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This report provides an in-depth analysis of the social performance of Borvor Finance PLC and should be read in conjunction with Inclusion [Social Ratings]'s Global Social Performance Rating Methodology.

The methodology is also available at www.inclusion-socialratings.org.

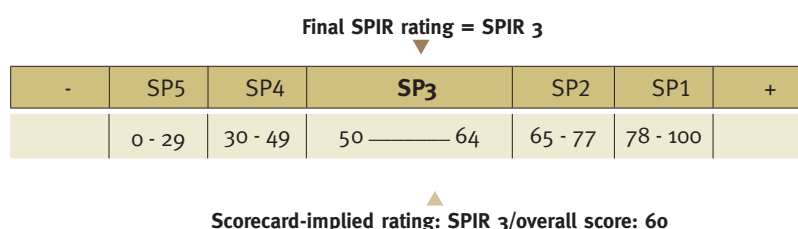
This report is not a credit rating or other opinion on creditworthiness.

Social Performance & Impact Rating: BORVOR FINANCE PLC

CAMBODIA

Figure 1

SPIR Rating Snapshot



Borvor Finance PLC Snapshot

Year established	January 2003
Entity type	Rural Credit Operator
Gross loan portfolio (US\$ 000s)	8,299 (as of 31/01/21)
Active borrowers	2,663 (as of 31/01/21)
Average loan size (US\$)	3,116.5

Summary of Assessment Rationale

- » The rating committee has assigned Borvor Finance PLC a rating of SPIR₃. This grade indicates that the organization's infrastructure and processes are consistent with a good likelihood of operating in the best interests of its clients and beneficiaries, that this is among its high priorities and that it attempts to manage the risk of causing adverse effect to its beneficiaries and other stakeholders. An SPIR₃ rating is consistent with an MFI that:
 - adheres to good practice on most of the key SPIR factors;
 - demonstrates that it has adequate information systems, internal controls and procedures relating to the information provided for the SPIR;
 - maintains reasonable standards in terms of client protection practices.
- » In recent years, the MFI has adopted practices conducive to improving its social performance. Among others, it adopted a new management information system (MIS), developed an environmental policy, as well as a survey to assess clients' understanding of the loan term and conditions. In addition, the verification of a credit bureau is now included in the credit capacity analysis and the Board of Directors (BoD) has been restructured. Consolidation of the implemented changes could positively contribute to the rating in the near future.
- » The mission statement clearly indicates that Borvor will provide affordable financial services to its members in order to improve their living conditions and emphasizes the outreach to women and low-income people.
- » The social mission has been broken down into some specific and general objectives regarding outreach to women and rural clients. However, management has not yet institutionalized a formal monitoring system to track performance towards these objectives.
- » Borvor offers its clients three types of loan products: productive, consumption and emergency loans. In addition, Borvor 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 is limited to informal training for clients on financial literacy.
- » At the end of 2020, Borvor held elections to choose the new Chairman who took position in January 2021. Current members of the Board of Directors evidence a vast experience in various sectors, including the microfinance industry, human resources, marketing, business, fundraising and development.
- » Staff members have extensive experience in the micro-finance domain and working with the target market (average twenty-one years for Senior Managers, thirteen years for Mid-level Managers and ten years for Loan officers).
- » Staff's experience in positions with social performance responsibilities is low. However, there is evidence of high experience with the target market among Senior and Mid-level Managers.
- » Social performance topics are covered during staff induction, such as the MFI's social mission, the prevention of over-indebtedness, pricing communication, acceptable repayment collection, and the respectful treatment of customers.
- » Although staff goes through an induction phase when onboarding the institution, interviews revealed that Borvor has not provided training to its employees since 2018.
- » Some social performance topics 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 it 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 and assess the level of understanding/awareness of loan terms and conditions with a survey that the institution has recently developed. Based on the interviews with clients, their understanding and knowledge of the loan conditions is adequate.
- » 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.
- » Borvor 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 a chief or commune village authority. This process involves systematically consulting the credit bureau and information on client experiences is sometimes shared between local micro-finance institutions.



- » 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.
- » Borvor's Human Resources manual does explicitly include that employees will not be discriminated against in hiring, promotion, training, or other employment matters of sex, race, color, religion, or any other status protected under Cambodian laws.
- » The proportion of women throughout the hierarchy is medium. Women account for 56.1% and 33.1% of loan officers and senior management levels, respectively.
- » The institution has developed written policies on internal environmental practices to reduce the negative impact of its activities. There is scope to increase employee awareness of restrictions and details regarding customers, stakeholders and prohibited economic activities.
- » Borvor's portfolio at risk for 30 days (PAR30) averaged 2.7% between 2016 and 2020. As of January 2021, the PAR greater than 30 days was 2.9%, which, however, does not reflect the credit restructuring that took place as a result of the COVID19 pandemic.
- » Despite the COVID-19 pandemic, the operating self-sufficiency (OSS) has remained above the 100% threshold during 2020, making it possible to cover operating and financial costs and provisions for bad debts, but with a decreasing trend, reducing the ability to strengthen the capital base through surpluses. In addition, ROA remained positive.

Institutional Profile

Mission Statement

“To provide affordable financial services to low-income families, especially women, responsive to their needs to improve their living standard.”

Key Data (date as of 31/12/21)	
Gross loan portfolio* (US\$ 000)	8,299 (as of 31/01/21)
Average loan size (US\$)	3,116.5
Products	Productive, consumption and emergency loans. Loan Protection and Life Savings (LPLS).
Number of borrowers	2,663 (as of 31/01/21)
Number of staff	124 (65 male / 59 female)
Customers per loan officer	64
Number of branches	10 branches, 2 service points
Country of operation	Cambodia
Areas of operation	2 Provinces: Battambang and Banteay Meanchey
Urban/Rural	7.2% / 92.8%
Legal status	Rural Credit Operator
Regulator	National Bank of Cambodia

* Exchange rate: US\$ 1 to KHR 4,065.19

Figure 2

Geographic Footprint





SOCIAL INDICATORS	2018	2019	2020
% of rural borrowers	89.1	90.1	92.8
% of female customers	66.7	67.1	67.0
% of female active savers	N/A	N/A	N/A
% customers below \$1.25 per day	N/A	N/A	N/A
% customers below \$2.50 per day	N/A	N/A	N/A
% customers below poverty line	N/A	N/A	N/A
% customers with no formal education	N/A	N/A	13.5
% Customer Retention rate	47.5	69.7	61.2
% female employees	48.9	50.0	48.0

FINANCIAL INDICATORS	2018	2019	2020
Portfolio yield (%)	15.8	17.4	17.2
Operating expense ratio (%)	15.5	12.8	12.3
Financial expense ratio (%)	2.0	1.8	3.0
Provision and write-offs (%)	1.2	0.1	0.8
Operational self-sufficiency (%)	105.0	145.9	108.6
Capital/Asset ratio (%)	58.8	57.6	55.9
Debt to equity ratio (x)	70.1	73.7	78.8
Return on assets (%)	0.3	4.7	0.9
Return on equity (%)	0.7	8.1	1.6

BACKGROUND

- » Borvor Finance PLC 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 the Cambodian Community Saving Federation (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, Borvor 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, the MFI transformed itself into a one-tier organization, merging 6 of its 12 CBMIFO members into CCSF. The decision to create this new structure was driven by legislative and regulatory developments impacting the microfinance sector in Cambodia:
 - The lack of a legislative framework for cooperative entities in Cambodia which placed Borvor's prior legal constitution in question.
 - The adoption in 2015 of the new Cambodian Law on Associations and Non-Governmental Organizations (LANGO) which limits Borvor's ability to take deposits;
 - The announcement by the National Bank of Cambodia of the new policy (which came into effect in April 2017) whereby microfinance institutions (MFI) operating in Cambodia are prohibited from lending at interest rates higher than 18 percent per annum.
- » In December 2017, Borvor restructured its legal organization, transforming itself from a community-based saving and lending association (CCSF) to a rural credit operator (limited liability company) under a new name.
- » Borvor is a member of the Cambodian Microfinance Association (CMA) and the Association of Asian Confederation of Credit Unions (ACCU). In addition, Borvor has partnered with European-based social investors to receive loan funds and technical assistance.

SPIR Factors – Scorecard-Implied Grades

Scorecard Snapshot

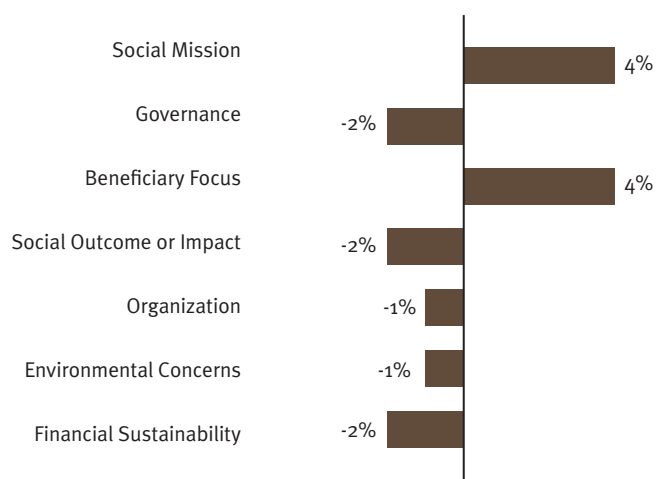
Figure 3

SPIR Factor Table

FACTOR	SPIR ₅	SPIR ₄	SPIR ₃	SPIR ₂	SPIR ₁
Social Mission				75	
Governance			55		
Beneficiary Focus				72	
Social Outcome or Impact		48			
Organization			52		
Environmental Concerns			56		
Financial Sustainability			53		

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+ (75)

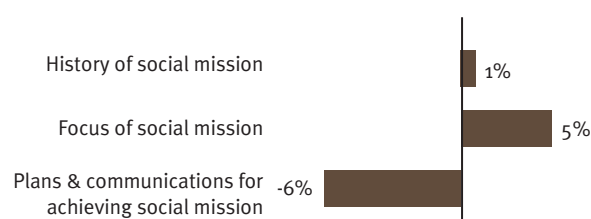
Figure 5

SPIR Sub-Factor Table

Sub-Factor	SPIR5	SPIR4	SPIR3	SPIR2	SPIR1
History of social mission					85
Focus of social mission					88
Plans & communications for achieving social mission				67	

Figure 6

Relative Contribution



Key Indicators

- » Borvor's social mission statement covers several indicators of the SPIR Scorecard, including access to financial services, poverty reduction and income generation. In addition, Borvor set at its By Laws that its business model is focused on the provision of financial services in rural areas, which is reflected in its clientele profile with 93% of rural borrowers.
- » During the last review of the social mission in 2018, Borvor made explicit the outreach to women as one of its cardinal goals and the new statement was communicated to its members during the Annual General Assembly.
- » Borvor has developed a Business Plan 2020-2023, which establishes goals in terms of outreach to women and rural clients, along with financial and operative goals. Although management has not yet institutionalized a formal monitoring system to track performance towards those objectives, Borvor's plan considers the inclusion of social performance management in their business cycle by setting, monitoring, and reporting social performance indicators.
- » Management team reveals high degree of self-awareness regarding Borvor's opportunities for improvement in terms of social performance and shows high receptivity to external feedback.
- » The mission statement is visible within the branch network and senior management has demonstrated a good understanding of it, still there is scope to improve awareness of the same among loan officers.

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 – SPIR3- (55)

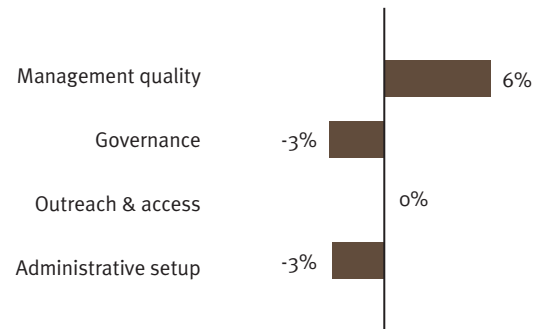
Figure 7

SPIR Sub-Factor Table

Sub-Factor	SPIR5	SPIR4	SPIR3	SPIR2	SPIR1
Management quality				68	
Governance		49			
Outreach & access			54		
Administrative setup		47			

Figure 8

Relative Contribution



Key Indicators

- » Staff members have extensive experience in the micro-finance domain and working with the target market (average twenty-one years for Senior Managers, thirteen years for Mid-level Managers and ten years for Loan officers).
- » Communication of information on social performance to both employees and external stakeholders is limited. The MFI website does not disclose information on social or financial / operational indicators. Interviews with staff revealed that proactive communication shared with them is weak.
- » At the end of 2020, Borvor held elections to choose the new Chairman who took position in January 2021. Current members of the Board of Directors evidence a vast experience in various sectors, including the microfinance industry, human resources, marketing, business, fundraising and development.
- » As of January 2021, Borvor had 2,663 active borrowers. Women account for around 67% of the customer base, while nearly 93% of Borvor’s clients are from rural areas.
- » Loan repayments are normally done at Borvor’s offices as they are easily accessible for customers. If offices are not easily accessible for customers due to distances, clients can repay through transferring companies. The average distance between an office and a client is 15km, 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					85
Professionalism of staff					88
Management turnover					80
Key worker risk			54		
MFI history/product history					96
Availability & quality of training	29				
Management transparency				62	

Figure 10

Relative Contribution



Key Indicators

- » Staff members have extensive experience in the micro-finance domain and working with the target market (average twenty-one years for Senior Managers, thirteen years for Mid-level Managers and ten years for Loan officers).
- » Staff’s experience in positions with social performance responsibilities is low. However, there is evidence of high experience with the target market among Senior and Mid-level Managers.
- » Staff turnover rate is negligible at senior and middle-management levels, while high at loan officer level (32.9%). In turn, female loan officer turnover is also high at 26.7%
- » Social performance topics are covered during induction. Social performance topics include: the MFI’s social mission, the prevention of over-indebtedness, pricing communication, acceptable repayment collection, and respectful treatment of customers.
- » The institution has offered products with social objectives for more than seventeen consecutive years.
- » Training is conducted both at the Head Office (classroom) and on the job. However, interviews with employees of all levels revealed that formal trainings after induction have not been conducted since 2018, given the ongoing situation with the COVID-19 pandemic, and the freezing of new hiring.
- » The last Social Performance and Impact rating was conducted in January 2019 and the report has been shared with external stakeholders. However, Borvor does not openly disclose updated social data, audited financial statements or other information of interest on its website.

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

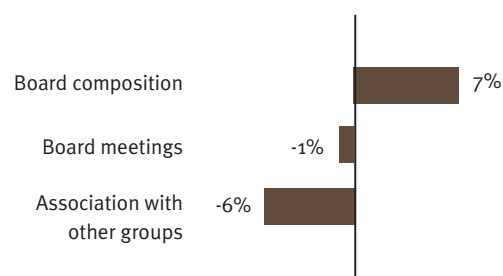
Figure 11

SPIR Sub-Factor Table

Sub-Factor	SPIR5	SPIR4	SPIR3	SPIR2	SPIR1
Board composition			58		
Board meetings		47			
Association with other groups		34			

Figure 12

Relative Contribution



Key Indicators

- » Borvor’s previous board structure faced a number of potential conflicts of interest, as the HR & Marketing manager was chief of the board, a body empowered to appoint and remove the CEO. Added to this, the same person acted as a staff representative before the board, and is, on his own, one of the five individual shareholders of the organization.
- » At the end of 2020, Borvor held elections to choose the new Chairman who took position in January 2021.
- » The members of the current Board of Directors evidence a vast experience in various sectors, including the microfinance industry, human resources, marketing, business, fundraising and development.
- » The Board of Directors is made up of five members, of which 80% are independent members. There are not any woman serving on the board.
- » The Board of Directors meets at least four times a year and members are compensated based on the institution’s financial results.



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

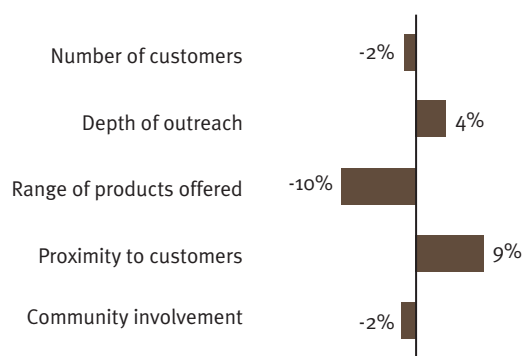
Figure 13

SPIR Sub-Factor Table

Sub-Factor	SPIR5	SPIR4	SPIR3	SPIR2	SPIR1
Number of customers		47			
Depth of outreach				66	
Range of products offered	28				
Proximity to customers					79
Community involvement			50		

Figure 14

Relative Contribution



Key Indicators

- » As of January 2021, Borvor had 2,663 active borrowers. Women account for around 67% of the customer base, while nearly 93% of Borvor clients reside in rural areas. In recent years, the portfolio has had a low growth, although higher than the number of clients that has shown a slight downward trend. Consequently, the average credit has increased from USD 2,700 in 2018 to USD 3,116 in December 2020.
- » Borvor offers individual loans (productive, consumption and emergency). Since 2017, it is not allowed to collect new savings (forced/voluntary) nor take deposits, owing to banking regulation. However, the institution was allowed to retain pre-existing savers to the regulatory change.
- » Loan officers visit customers’ homes and workplaces and organize “Promotion Sessions” to disseminate the institution’s products within the local communities. Customer evaluation is carried out at prospective borrowers’ homes and workplaces.
- » Loan repayments are normally done at Borvor’s offices as they are easily accessible for customers. If offices are not easily accessible for customers due to distances, clients can repay through transferring companies. The average distance between an office and a client is 15km, with the furthest distance noted at 25km.
- » Borvor’s non-financial offer is limited to informal training on financial literacy. In turn, the institution 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**

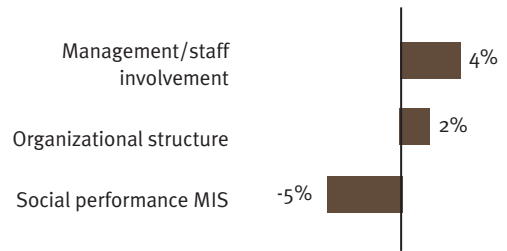
Figure 15

SPIR Sub-Factor Table

Sub-Factor	SPIR5	SPIR4	SPIR3	SPIR2	SPIR1
Management/staff involvement			50		
Organizational structure			52		
Social performance MIS		38			

Figure 16

Relative Contribution



Key Indicators

- » Some social performance topics (e.g., complaints received, employee retention, and inclusion of client protection principles) are reviewed at senior management meetings.
- » There is no separate social performance department that consolidates social related activities. Responsibilities for heading the social performance function are split among senior managers.
- » Borvor has implemented a new MIS that enables the institution to integrate the accounting and loan portfolio tracking system together. Also, it allows to collect financial data as well as social performance data and generate reports.
- » However, the institution does not take advantage of the new MIS nor the information collected to generate reports and monitor indicators related to its 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 (72)

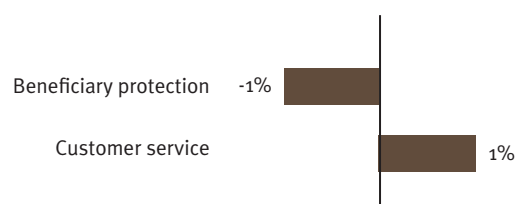
Figure 17

SPIR Sub-Factor Table

Sub-Factor	SPIR ₅	SPIR ₄	SPIR ₃	SPIR ₂	SPIR ₁
Beneficiary protection				72	
Beneficiary service				73	

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. However, employees only received training when onboarding the institution and they have not been updated since 2018.
- » The policy describes the recovery steps that Loan Officers and other staff should follow. These policies are also communicated to clients orally.
- » Borvor offers three types of loan products to its clients: productive, consumption and emergency loans. In addition, Borvor 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 are limited to informal training on financial literacy.
- » 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.
- » Borvor is working on the development of a complaint policy that designates the head of the human resources department as the Senior Consumer Relations Officer (SCRO) and cashiers at branches as the responsible of handling complaints. Currently, complaints are handled by a team headed by the Chief Operation Officer (COO).

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

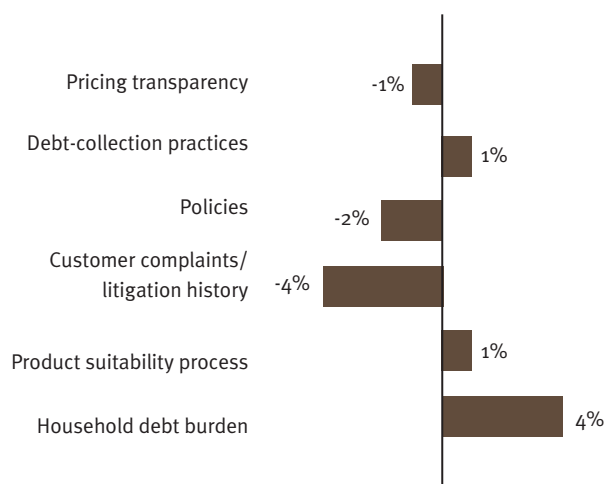
Figure 19

SPIR Sub-Factor Table

Sub-Factor	SPIR5	SPIR4	SPIR3	SPIR2	SPIR1
Pricing transparency				70	
Debt-collection practices				76	
Policies			62		
Customer complaints/ litigation history			55		
Product suitability process					79
Household debt burden					89

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.
- » 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. In addition, the institution has developed a system to collect feedback and assess clients' understanding on terms and conditions. This is carried out by the Audit Department on a quarterly basis.
- » A written debt collection policy (Inter Lending Policy) is in place. However, employees only received training on debt collection practices when onboarding the institution and no refresh training has been provided since 2018.
- » The policy describes the recovery steps that Loan Officers and other staff should follow. These policies are also communicated to clients orally.
- » 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 Borvor 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 debt collection.
- » Borvor 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.

- » Borvor approves loans for clients with other outstanding loans from other institutions, as long as the client has the required repayment capacity for its total debt. Also, the debt capacity assessment involves checking a credit bureau.
- » The institution defines a set of assets that cannot be pledged as collateral. In turn, appraisal is done according to market prices in the geographical area where the customer is and the collateral must represent at least 200% of the loan tenure.
- » The institution is working on the development of a Consumer Complaint Management Policy that designates the head of the human resources department as the Senior Consumer Relations Officer (SCRO) and cashiers at branches as the responsible of handling complaints. The MFI has installed complaint boxes at offices and a hotline is available.
- » In turn, Borvor has implemented system to document and record complaints to be sent to the Head Office for consolidation, analysis and reporting.
- » Borvor gathers customer feedback in all its branches through standardized surveys. The last Customer Satisfaction survey was conducted in May 2019, although it is expected to be repeated on a quarterly basis.

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

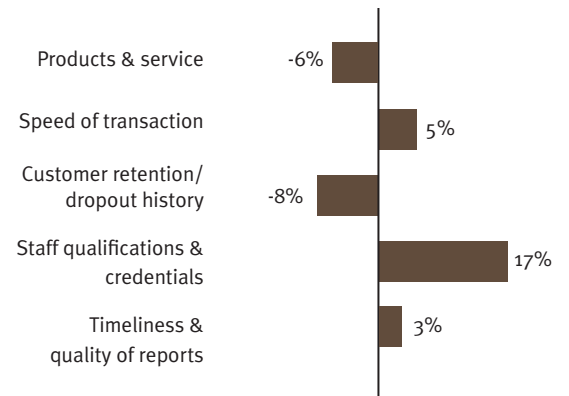
Figure 21

SPIR Sub-Factor Table

Sub-Factor	SPIR5	SPIR4	SPIR3	SPIR2	SPIR1
Products & services			51		
Speed of transaction					92
Customer retention/dropout history		42			
Staff qualifications & credentials					95
Timeliness & quality of reports					84

Figure 22

Relative Contribution



Key Indicators

- » Borvor offers three kinds of loan products: productive, consumption and emergency loans. It has been observed during the remote visit that part of the so-called productive credits is used for land acquisition, posing a different kind of risk. This loan purpose is associated with a higher rate of disbursement in USD rather than in KHR and THB.
- » Borvor 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.
- » Borvor’s non-financial services include informal training for clients on financial literacy.
- » 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.
- » Although Borvor’s borrower retention rate is moderate, it has shown a decrease compared to the previous year (69.7% in 2019 vs 61.2% in 2020). Customer exit interviews are conducted by staff, although this data is not systematically tracked or monitored.
- » Interviews with clients and staff revealed that clients exit Borvor due to better loan conditions and interest rates in other financial institutions.
- » The number of years of schooling of senior management, as well as mid-level management, is high (18 years on average). Also, the number of years of schooling of loan officers is considered appropriate (16 years on average).
- » The total principal and interest amounts to be paid over the entire tenure of loans are disclosed in customers’ loan application/loan contract. In addition, customers are immediately provided with receipts for all transactions and have the ability to check balances in their account(s) periodically.
- » The institution monitors customer satisfaction through complaint boxes, a hotline and standardized surveys. Also, Borvor is currently developing a policy and a system to monitor and resolve complaints.



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₊ (48)

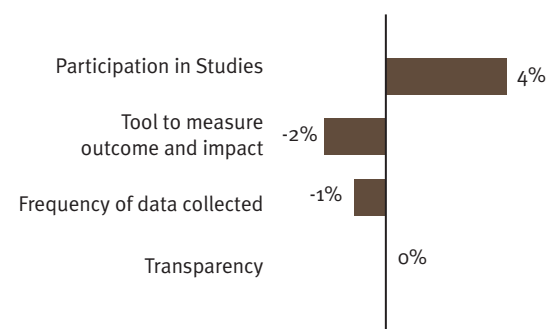
Figure 23

SPIR Sub-Factor Table

Sub-Factor	SPIR ₅	SPIR ₄	SPIR ₃	SPIR ₂	SPIR ₁
Participation in Studies			58		
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 been conducted during the last four years through third parties. The institution has taken actions to address gaps for improvement in terms of social performance, such as implementing a new MIS, developing an environmental policy, reforming the Board of Directors, and conducting surveys to assess client’s loan conditions understanding.
- » 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. Borvor’s 2020-2023 business plan considers the inclusion of social performance management in their business cycle by setting, monitoring, and reporting social performance indicators.
- » Internal communication mechanisms are in place, such as regular organization meetings, however these are not systematically utilized for communicating Borvor’s Social Performance.
- » In addition, the MFI does not proactively and periodically share with external stakeholders updated information regarding their social performance and the degree of achievement of their goals and objectives.

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 – SPIR3- (52)

Figure 25

SPIR Sub-Factor Table

Sub-Factor	SPIR5	SPIR4	SPIR3	SPIR2	SPIR1
Organization and Facilities				70	
Code of Ethic			60		
Hiring Policies			54		
Culture of Delegation		46			
Fair Compensation			60		
Staff Skills and Training		34			
Promotion and Retention		45			
Staff Incentives and Audit		35			

Figure 26

Relative Contribution



Key Indicators

- » The grievance redressal procedure for staff is clearly documented in the Human Resources Policy. Formal exit interviews are conducted in the event of staff departure.
- » Although Borvor does not have a detailed health and safety written policy, details of health and safety incidents are recorded and work risk insurance is provided to all employees.
- » 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 is signed by the staff annually.
- » Borvor Human Resources manual does explicitly include that employees will not be discriminated against in hiring, promotion, training, or other employment matters of sex, race, color, religion, or any other status protected under Cambodian laws. Borvor promotes work-life balance and provides maternity and 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. Women account for 56.1% and 33.1% of loan officers and senior management levels, respectively.



- » There is no delegation of responsibilities for tracking social performance within the organization.
- » Borvor has a salary scale, which is used as a guideline to provide fair 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 Borvor, each employee undergoes an induction session. However, Borvor is not currently conducting regular trainings in topics such as the institution's social mission, borrower credit analysis, the prevention of over-indebtedness, pricing communication and acceptable debt-collection.
- » Borvor 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 on collective and individual KPIs.
- » Annual incentives depend on realization of individual, competence and collective targets. In turn, these monthly goals are based mostly on financial indicators and have been adjusted to reflect the reality of the market due to the pandemic. However, interviews with Loan Officers revealed that these targets have been difficult to achieve.

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 – SPIR3 (56)

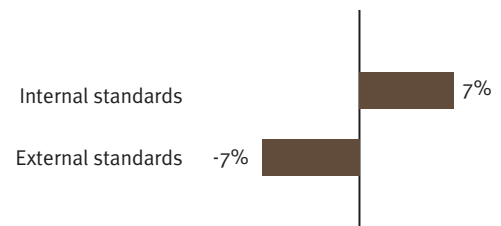
Figure 27

SPIR Sub-Factor Table

Sub-Factor	SPIR5	SPIR4	SPIR3	SPIR2	SPIR1
Internal standards			63		
External standards		48			

Figure 28

Relative Contribution



Key Indicators

- » In 2020, Borvor developed a “Green Policy” that aims to reduce the negative impact of the institution’s activities on the environment. It includes a set of general measures such as reducing the usage of paper and plastic, promoting electricity efficiency, and saving water, among others.
- » The policy does not state specific measures that involve clients or other stakeholders. 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.
- » The institution has not yet defined specific actions, nor targets and goals to measure the impact of the environmental policy on their activities.
- » The new environmental policy was disseminated through informal meetings among branch staff and managers.



Social Mission	Governance	Beneficiary Focus	Social Outcome or Impact	Organization	Environmental Concerns	Financial Sustainability
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Liquidity | Capital structure | Funding source sustainability | Cost structure

Scorecard-implied grade – SPIR3- (53)

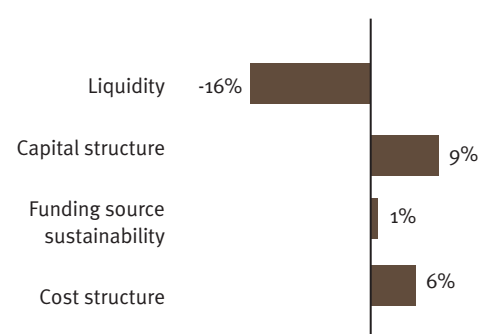
Figure 29

SPIR Sub-Factor Table

Sub-Factor	SPIR5	SPIR4	SPIR3	SPIR2	SPIR1
Liquidity	24				
Capital structure					85
Funding source sustainability			55		
Cost structure				66	

Figure 30

Relative Contribution



Key Indicators

- » Liquidity is weak as current assets have not exceeded current liabilities and current ratio stood at 0.4X as of March 2021. PAR30 as of March 21 at 3% is low, though in 2020 there was a credit restructuring due to COVID-19 that caused the past due portfolio for that year to be reduced.
- » The average loan amount has increased as the number of clients has dropped. This has a negative impact on the institution's financial situation as loan amounts grow to avoid a decrease in income and risk concentrates in a smaller number of clients.
- » Capital structure is considered strong and stable since leverage stood at 0.8X in average during the period 2018-2021.
- » Funding from investors has been in place for over 5 years but they are rather concentrated in a small number of sources, whilst ability to diversify and obtain additional sources has been challenging.
- » In addition, disbursement in USD has decreased to 29.5% of the portfolio, while THB accounts for 40.7% of the portfolio. Borvor's portfolio is largely concentrated on the agriculture sector, accounting for 50.5% of the loans disbursed.
- » Borvor's license to operate expired in November 2020. As of March 2021, the institution has not received the new license yet, but management is confident that this issue will resolve in the short to medium term.
- » Cost structure's strength is adequate with an operational self-sufficiency (OSS) of 108.6%. However, OSS has decreased compared to previous years amid an increase in financial and loan-loss provision expenses.

The Cambodian Microfinance Market

Moody's Investor Services has assigned Cambodia a B2 Credit rating, with a stable outlook.

Figure 31

Cambodia: Key Credit Metrics

	2016	2017	2018	2019E
Real GDP (% change)	6.9	7.0	7.5	7.1
CPI inflation (% change Dec./Dec.)	3.0	2.9	2.4	2.0
Gen. gov. revenue/GDP (%)	20.8	21.6	23.8	26.2
Gen. gov. financial balance/GDP (%)	21.1	22.4	23.2	23.0
Gen. gov. debt/GDP (%)	29.1	30.0	28.6	28.6
Current account balance/GDP (%)	-8.5	-7.9	-12.2	-15.8

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\$ 27.1 billion), (2) its low per capita income (US\$ 4,583 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. In 2017, through a ruling by the Supreme Court, numerous opposition politicians were banned from doing politics, the main opposition party The Cambodia National Rescue Party (CNRP) dissolved, and its leader, imprisoned. Political uncertainty remains high with a weak judiciary system in place in the country. Accountability and responsiveness in key public institutions remains a constraint to the nation's economic growth prospects.

Current Market

In terms of portfolio by economic activity, the household sector stands out, accounting for 34% of total outstanding loans, followed by the agriculture and the trade and commerce sectors (26% and 19%, respectively). Outreach to women is good, representing 77% of the total national portfolio. The Cambodian microfinance is in the top ten of the largest microfinance sectors in the world despite the country only having a population of around 16 million people. Microfinance accounts for about one third of the country's GDP, amounting to about \$10 billion. The size of the microfinance sector poses systemic risks to the financial sector in the country. As of June 2020, the country had 75 registered microfinance institutions operating in the country. The growth of the credit extension in the country has been fueled by the country's trade openness and also the flexible regulatory terms set by national authorities.

In 2017, the National Bank of Cambodia (NBC) established an interest rate ceiling of 18% per annum. Meanwhile, average deposit interest rates for loans declined aiming to compensate the interest rate ceiling. There are concerns that over-indebtedness cases among households are starting to emerge in the Cambodian microfinance sector. Low financial literacy



levels and availability of credit have been pointed out as potential catalysts for a credit crisis within the microfinance sector in the country. In 2019, it was estimated that a total of about 2.38 million people in Cambodia had debt obligations, of which one in three of these individuals could not make their loan repayments. The average microfinance size in Cambodia is about two times the GDP per capita in the nation.

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.

The NBC has mainly endorsed a self-regulating principle in the microfinance sector. The central bank has always held a stance that minimum interference with the operations of these MFI's has led to rapid growth in the sector. In 2004, the 7 largest MFI's at the time came together to form a microfinance governance and lobbying board named the Cambodian Microfinance Association (CMA). This body up to today, holds the power to coordinate and oversee the sector's operations. Along with financialization ideologies, the CMA also continues to advocate for self-regulation in the microfinance sector of Cambodia.

Most of the larger MFI's have voluntarily adopted client's protection principles with some of them being certified under the SMART certification program.

Competition

The Cambodian microfinance sector has expanded remarkably in recent years. As of 2018, the microfinance sector took deposits for 11.3 trillion KHR (41% growth from the 2017 figure) and disbursed loans for 21.8 trillion KHR (26.6 growth YOY).

The number of registered MFI's has decreased from about 80 institutions in 2018 to only 75 institutions in 2020. The microfinance sector remains highly competitive in the country with most organizations opening offices in remote areas to improve their outreach.

Recent studies of the microfinance sector in Cambodia show that the market is currently facing a saturation situation that in some cases have led to abusive practices.

The effects of COVID-19 in the Cambodian Microfinance sector

The large microfinance sector in the country has come under pressure because of the COVID-19 pandemic with potential consequences to clients quite huge. The pandemic caused a huge decrease in income for individuals and also resulted in lower productivity levels for small businesses. The microfinance sector in Cambodia is massively overleveraged to the poorest sector of the country's economy, making it very vulnerable to a crisis. The high levels of indebtedness among individuals also increase systemic vulnerabilities of a debt crisis in the country.

The national banks of Cambodia implemented some measures to curb the damage of the pandemic for microfinance clients. Guidelines were issued to ensure that MFIs could assist clients who needed loan restructuring to ease financial pressures on their side. In addition, during the COVID-19 pandemic financial institutions have been prohibited from enforcing clients' collaterals.



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