

*Unofficial Translation*

**Closing Address by**  
**HE Chea Chanto**  
**Governor of the National Bank of Cambodia**  
*City Hall, 15 March 2016*

**Excellencies, Nak Ouknha, Distinguished Guests, Ladies and Gentlemen**

Now it is time to put an end of the National Summit on the Development of Microfinance Sector in Cambodia. The summit was opened under chairmanship of Samdech Ake Moha Sena Padei Decho Hun Sen, prime minister of the Kingdom of Cambodia. I must say that this Summit was actively involved by all participants. I would like to express my sincere thank to all presenters, moderators and penalists for sharing your experiences and new initiatives. I also would like to thanks Excellencies Neak Oknha Distinguished guests, ladies and gentlemen for your participations in this summit.

I would like appraise all micro credit operators and other relevant stakeholders for all the efforts to make micro finance sector being recognized internationally.

Taking this opportunity, I would like to brief you on the borrowing lending history and the development of MFI in Cambodia. Borrowing appeared since ancient time. However, borrowing system had its pro and cons. Borrowing system that began since ancient time wasn't conducted under proper management in other word "borrowing from businessmen and informal borrowing" which was a reason for exploitation. There is a Khmer proverb that goes " borrowing 1 sac in raining season need to be paid 2 -3 sacs in harvest season". In Cambodia as well as other countries in the world, the government always put effort in

managing financial system to avoid exploitation and to provide benefits to the borrowers as much as possible. In Songkom Reasniyum Regime, the government tried establish the rural credit system by setting up the credit cooperative and managed by the government itself. They were actively intervene in the managing the system. After a short period of time, the system did not work properly and eventually failed.

During 1980s, a new banking system has been established to one level banking system. The whole system was managed by the government. Capital requirement and interest rate was set by the government to avoid exploitation from borrowers. At the end of this system did not effectively, transparently and equally operator. The same borrowers kept borrowing while other continued to not receive the credit and finally the government was ripped off. Many debts became non performing and not repaid so government incurred a large loss.

During 1990s, a new rural credit system was established in a form of NGO which was foreign funding as a form of donation. Overtimes, the system was operated with profit/loss. At the same time “the credit for rural development commission” partnered with NBC has put effort to supervise the NGO by required them to register and get license from NBC and to comply under the rule and regulation. Moreover, some microfinances that met certain criterion can collection deposit from public as well.

This system has been operated under the market and competitive principle while the government was the regulator which is the key to a success of microfinance development in Cambodia.

### **Excellencies, Distinguished Guests, Ladies and Gentlemen**

I believe that H.E. neak okhna, ladies and gentlemen has fully understood and acknowledge the achievement of microfinance sector development in the last decade and learned some experiences from our panelists and speakers.

Through our discussion on 5 topics it is recommended as follows:

1. All stakeholders countries to promote other financial services in addition to credit service, in particular, providing financial service to people with reasonable cost;
2. NBC, MEF, MoI and other stakeholders continues to take strict/stringent measures on NPO, association, informal money lender who providing banking services without approval/ license from authority;

3. MFI must provide credit based on repayment capacity, productivity of borrower and should avoid granting credit with low underwriting and exclusively based on collateral;
4. MFI should strengthen the mechanism of customer protection based on code of banking practice, transparency disclosure requirement, products quality and procedure and policy on dealing with customer compliant which is simple and comprehensive. For instance, lending advertisement with interest rate 2% meaning that 2% per day, per week or per month. Therefore, it is demanded for corporation between all stakeholders to improve and to educate people to protect their interests;
5. NBC, MoEYS, CMA and other developing partners continue to promote financial education program to public;
6. MFI should continue their social and environmental mission in order to contribute in social and economic development.

### **Excellencies, Distinguished Guests, Ladies and Gentlemen**

As all of you are aware the Prime Minister highly appreciate the remarkable effort of NBC as regulatory and supervisory authority in contributing in developing MFI sector in Cambodia in particular in the last decade since the official announcement of the government that 2006 is the year of microfinance in Cambodia. However, the Prime Minister also raised some draw back which all stakeholders should cooperate to resolve:

1. Informal or illegal activities which is used as a pretext aiming at exploitation causing people fall in poverty and then seize house and properties. These actions reflect through the loose credit policies in grant without taking into account whether the loan is used to create or expand the business or use for other purposes such as entertainment or gambling.
2. Act as legal MFI by charging very high interest or attracting deposit by promising super return i.e 12% per month or 144% per year which already happened in Battambang Province. This is a cheating business.
3. While the election campaign is coming some political parties and politicians are trying to explore for political gains through misleading message that MFI is the state-owned institution. Those money borrowed belong to the state and borrowers do not need to repay. In addition to that they also promised to write-off all debt once they won the election.

Samdech Techo also instruct to all level of authorities not to assist any illegal activities of NGOs or association in making people more suffer but all authorities must monitor the political activities of political parties and some politicians which violate the existing regulation related to financial services. In this case local authority must arrest those people and take them to court based on actual offense.

### **Excellencies, Distinguished Guests, Ladies and Gentlemen**

I would reiterate to the submit again the recommendation of Samdech Techo Prime Minister in the opening session of this submit that the Royal Government continue to fully support in preserving financial stability as well as the development of banking and financial sector in general and in particular for micro finance sector in order to enhance national economic development through the refoming and introducing enabling policies and environment for economic development and especailly by undertaking free transparant and competitive mechanism as we implemented the past . As our Prime Minister clearly mentioned in the opening session of summit yesterday “ We noticed that NBC is contributing to promote the financial services to the grassroot which enable people understanding in seaching for funding from commercial banks and MFIs, particularly, makes them clearly understand that MFIs are not humanitarian organization. Meanwhile, everyone participating in the summit is informed of more new recommendations from Samdech Techo, the Prime Minister, including:

1. The NBC, as a regulatory and supervisory authority of banks and financial institutions, shall continue to issue regulatory and supervisory frameworks by balancing between the equality and harmonization of legal frameworks and institutional and human resource capacity with professional practice in microfinance sector.
2. The NBC shall monitor closely and take actions firmly against informal lenders. In addition to that, the NBC shall promote microfinance service through pricing and conditions favorable to the poor and agricultural community as well, and continue to expand lending to SMEs in order to support “Cambodia’s Industrial Sector Development Strategy 2015-2025” which is the new economic growth strategy of Cambodia.
3. The NBC shall formulate policies and strategies to promote financial inclusion and consumer protection aimed at creating favorable condition and encouraging people to have adequate access to formal financial services and to safeguard consumer interests and transparency.
4. The NBC shall cooperate with other related ministries, in particularly, the Ministry of Education, Youth and Sports to include financial education into school curriculum starting from primary to secondary education.
5. The NBC shall continue to organize workshops, regional and national seminars in order to raise awareness of the public concerning microfinance operations and the potential risks from the financial services.

As a regulatory and supervisory authority of banks and financial institutions, the NBC commits to implementing the wise recommendations of Samdech Techo, the Prime Minister and welcome further comments raised and discussed during the summit, to incorporate into future action plan and strategies in support of microfinance development in Cambodia.

Excellencies, Nak Oknha, Distinguished guests, Ladies and Gentlemen,

To conclude, today's summit highly appreciates the achievements of Cambodia's Microfinance so far and certainly these developments would not have been achieved without the participation and good collaborations among relevant stakeholders. Therefore, I strongly encourage you to maintain these good collaborative efforts, so to ensure that we could together overcome any challenges successfully, like a proverb said, Solidarity makes us strong. The NBC will continue to foster cooperation with all relevant stakeholders and development partners in order to further promote a sustainable development of microfinance in Cambodia.

As a ground for your decision on using any financial services, I would like to recall the wise recommendation of Samdech Techo, Prime Minister of the Kingdom of Cambodia, which was taken from an age-old khmer teaching with the simplified meanings as follow:

Financial skill helps us to track and monitor incomes and expenses, manage payables and receivables, and prepare proper records.

Clear and regular records and documentations assists businessmen to gain benefits and greater reputation.

Prudent financial management facilitates the accumulation of wealth and therefore is important for individuals to move ahead in life.

Once again, I would like to extend my profound thanks to Excellencies, Nak Oknha, Distinguished guests, Ladies and Gentlemen for attending this conference and may I wish you with the four gems of Buddhist blessings of longevity, nobility, health, and strength.

I may now declare the official closing of the National Summit on the Development of Microfinance Sector in Cambodia.

Thank You!