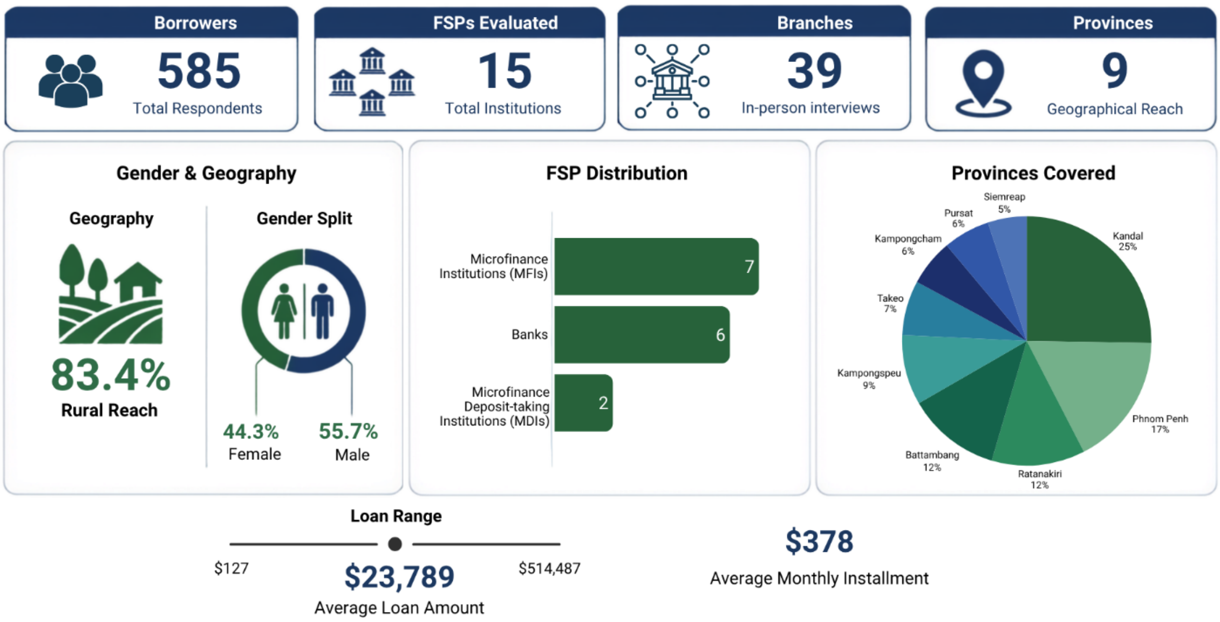
Advisory Note 1: M-CRIL's Microscopic View of Responsible Financing Practices in Cambodia

Over the past two decades, Cambodia's financial sector has evolved from an NGO-led microfinance industry into one of the region's most expansive retail credit markets — a transformation that has brought both remarkable gains in outreach and challenges on quality and responsible finance practices. M-CRIL has been an active participant in this journey since 2001, working alongside financial service providers to strengthen operational processes and institutionalise best practices as the market grew increasingly dynamic and complex.

In 2024, M-CRIL introduced a vital new dimension by systematically collecting and documenting direct client feedback on key Client Protection concerns. This enhanced the understanding of how effectively client protection policies are implemented — an insight that an institution-level review alone cannot provide.

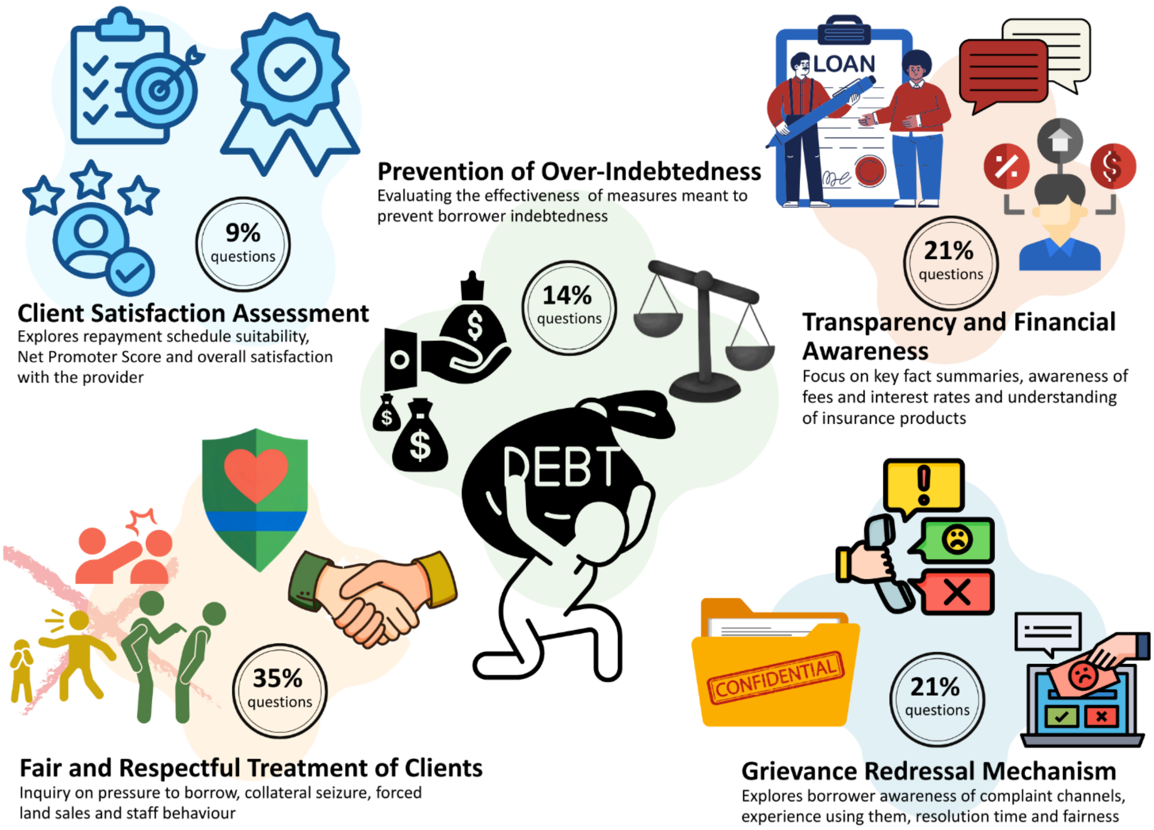
Building on these foundational blocks, 2025 marked a significant step forward at the sector level. The Association of Banks in Cambodia (ABC) and the Cambodia Microfinance Association (CMA), under the supervision of the National Bank of Cambodia (NBC), intensified their collaboration to drive sector-wide transparency. A core milestone of this collaboration was the mandate to conduct Phase 1 of the Harmonized Code of Conduct (HCoC) Assessments, targeting the top 30 FSPs by asset size as of March 2025. This initiative sought to identify systemic priority areas for strengthening responsible finance, map existing implementation gaps and to elevate standards of client protection, transparency and responsible lending standards across Cambodia's financial landscape.

As a key technical partner in this sector-wide exercise, as of June 2026, M-CRIL has completed comprehensive assessments for 15 FSPs, conducting in-person interviews with ~600 borrowers across 39 branches in 9 provinces. The sample spans banks, MDIs, and MFIs across both rural and urban geographies and includes a sub-sample of clients in default — ensuring that the



assessment captures experience across the full credit cycle. A profile of the study sample is presented in the infographic above. It shows that both in terms of gender profile and geographical distribution the sample represents a microcosm of the Cambodian microfinance sector.

From this body of evidence, five thematic areas have emerged as immediate priorities for sector stakeholders to strengthen Cambodia's responsible finance ecosystem. These themes have evolved around prevention of over-indebtedness, which anchors the overall framework and runs as a thread through the other four areas — fair and respectful treatment of clients, transparency, grievance redressal and client satisfaction. Together, they surface in different dimensions of how over-indebtedness takes hold or remains unaddressed across the credit cycle.



This is an introductory note in a series dedicated to build a highly transparent and responsible financial ecosystem in Cambodia. Over the coming weeks, M-CRIL will release dedicated advisory notes on each of these five thematic areas, drawing on client-level evidence to offer grounded recommendations to help FSPs enhance their practices, mitigate reputational risks, and rebuild long-term investor and client confidence.

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