asia: an assessment of five countries.

### **3. Obstacles to women in achieving financial inclusion**

Obstacles to women achieving financial inclusion can be discussed under three broad areas: 1) accessibility and affordability, 2) financial decision-making at the household level, and 3) repayment.

#### ***3.1 Accessibility and affordability***

Constraints to women's accessibility to credit and the affordability of credit can be related to both supply and demand-side issues. Although the data showed 80 percent of those who accessed MFIs were women, women's accessibility to financial services remained small among women-owned SMEs. It was found that many women-owned SMEs could not access financial services or received insufficient funds to meet their needs because of six reasons<sup>25</sup>:

- The lack of documentation required by banks or MFIs (e.g. financial records, bank track record) to prove their business capability to pay back the loans;
- Lack of collateral such as land, building, security papers or deposits that should be in the name of borrowers;
- High transaction costs for women to look for good financial institutions due to the time and income loss from the absence at their business;
- Tedious document/paperwork requirements;
- Lack of a network to gather information on financial options or to get support from other women-owned enterprises; and



- High interest rates of MFIs even though rates have fallen from 5 percent to 2.5 percent per month

### ***3.2 Financial decision-making at the household level***

While women are the majority of those who access services from MFIs, considering Cambodian gender norms, this does not mean that women have the decision-making power to manage the loans taken out in their names. In this regard, while generally speaking, it is sometimes perceived that men are the primary income-earners and women are often referred to as the financial managers or those who keep and manage the finances, in reality, the decision-making power of women to spend the money is often restricted.<sup>26</sup> A few studies found that women's decision making in financial management is often limited to only everyday purchases of food or clothing, but not for large expenditures.<sup>27</sup> Even though, in some families men consult women regarding financial matters, men still tend to be the ones who initiated and finalize financial decisions.<sup>28</sup>

### ***3.3 Repayment***

While access to credit is one factor that contributes to financial inclusion, repayment is another factor to look at when we talk about financial inclusion of women for achieving Sustainable Development Goals. Even though in Cambodia the repayment rate was high at 99 percent, it was found that many borrowers often struggled to repay their debts on time and that women can be more vulnerable than men in not repaying loans. For example, Liv (2013) found that 24 percent of insolvent borrowers were women while men accounted for only 6 percent.<sup>29</sup>

The most common coping strategies used by borrowers to deal with repayment include reducing the quality and quantity of food they consume, sending a family member to work outside the household, using savings to pay back a loan, taking out a new loan, working overtime, postponing medical expenses, selling or pawning assets or taking children out of school. Liv (2013) noted that borrowers struggling to repay debts can experience over-indebtedness that was partly caused by the fact that borrowers took out multiple loans or they had limited financial literacy.<sup>30</sup> Data from the Credit Bureau of Cambodia (CBC) showed that by June 2012, there were 1,224,361 borrowers from formal lending institutions, of which 21 percent reported having multiple loans.<sup>31</sup> In terms of financial literacy, Liv (2013) found that many borrowers did not have enough knowledge on how to manage money, budget and/or to weigh the costs/benefits of borrowing.

## **4. Government policies and strategies to address financial inclusion of women**

Cambodia has developed a number of policies and strategies to promote financial inclusion. Since the promulgation of the law on banking and financial institutions at the end of 1999, Cambodia has issued legal frameworks and policies to manage the robust growth of MFIs in Cambodia. Cambodia is also one of the first countries in the world that regulate MFIs.

- The key legal frameworks and policies that were developed so far include licensing of MFIs, how interest rates are calculated, reserve requirements, reporting requirements, liquidity ratio of licensed MFIs, registration and licensing of MFIs, loan classification and provisioning and implementation of chart of accounts.
- Cambodia also established a Credit Bureau in March 2013 to help reduce credit risk in lending and making capital accessible to businesses and households.
- Cambodia also introduced technology to improve efficiency and reduce costs in payment by implementing the FAST payment system in July 2015 to promote the use of Riel for fast money transfer between different bank accounts.<sup>32</sup>
- The National Bank of Cambodia in partnership with Good Return Australia launched the "Let's Talk Money!" Financial Consumer Awareness Campaign to promote financial literacy among Cambodian youths in 2016. In February 2017, they published "Let's Talk Money!" Comic Books to raise financial awareness of Cambodian children aged 8 to 12-years-old.<sup>33</sup>
- In February 2017, the Prime Minister issued a directive to call on all private banks and MFIs to declare themselves as “private institutions” and some banks to change their logos and this was enforced by a Prakas of the National Bank of Cambodia No B13-017-086 issued in the same month.<sup>34</sup>
- In March 2017, the National Bank of Cambodia issued a Prakas No B7-017-109 to set the interest rate ceiling of MFIs at 18 percent per year.<sup>35</sup>

It was found that financial inclusion policies in Cambodia still lacked focus on women<sup>36</sup>.

## 5. Conclusion

There is limited gender-disaggregated data and information to assess financial inclusion of women in Cambodia. However, with the available data, this study found that Cambodia has achieved some degree of positive results regarding financial inclusion, specifically related to the development of banking and microfinance institutions including money transfer agents, and because of this, Cambodia achieved a high percentage of women who have access to financial accounts, credit and savings. MFIs in Cambodia have played important roles in providing credit to rural poor people, including women through the launch of group loans and small loans without collateral, education loans, emergency loans and micro-insurance by directly working with rural people. MFIs have been able to penetrate into rural areas to provide services to vulnerable women. The government has also issued many legal frameworks and policies to help facilitate and promote financial inclusion of MFIs.

However, Cambodia still falls behind other countries in the Southeast Asia in terms of promoting financial accessibility and affordability to women-owned enterprises. Cambodia also faces constraints in terms of loan repayment by borrowers including women. Clearly, Cambodia has a

high percentage of women who access loans in their own name, yet it is not clear that those women have the full decision making in managing those loans. There are a number of areas that need to be addressed to achieve financial inclusion of women in Cambodia:

- Firstly, Cambodia could clearly define indicators to assess the status of financial inclusion of women and build sufficient gender-disaggregated information and data to help monitor it;
- There is a need to review the procedures required by banks and MFIs in providing loans to SMEs, especially women-owned SMEs;
- NBC could help to monitor the market penetration of MFIs related to provision of multiple loans to vulnerable groups, especially women; and
- NBC and MFIs need to continue working on promoting financial literacy among women, especially emphasizing the risks and benefits of getting a loan.

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- <sup>33</sup>NBC 2017. Press release on Let's Talk Money!
- <sup>34</sup>NBC February 2017. Prakas on declaring Banks and MFIs as private institutions.
- <sup>35</sup>NBC March 2017. Prakas on setting interest rate ceiling of microfinance.
- <sup>36</sup>To date, there has been no financial inclusion policy that clearly address women's to access finance.