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This report provides an in-depth analysis of the social performance of Cambodian Community Savings Federation and should be read in conjunction with Inclusion [Social Ratings]'s Global Social Performance Rating Methodology. The methodology is also available at www.inclusionsocialratings.org.

This report is not a credit rating or other opinion on creditworthiness.

Social Performance & Impact Rating: CAMBODIAN COMMUNITY SAVINGS FEDERATION (CCSF)

CAMBODIA

Figure 1

SPIR Rating Snapshot

Final SPIR rating = SPIR 4+

-	SP5	SP4	SP3	SP2	SP1	+
	0 - 29	30 - 49	50 ——— 64	65 - 77	78 - 100	

Scorecard-implied rating: SPIR 3-/overall score: 54

Cambodian Community Savings Federation Snapshot

Year established	January 2003
Entity type	NGO/Rural Credit Operator (Cooperative)
Gross loan portfolio (US\$000s)	7,086 (as of 31/03/17)
Active borrowers	4,258 (as of 31/03/17)
Average loan size (US\$)	1,664



Summary of Assessment Rationale

- » The rating committee determined that a downward adjustment of its implied scorecard rating of SP3- to the assigned final rating of SP4+ for CCSF was appropriate. Although it has demonstrated strong Financial Sustainability (sub-factor rating of SPIR2), which contributes to the higher rating, there is uncertainty as to the impact that recent regulatory changes might have on CCSF's future financial strength, thus meriting the one-notch downgrade. There is potential for an upgrade once the impact is clear and it is shown that neither its funding structure nor its net interest margin is impaired.
- » CCSF is currently undergoing a restructuring of its legal organization, which will transform it from a cooperative structure to a limited liability company under a new name. There are expected changes in its operations as well, which are yet to be finalized, depending on the results of discussions with the National Bank of Cambodia. These discussions could result in changes on the organization's funding structure and in its short-term financing requirements. We do not expect, however, that there will be any alteration in CCSF's mission or social objectives and view the proposed restructuring as positive, albeit with some uncertainty in the short term.
- » CCSF offers its clients three types of saving products: voluntary, compulsory and promissory notes (term deposits) and three types of loan services: productive, consumption and emergency loans. In addition, CCSF has a Loan Protection and Life Savings (LPLS) program to reduce the financial burden on families upon the death of a family/client member. Non-financial services include training for clients on financial literacy, rural household economy and saving education.
- » The mission statement clearly indicates that CCSF will provide affordable financial services to its members in order to improve their living conditions and to contribute to the social and economic development of their local communities.
- » The social mission has been broken down into some specific and general objectives. However, no measurable indicators for the objectives have been developed and no evidence was found that management has institutionalized a formal monitoring system to track performance toward achieving those objectives.
- » Senior management and ground staff have demonstrated a good understanding and knowledge of CCSF's mission and objectives, but could be improved through enhanced training and increased visibility within the branch and business center network.
- » CCSF's Board of Directors was disbanded in 2016 due to the lack of microfinance experience and qualifications of its members (who were CCSF client representatives). CCSF expects to create a new Board of Directors at the end of 2017, once the new organizational and governance structure has been put into place (limited liability company / one-tier organization).
- » Staff members have extensive experience in the micro-finance domain and working with the target market (average eighteen years for Senior Managers, ten years for Mid-level Managers and seven years for Credit Officers).
- » Field visits revealed that expertise in positions with social performance responsibilities was low at all levels.
- » Social performance topics are covered during staff trainings (at the time of taking over the position and during refreshment training). Social performance topics include: the MFI's social mission, the prevention of over-indebtedness, pricing communication, acceptable repayment collection, and the respectful treatment of customers.
- » Some social performance topics (e.g. savings targets as KPIs) are reviewed at senior management meetings. However, these topics are not clearly listed on the agenda of the meetings.
- » A written debt collection policy (Inter Lending Policy) is in place and employees are regularly trained on the policy. The policy describes the recovery steps that Loan Officers and other staff should follow. These policies are also communicated to clients orally.
- » Employees are trained to disclose product prices. Employees assess the level of understanding/awareness of loan terms and conditions by clients verbally. No survey/exam/test is carried out to assess clients understanding. Based on the interviews, the understanding and knowledge of clients of the conditions of the loan is moderate.
- » The written debt collection policy also includes a Code of Ethics that provides guidance to cashiers and concerned staff about the professional behavior during interaction with the members. This includes treating customers with respect, to communicate with them in a polite manner and always be professional and honest.



- » CCSF has written policies to prevent borrower over-indebtedness. Loan Officers conduct a loan assessment of applicants' income, expenses and debt details; visit their homes, workplaces and neighbors, and depending on the amount, will require the co-signature of chief or commune village authority. Information on client experiences is sometimes shared between local micro-finance institutions.
- » There is no formal process for registering complaints or dedicated resources for handling them. All are informally handled by Loan officers and, when necessary, are referred to senior staff. Complaints are not tracked or monitored for timely and unbiased resolution.
- » Social data such as customer income, gender and geographic location is collected when customers apply for loans, but is not utilized in any systematic way to monitor progress in its social performance objectives, with the exception of gender related measurements.
- » The code of ethics includes policies that promote gender equality, confidentiality, professional behavior, and discourages conflict of interest, harassment and financial fraud. Respect to the code of conduct is part of the job description for each position and it should be signed along with the contract. Employees are not tested on it.
- » CCSF Human Resources manual does explicitly include that employees will not be discriminated against in hiring, promotion, training, or other employment matters of sex, race, colour, religion, or any other status protected under Cambodian laws. CCSF promotes work-life balance and provide maternity or paternity leave. It also includes sickness and emergency leave.
- » The proportion of women throughout the hierarchy is medium/high. Women account for 66% and 30% of staff at the management and loan officers levels, respectively.
- » There are no written policies on environmental practices neither internally within the institution nor relative to clients.
- » Historically, CCSF has shown significant financial sustainability, demonstrating strong liquidity, very strong capital structure, stable funding sources, and a strong cost structure. There is, however, some uncertainty whether this can be sustained given recent regulatory changes.



Institutional Profile

Mission Statement

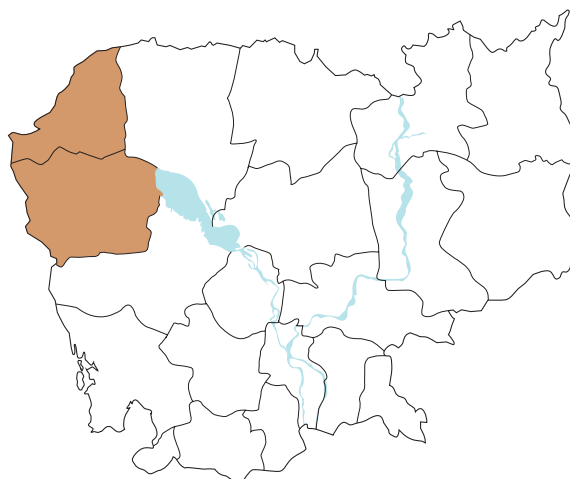
“To provide affordable financial services nearby to the members, thus improving their living standard and contributing to the social and economic development of their local communities.”

Key Data (date as of 31/03/17)	
Gross loan portfolio (US\$ oos)	7,086
Average loan size (US\$)	1,664
Products:	Productive, consumption and emergency loans. Voluntary and compulsory savings and promissory notes. Loan Protection and Life Savings (LPLS)
Number of borrowers	4,258 (as of 31/03/17)
Number of staff	161 (72 male, 89 female)
Customers per loan officer	213
Number of branches	3 Branches 8 Business Centers 4 Sub Business Centers
Country of operation	Cambodia
Areas of operation	2 Provinces: Battambang and Banteay Meanchey
Urban/Rural	Urban and Rural
Legal status	NGO and Rural Credit Operator (Cooperative)
Regulator	National Bank of Cambodia

* Exchange rate: US\$ 1 to KHR 4,037

Figure 2

Geographic Footprint





SOCIAL INDICATORS	2014	2015	2016*
% of rural customers	NA	NA	NA
% of female customers	65%	64%	67%
% of female active savers	66%	64%	60%
% customers below \$1.25 per day	NA	NA	NA
% customers below \$2.50 per day	NA	NA	NA
% customers below poverty line	NA	NA	NA
% customers with no formal education	NA	NA	NA
% Customer Retention rate	NA	NA	63%
% female employees	44%	45%	61%

* a/o 31/03/2017

FINANCIAL INDICATORS	2014	2015	2016*
Portfolio yield (%)	18%	17.5%	20.2%
Operating expense ratio (%)	9.2%	10.3%	10.7%
Financial expense ratio (%)	6.4%	5.5%	6.2%
Provision and write-offs (%)	0.0%	0.0%	0.0%
Operational self-sufficiency (%)	129%	137%	153%
Capital/Asset ratio (%)	33.5%	35%	36.7%
Debt to equity ratio (x)	1.98	1.85	1.73
Return on assets (%)	5.2%	4.1%	4.8%
Return on equity (%)	15.3%	11.9%	12.5%

* a/o 31/03/2017

- » The Cambodian Community Saving Federation (CCSF) was established in 1998 as the Small Economic Activity Development project of CARE Cambodia, financially supported by AusAid and CARE Australia.
- » The project was transformed into CCSF in January 2003 as a local non-governmental organization (registered with the Ministry of Interior) and as a Rural Credit Operator (RCO), registered with the National Bank of Cambodia).
- » From 2003 to March 2017, CCSF has operated as a Federation of Community Based Microfinance Organizations (CBMIFOs), providing capital to these organizations to fund their retail lending activities, as well as, technical assistance and capacity building.
- » In March 2017, CCSF transformed itself into a one-tier organization, merging 10 of its 12 CBMIFO members into CCSF. The decision to create this new structure was driven by the recent legislative and regulatory developments impacting the microfinance sector in Cambodia:
 - » The lack of a legislative framework for cooperative entities in Cambodia which placed CCSF's legal constitution in question;
 - » The adoption in 2015 of the new Cambodian Law on Associations and Non-Governmental Organisations (LANGO) which limits CCSF's ability to take deposits;
 - » The announcement by the National Bank of Cambodia of the new policy (which came into effect in April 2017) where microfinance institutions (MFI) operating in Cambodia are prohibited from lending at interest rates higher than 18 percent per annum.
- » CCSF operates in the northwest Region of Cambodia; in the provinces of Battambang and Banteay Meanchey. As of 30 April 2017, CCSF had 4,258 active borrowers and 33,890 active savers and a portfolio outstanding of US\$ 7,086. Most of its clients live in rural areas, while women make up 61% of its portfolio.
- » As of May 2017, CCSF has two branches operating in the province of Battambang and one operating in the province of Banteay Meanchey. Former CBMIFOs have been transformed to Business Centers and Sub-Business Centers. In total, there are currently 12 Business and Sub-Business Centers in both provinces.
- » CCSF is currently undergoing a restructuring of its legal organization, which will transform it from a cooperative structure to a limited liability company under a new name. There are expected changes in its operations as well, which are yet to be finalized, depending on the results of discussions with the National Bank of Cambodia. These discussions could result in changes on the organization's funding structure and in its short-term financing requirements. We do not expect, however, that there will be any alteration in CCSF's mission or social objectives and view the proposed restructuring as positive, albeit with some uncertainty in the short term.



SPIR Factors – Scorecard-Implied Grades

Scorecard Snapshot

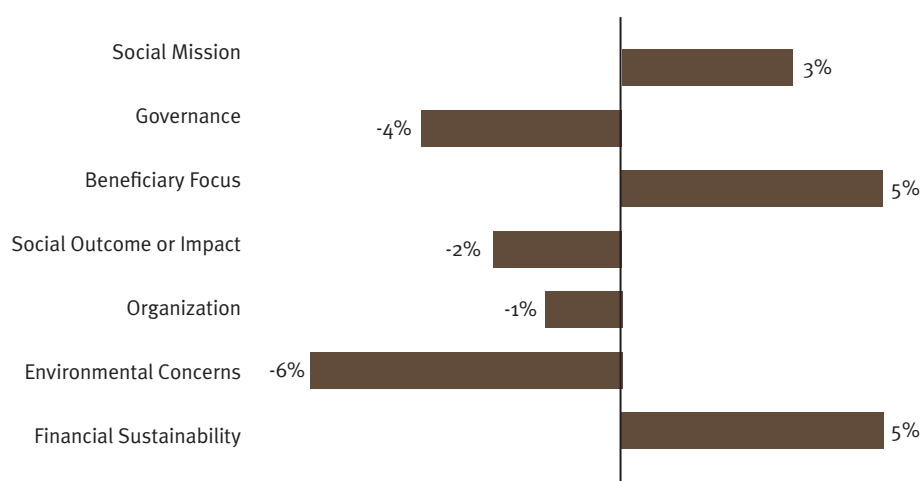
Figure 3

SPIR Factor Table

FACTOR	SPIR ₅	SPIR ₄	SPIR ₃	SPIR ₂	SPIR ₁
Social Mission				66	
Governance		44			
Beneficiary Focus				68	
Social Outcome or Impact		44			
Organization		47			
Environmental Concerns	10				
Financial Sustainability				72	

Figure 4

Relative Contribution





SPIR Factor and Sub-Factor Analysis

Social Mission	Governance	Beneficiary Focus	Social Outcome or Impact	Organization	Environmental Concerns	Financial Sustainability
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History of the social mission, goals and objectives | Focus of the social mission | Plans and communications for achieving social mission, goals and objectives

Scorecard-implied grade – SPIR2 (66)

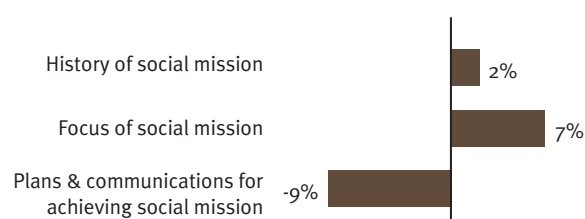
Figure 5

SPIR Sub-Factor Table

Sub-Factor	SPIR5	SPIR4	SPIR3	SPIR2	SPIR1
History of social mission					80
Focus of social mission					81
Plans & communications for achieving social mission			56		

Figure 6

Relative Contribution



Key Indicators

- » CCSF's social mission statement incorporates the following aspects of the SPIR scorecard: increase access to financial services, poverty reduction, employment or income generation, education, health and outreach to rural areas.
- » The mission statement clearly indicates that CCSF will provide affordable financial services to its members in order to improve their living conditions and to contribute to the social and economic development of their local communities.
- » CCSF's social mission statement was modified in 2007 to expand the market beyond low-income families. Between 2003 and 2016, the mission statement was reviewed annually and was communicated to its members during the Annual General Assembly.
- » The social mission has been broken down into some specific and general objectives. However, no measurable indicators for the objectives have been developed and no evidence was found that management has institutionalized a formal monitoring system to track performance toward achieving those objectives.
- » CCSF has developed a Business Plan 2016-2018 which says that CCSF will continue focusing in rural areas and that the main core business of CCSF focuses on providing: savings education, access to credit, employment and skills training, and Loan Protection and Life Savings programs. However, no measurable objectives and indicators have been defined in the Business Plan 2016-2018.
- » CCSF's social mission and objectives are communicated to staff through training, the Annual General Assembly meetings and key documents. However, a regular report on social performance is not provided to staff nor on a regular basis to external stakeholders.
- » Senior management and ground staff have demonstrated a good understanding and knowledge of CCSF's mission and objectives, but could be improved through enhanced training and increased visibility within the branch and business center network.



Social Mission	Governance	Beneficiary Focus	Social Outcome or Impact	Organization	Environmental Concerns	Financial Sustainability
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Management quality | Strategic leadership | Outreach and access | Administrative setup

Scorecard-implied grade – SPIR₄ (44)

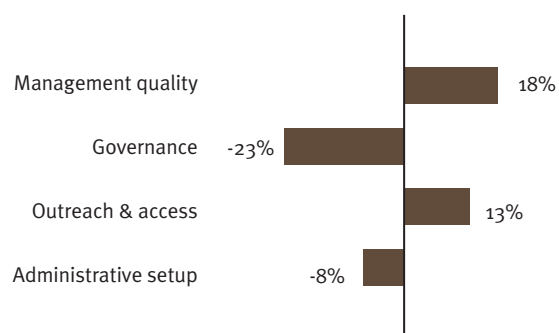
Figure 7

SPIR Sub-Factor Table

Sub-Factor	SPIR ₅	SPIR ₄	SPIR ₃	SPIR ₂	SPIR ₁
Management quality				76	
Governance	3				
Outreach & access				67	
Administrative setup		30			

Figure 8

Relative Contribution



Key Indicators

- » Staff members have extensive experience in the micro-finance domain and working with the target market (average eighteen years for Senior Managers, ten years for Mid-level Managers and seven years for Credit Officers).
- » Communication of social performance data to both employees and external stakeholders is limited.
- » CCSF’s Board of Directors was disbanded in 2016 due to the lack of microfinance experience and qualifications of its members (who were CCSF client representatives). CCSF expects to create a new Board of Directors at the end of 2017, once the new organizational and governance structure has been put into place (limited liability company / one-tier organization).
- » As of April 2017, CCSF had 4,258 active borrowers and 33,890 active savers. Women account for around 61% of the customer base. According to CCSF staff, the majority of its clients are rural customers, however, CCSF does not collect this data.
- » Saving deposits and loan repayments are normally done in the Branches, Business Centers and Sub Business Centers as they are easily accessible for customers. When offices are not easily accessible for customers due to distances, CCSF organizes a “meeting point” with the cashiers in the local communities to collect the deposits and repayments. The average distance between an office and a client is 15 km, with the furthest distance noted at 25km.



Social Mission	Governance	Beneficiary Focus	Social Outcome or Impact	Organization	Environmental Concerns	Financial Sustainability
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Management quality | Strategic leadership | Outreach and access | Administrative setup

Figure 9

SPIR Sub-Factor Table

Sub-Factor	SPIR ₅	SPIR ₄	SPIR ₃	SPIR ₂	SPIR ₁
Experience of staff					82
Professionalism of staff					83
Management turnover					91
Key worker risk					89
MFI history/product history				78	
Availability & quality of training		47			
Management transparency			64		

Figure 10

Relative Contribution



Key Indicators

- » Staff members have extensive experience in the micro-finance domain and working with the target market (average eighteen years for Senior Managers, ten years for Mid-level Managers and seven years for Credit Officers).
- » Field visits revealed that expertise in positions with social performance responsibilities was low at all levels.
- » Staff turnover rate is very low at the Senior Management level and low at Credit Officer level at 5%. However, staff turnover at the middle-management level has shown to be high at 33%. Female staff turnover rate has been negligible.
- » Exit interview are conducted at all levels.
- » CCSF has a succession plan only for the CEO position. CCSF has measures in place to ensure the replacement of key personnel when the need arises (e.g. building internal capacity within the organization).
- » Social performance topics are covered during staff trainings (at the time of taking over the position and during refreshment training). Social performance topics include: the MFI's social mission, the prevention of over-indebtedness, pricing communication, acceptable repayment collection, and the respectful treatment of customers.
- » Training is conducted both at the Head Office (classroom) and on the job.
- » Communication of social performance data to both employees and external stakeholders is limited.
- » No regular Social Performance assessments are undertaken. The last Social Performance Rating was conducted in 2010. The outcome and the report, however, have been published on CCSF's website and has been shared with external stakeholders.



Social Mission	Governance	Beneficiary Focus	Social Outcome or Impact	Organization	Environmental Concerns	Financial Sustainability
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Management quality | **Strategic leadership** | Outreach and access | Administrative setup

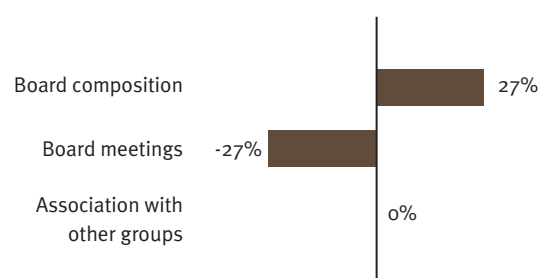
Figure 11

SPIR Sub-Factor Table

Sub-Factor	SPIR5	SPIR4	SPIR3	SPIR2	SPIR1
Board composition	5				
Board meetings	1				
Association with other groups	3				

Figure 12

Relative Contribution



Key Indicators

- » CCSF's Board of Directors was disbanded in 2016 due to the lack of microfinance experience and qualifications of its members (who were CCSF client representatives). CCSF expects to create a new Board of Directors at the end of 2017, once the new organizational and governance structure has been put into place (limited liability company / one-tier organization).
- » In the past, the governance structure of CCSF had two-levels of Board of Directors: one Board for CCSF as Federation and one Board of Directors for each of the CBMIFOs.
- » Under the previous structure, board meetings were held quarterly, but confirmation of minutes taken was not available.



Social Mission	Governance	Beneficiary Focus	Social Outcome or Impact	Organization	Environmental Concerns	Financial Sustainability
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Management quality | Strategic leadership | **Outreach and access** | Administrative setup

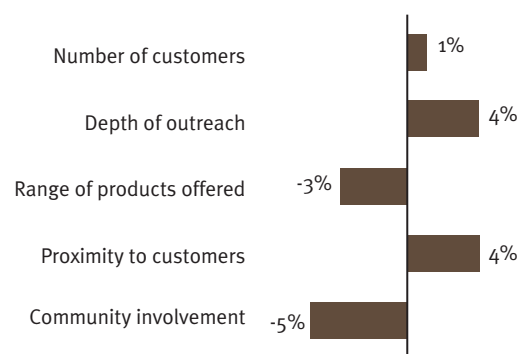
Figure 13

SPIR Sub-Factor Table

Sub-Factor	SPiR5	SPiR4	SPiR3	SPiR2	SPiR1
Number of customers				70	
Depth of outreach					79
Range of products offered			55		
Proximity to customers					79
Community involvement			50		

Figure 14

Relative Contribution



Key Indicators

- » As of April 2017, CCSF had 4,258 active borrowers and 33,890 active savers. Women account for around 61% of the customer base. According to CCSF staff, the majority of its clients are rural customers, however, CCSF does not collect this data.
- » CCSF offers individual loans (productive, consumption and emergency), saving products (voluntary, compulsory savings and term deposits, known as promissory notes) and LPLS product. CCSF also offers non-financial services such as financial literacy and skill development training. Effective in April 2017, CCSF has withdrawn its voluntary savings product.
- » Credit officers visit customer’s homes and workplaces, and organizes “Promotion Sessions” to disseminate the institution’s products within the local communities. Customer evaluation is carried out at prospective borrowers’ homes and workplaces.
- » Saving deposits and loan repayments are normally done in the Branches, Business Centers and Sub Business Centers as they are easily accessible for customers. When offices are not easily accessible for customers due to distances, CCSF organizes a “meeting point” with the cashiers in the local communities to collect the deposits and repayments. The average distance between an office and a client is 15 km, with the furthest distance noted at 25km.
- » CCSF undertakes community development work based on the demand from the communities it covers.



Social Mission	Governance	Beneficiary Focus	Social Outcome or Impact	Organization	Environmental Concerns	Financial Sustainability
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Management quality | Strategic leadership | Outreach and access | **Administrative setup**

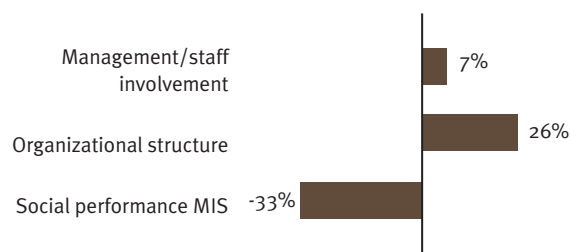
Figure 15

SPIR Sub-Factor Table

Sub-Factor	SP5IR	SPIR4	SPIR3	SPIR2	SPIR1
Management/staff involvement		44			
Organizational structure			52		
Social performance MIS	10				

Figure 16

Relative Contribution



Key Indicators

- » Some social performance topics (e.g. savings targets as KPIs) are reviewed at senior management meetings. However, these topics are not clearly listed on the agenda of the meetings.
- » There is no separate social performance department. The CEO assumes responsibility for this function.
- » Even though, the organization MIS has capacity to generate social data, CCSF's does not collect nor produce periodic reports on social performance.



Social Mission	Governance	Beneficiary Focus	Social Outcome or Impact	Organization	Environmental Concerns	Financial Sustainability
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Beneficiary protection | Beneficiary service

Scorecard-implied grade – SPIR2 (68)

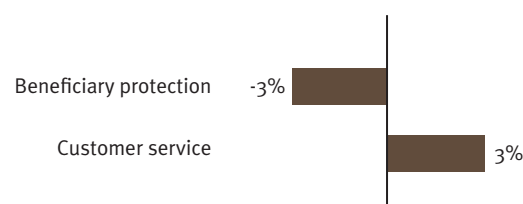
Figure 17

SPIR Sub-Factor Table

Sub-Factor	SPIR ₅	SPIR ₄	SPIR ₃	SPIR ₂	SPIR ₁
Beneficiary protection				65	
Beneficiary service				72	

Figure 18

Relative Contribution



Key Indicators

- » Nominal and Annual Percentage Rate (APR), interest rates, fees, penalties and other terms and conditions are disclosed verbally to borrowers during the promotion sessions and trainings. This information is also disclosed on the loan application forms/loan contracts.
- » A written debt collection policy (Inter Lending Policy) is in place and employees are regularly trained on the policy. The policy describes the recovery steps that Loan Officers and other staff should follow. These policies are also communicated to clients orally.
- » CCSF offers to its clients three types of saving products: voluntary, compulsory and promissory notes and three types of loan services: productive, consumption and emergency loans. In addition, CCSF has a Loan Protection and Life Savings (LPLS) product, which reduces the financial burden on families of a deceased member and to mitigate financial risk for the institution. Non-financial services include training for clients on financial literacy and rural household economy and saving education.
- » The waiting time for loan approval decision is reasonable, at about one to three days and the time required for loan disbursement after approval is one day.
- » Client loan agreements inspected during onsite branch/business centres and sub-business Centers visits were found to be properly completed.
- » CCSF does not formally gather customer feedback on a regular basis. The last Customer Satisfaction Market research was conducted in December 2010. However, CCSF regularly collects informally customer satisfaction feedback.



Social Mission	Governance	Beneficiary Focus	Social Outcome or Impact	Organization	Environmental Concerns	Financial Sustainability
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Beneficiary protection | Beneficiary service

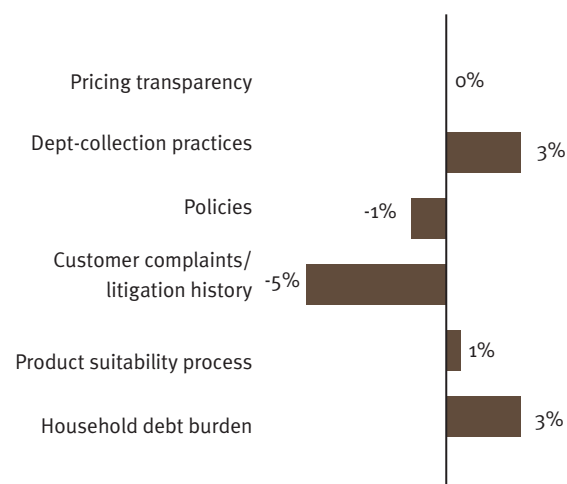
Figure 19

SPIR Sub-Factor Table

Sub-Factor	SPIR ₅	SPIR ₄	SPIR ₃	SPIR ₂	SPIR ₁
Pricing transparency				66	
Dept-collection practices				75	
Policies			57		
Customer complaints/litigation history		45			
Product suitability process				67	
Household debt burden				75	

Figure 20

Relative Contribution



Key Indicators

- » Nominal and Annual Percentage Rate (APR), interest rates, fees, penalties and other terms and conditions are disclosed verbally to borrowers during the promotion sessions and trainings. This information is also disclosed on the loan application forms/loan contracts.
- » The Effective Interest Rate (EIR) is not disclosed, although it is generally in line with the APR.
- » Total principal and interest to be paid over the tenure of loans is communicated verbally and is written on the loan application form/loan contracts.
- » Employees are trained to disclose product prices. Employees assess the level of understanding/awareness of loan terms and conditions by clients verbally. No survey/exam/test is carried out to assess clients understanding. Based on the interviews, the understanding and knowledge of clients of the conditions of the loan is moderate.
- » A written debt collection policy (Inter Lending Policy) is in place and employees are regularly trained on the policy. The policy describes the recovery steps that Loan Officers and other staff should follow. These policies are also communicated to clients orally.
- » Customers have a moderate level of knowledge of the specifics of the policies and the actions to be taken by the institution in the event of payment delays or default. Also, the measures taken by Credit Officers are, in general, uniformly applied. A more formal and consistent process by Credit Officers could improve client's level of knowledge.
- » The written debt collection policy also includes a Code of Ethics that provides guidance to cashiers and concerned staff about the professional behavior during interaction with the members. This includes treating customers with respect, to communicate with them in a polite manner and always be professional and honest.



- » The written debt collection policy also states that CCSF staff be subjected to immediate dismissal without notice in case of any breach in the policy. This includes: deceptive collection practices, manipulation of information/documents, or the application of violent/abusive tactics during the collection.
- » CCSF has written policies to prevent borrower over-indebtedness. Loan Officers conduct a loan assessment of applicants' income, expenses and debt details; visit their homes, workplaces and neighbors, and depending on the amount, will require the co-signature of chief or commune village authority. Information on client experiences is sometimes shared between local micro-finance institutions.
- » Lending policies also include as a loan eligibility requirement, confirmation that the client does not have an outstanding loan with a commercial bank or MFI. However, it was found that this policy is not always followed. CCSF approves loans for clients with other outstanding loans from another institution, as long as the client has the required repayment capacity for its total debt.
- » There is no formal process for registering complaints or dedicated resources for handling them. All are informally handled by Loan officers and, when necessary, are referred to senior staff. Complaints are not tracked or monitored for timely and unbiased resolution.
- » CCSF does not formally gather customer feedback on a regular basis. The last Customer Satisfaction Market research was conducted in December 2010. However, informally collected information by CCSF is used to improve products and services. As an example, CCSF is planning to provide a remittance service, given that many of its members relocate to or are working in Thailand due to its higher level of economic activity and proximity.



Social Mission	Governance	Beneficiary Focus	Social Outcome or Impact	Organization	Environmental Concerns	Financial Sustainability
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Beneficiary protection | **Beneficiary service**

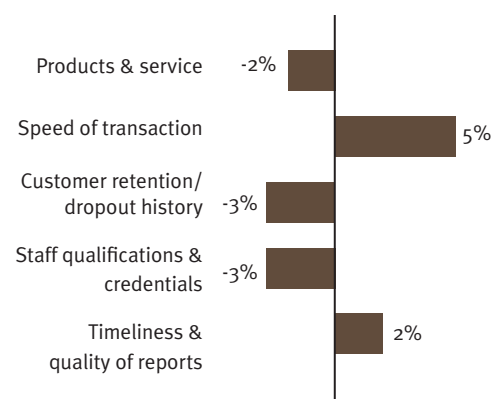
Figure 21

SPIR Sub-Factor Table

Sub-Factor	SPIR5	SPIR4	SPIR3	SPIR2	SPIR1
Products & services				65	
Speed of transaction					90
Customer retention/dropout history			63		
Staff qualifications & credentials			62		
Timeliness & quality of reports					80

Figure 22

Relative Contribution



Key Indicators

- » CCSF offers to its clients three types of saving products: voluntary, compulsory and promissory notes and three types of loan services: productive, consumption and emergency loans. In addition, CCSF has a Loan Protection and Life Savings (LPLS) product, which reduces the financial burden on families of a deceased member and to mitigate financial risk for the institution. Non-financial services include training for clients on financial literacy and rural household economy and saving education.
- » The waiting time for loan approval decision is reasonable, at about one to three days and the time required for loan disbursement after approval is one day.
- » CCSF's borrower retention rate is moderate, at approximately 63%. Customer exit interviews are conducted, although this data is not systematically tracked or collated.
- » The total principal and interest amounts to be paid over the entire tenure of loans are disclosed in customers' loan application/loan contract.
- » Client loan agreements inspected during onsite branch/business centres and sub-business Centers visits were found to be properly completed.
- » CCSF does not formally gather customer feedback on a regular basis. The last Customer Satisfaction Market research was conducted in December 2010. However, CCSF regularly collects informally customer satisfaction feedback.



Social Mission	Governance	Beneficiary Focus	Social Outcome and Impact	Organization	Environmental Concerns	Financial Sustainability
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Participation in social outcome or impact studies | Explicit tool to measure social outcome or impact | Frequency of data collected on social outcome or impact | Transparency

Scorecard-implied grade – SPIR₄ (44)

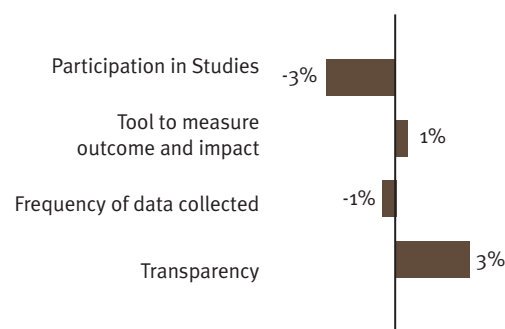
Figure 23

SPIR Sub-Factor Table

Sub-Factor	SPIR ₅	SPIR ₄	SPIR ₃	SPIR ₂	SPIR ₁
Participation in Studies		30			
Tool to measure outcome & impact		45			
Frequency of data collected		43			
Transparency		48			

Figure 24

Relative Contribution



Key Indicators

- » Social outcome and impact studies have not been conducted recently. A Social Performance Rating was undertaken in 2010 and is published in CCSF web site; however, there has been no follow up study in the interim, nor indications that system wide actions were taken to address the weaknesses identified.
- » Social data such as customer income, gender and geographic location is collected when customers apply for loans, but is not utilized in any systematic way to monitor progress in its social performance objectives, with the exception of gender related measurements.
- » Internal communication mechanisms are in place, such as regular organization meetings, however these are not currently utilized for communicating CCSF's Social Performance.



Social Mission	Governance	Beneficiary Focus	Social Outcome and Impact	Organization	Environmental Concerns	Financial Sustainability
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Organization and facilities | Code of ethics | Hiring policies (gender and anti-discrimination policies) | Culture of delegation | Fair compensation | Staff skills and training | Promotion and retention | Staff incentives and audit

Scorecard-implied grade – SPIR₄ (47)

Figure 25

SPIR Sub-Factor Table

Sub-Factor	SP ₅ IR	SPIR ₄	SPIR ₃	SPIR ₂	SPIR ₁
Organization and Facilities		46			
Code of Ethic			52		
Hiring Policies		45			
Culture of Delegation		46			
Fair Compensation			53		
Staff Skills and Training			55		
Promotion and Retention		45			
Staff Incentives and Audit		35			

Figure 26

Relative Contribution



Key Indicators

- » CCSF has recently created a Human Resources Department headed by a Senior Manager.
- » The grievance redressal procedure for staff is clearly documented in the Human Resources Policy. Formal exit interviews are conducted in the event of departure of staff.
- » CCSF does not have a detailed health and safety written policy, however, details of health and safety incidents are recorded. Furthermore, specific initiatives to protect its employees are put in place (e.g. CCSF has purchased motorbike helmets and raincoats for all the staff).
- » The code of ethics includes policies that promote gender equality, confidentiality, professional behavior, and discourages conflict of interest, harassment and financial fraud. Respect to the code of conduct is part of the job description for each position and it should be signed along with the contract. Employees are not tested on it.
- » CCSF Human Resources manual does explicitly include that employees will not be discriminated against in hiring, promotion, training, or other employment matters of sex, race, colour, religion, or any other status protected under Cambodian laws. CCSF promotes work-life balance and provide maternity or paternity leave. It also includes sickness and emergency leave.
- » There is no staff quota policy in hiring or one that ensures women's mobility in the field. However, interviews with field staff confirmed that safety measures for the cashiers (usually women), who are responsible for collecting the loan repayments, are put in place.



- » The proportion of women throughout the hierarchy is medium/high. Women account for 66% and 30% of staff at the management and loan officers levels, respectively.
- » There is no delegation of responsibilities for tracking social performance within the organization.
- » CCSF provides a Workers Compensation Insurance Policy for all employees with a private insurance firm and National Social Security Fund. CCSF provides a medical allowance of \$240 per year.
- » CCSF staff is entitled to receive two annual bonuses corresponding to two of the most important national Holidays, although recent management decisions suggest that these bonuses may be suspended.
- » CCSF has a salary scale, which is used as a guideline to provide just and equitable salaries. This scale has been published in the Human Resources Policy. Staff compensation is reviewed annually taking into consideration the cost of living, merits and available budget.
- » On joining CCSF, each employee undergoes an induction session. CCSF regularly conducts trainings in topics such as CCSF social mission, borrower credit analysis, the prevention of over-indebtedness, pricing communication and acceptable debt-collection based on demand or when the need for it has been identified. However, the field visits revealed that no training/capacity building plan has been developed or is being used, and that currently the execution of training is based on staff demand.
- » CCSF employees are required to sign their job description form, outlining main responsibilities, tasks, and key performance indicators (KPIs).
- » Human Resources manual includes a Performance Management Policy, which is designed to promote result-oriented performance by establishing a clear relationship between performance and reward. During annual performance appraisal employees are evaluated based collective and individual KPIs.
- » Annual incentives depend on realization of individual, competence and collective targets.
- » Annual incentives and annual performance reviews are based on a mix of operational, and financial indicators. Some job descriptions include social performance indicators but key positions like CEO and Credit Officers do not contain any social performance parameters.
- » Having reviewed some staff Annual Performance Appraisals no social performance indicators were seen to have been evaluated.



Social Mission	Governance	Beneficiary Focus	Social Outcome or Impact	Organization	Environmental Concerns	Financial Sustainability
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Customer standards | Internal standards

Scorecard-implied grade – SPIR₅ (10)

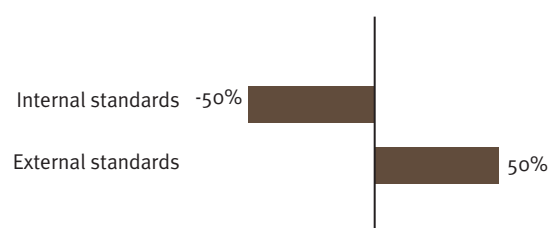
Figure 27

SPIR Sub-Factor Table

Sub-Factor	SPIR ₅	SPIR ₄	SPIR ₃	SPIR ₂	SPIR ₁
Internal standards	0				
External standards	20				

Figure 28

Relative Contribution



Key Indicators

- » There are no written policies on environmental practices neither internally within the institution nor relative to clients.
- » Interviews with staff confirmed that informal discouraging waste of resources such as water and paper are promoted.
- » As an informal practice, the institution does not finance unauthorized activities that can harm the environment such as the purchase of certain types of machines that are harmful to the environment (e.g. batteries for fishing purposes or tools to cut trees) as they are deemed illegal by local authorities. This information is not written but is part of the Loan Management training that Credit Officers receive. However, these informal restrictions are limited to whether the activity is legal or not.
- » CCSF implements work safe activities such as the purchase of raincoats and helmets for all the staff.



Social Mission	Governance	Beneficiary Focus	Social Outcome or Impact	Organization	Environmental Concerns	Financial Sustainability
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Customer standards | Internal standards

Scorecard-implied grade – SPIR2 (72)

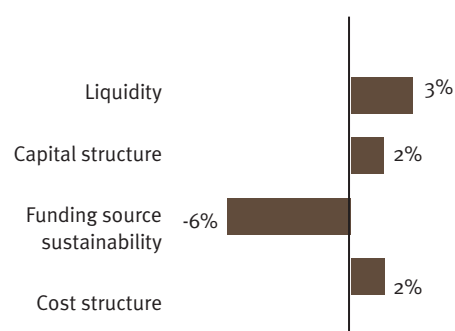
Figure 29

SPIR Sub-Factor Table

Sub-Factor	SPIR5	SPIR4	SPIR3	SPIR2	SPIR1
Liquidity				78	
Capital structure					80
Funding source sustainability			57		
Cost structure				78	

Figure 30

Relative Contribution



Key Indicators

- » Liquidity is deemed strong, with current assets exceeding current liabilities by over 3X. PAR30 of 5.8 is a concern, and is an increase over previous years.
- » Capital structure is deemed very strong, with low leverage. Equity has increased over last 3 years through internally generated retained earnings.
- » Funding sources include high deposit to loans and low market cost funding from international non-financial sources, which have been in place for over 3 years.
- » Cost structure is strong. CCSF's operating expenses are low and generate steady earnings, although showing slight increases over the last 3 years.



The Cambodian Microfinance Market

Moody's Investor Services has assigned Cambodia a B1 credit rating, with a negative outlook.

Figure 31

Cambodia: Key Credit Metrics

	2013	2014	2015	2016E
Real GDP (% change)	7.4	7.1	6.9	7.0
CPI inflation (% change Dec./Dec.)	4.7	1.1	2.8	3.9
Gen. gov. financial balance/GDP (%)	-6.4	-4.3	-1.5	-2.5
Gen. gov. debt/GDP (%)	33.5	33.5	32.5	32.6
Current account balance/GDP (%)	-10.1	-11.1	-9.3	-8.6

Source: FMI

Key Credit and Macroeconomic Factors

Cambodia has undergone profound changes since the mid-1980s, while shifting from a centrally planned towards a market-oriented economy. A robust growth rate – driven by garment exports and, to a lesser extent, tourism – has led to a significant reduction in poverty (from 50.2% in 2004 to 13.5% in 2014), while price and exchange rate stability has fostered foreign direct investment.

However, Cambodia's macroeconomic outlook remains constrained by (1) the lack of economic diversification (2) rising vulnerabilities in the banking industry, and (3) persistent political tensions.

The country's economic strength is impacted by the economy's small size (with nominal GDP of US\$ 18.1 billion), (2) its low per capita income (US\$ 3,735 on a purchasing power parity basis), and (3) the extremely weak infrastructure as the result of decades of civil war.

Cambodia's institutional strength is considered low as reflected by its Worldwide Governance Indicators, receiving the lowest score across South East Asia for control of corruption and rule of law. Institutional weakness is also reflected in the difficulty of doing business, where Cambodia ranks among the worst performers in the region.

Current Market

Regulated MFIs have a combined outreach of around 1.9mn borrowers and a loan portfolio of about US\$ 3.1bn as of 31 December 2016. About US\$ 1.5bn of savings deposits from some 1.5mn depositors were held by the deposit-taking MFIs at the same date. In terms of portfolio by economic activity, the agriculture sector stood out, accounting for 33.3% of total outstanding loans, followed by the household and the trade and commerce sectors (28.4% and 18.5%, respectively).

Regulatory Environment

Cambodia's financial infrastructure includes the Central Bank (National Bank of Cambodia), commercial banks, specialized banks, financial lease companies and MFIs. The MFI segment, in turn, is divided into four categories comprising deposit-taking microfinance institutions (MDIs), non-deposit taking MFIs, registered microfinance operators and unregistered informal lenders.

The Law on Banking and Financial Institutions of 1999, along with the rules on licensing of Microfinance Institutions issued by the central bank a year later, laid the foundation for the microfinance regulatory body. Since then, the National Bank of Cambodia has issued a number of prudential regulations and guidelines for licensed MFIs including capital and liquidity ratios, credit exposure limits and reporting requirements. Registration for an institution engaged in the provision of microloans is compulsory whenever its portfolio outstanding surpasses the KHR 100mn (US\$ 24,771), while licensing is required for those with a portfolio larger than KHR 1,000mn (US\$ 247,710).



In March 2017, the National Bank of Cambodia set a maximum interest rate for regulated MFIs at 18% per annum, granting institutions three weeks to implement the rate ceiling. The regulation, aimed to protect borrowers, has sparked widespread controversy within the sector.

Competition

The Cambodian microfinance sector has expanded remarkably in recent years. Between 2013 and 2016, loans and deposits from regulated MFIs rose at a compound annual growth rate (CAGR) of 34.0% and 50.4%, respectively.

This upward trend has increased financial inclusion and competition, but it also raised concerns over growing vulnerabilities in the market. In 2016, regulated MFIs' average annual percentage rate decreased 140bps YoY to 34.5%; at the same time, average ROA slid 20bps to 3.5%, while non-performing loans surged by 67bps to a seven-year high of 1.4%.

Meanwhile, the fastest growing sector has been the one subject to fewer regulations. In 2016, the number of licensed MFIs rose by 13 to 71 (3-year CAGR of 25.4%), while registered microfinance operators surged by 61 to a total number of 170 (3-year CAGR of 69.4%). At the same time, a rapid expansion of the informal lending segment has been associated with a rise in the cases of predatory lending practices.

Inclusion [Social Ratings] focuses exclusively on rating social performance and impact. Created as a social enterprise, its primary mission is to promote financial and social inclusion across the globe. It provides Social Performance Ratings (SPR) to microfinance organizations whose missions and goals promote financial inclusion and social responsibility. In addition to the rating of microfinance Institutions, Inclusion [Social Ratings] assigns social ratings, using its proprietary methodology, to rate financial institutions, insurance companies, businesses, social enterprises and other organizations active in the social sector field.

With offices in Barcelona and Cotonou, Benin, staff currently consists of experienced evaluators and analysts in the fields of social performance, financial analysis, financial advisory and research.

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