

# Financing to small and medium-sized companies in Cambodia

Finnfund will provide support to the microfinance sector in Cambodia by investing in Prasac Microfinance Institution Ltd, one of the leading microfinance institutions in the country. Prasac provides banking services particularly to small and medium-sized enterprises such as small farms and grocery stores in rural and remote areas.

The vision of Prasac, founded in 1995, is to improve the living standards of the rural people contributing to sustainable economic development by being financially viable microfinance institution. Currently, Prasac employs 5,895 people, and has well over 337,000 clients of which more than 90 percent are living in rural areas. More than 80 percent of the borrowers are women.

## With Finnfund's financing more than 6,000 new loans

With the loan provided by Finnfund and other lenders, the company is hoping to employ 6,500 people more by 2020, and provide more than 6,000 new loans to its customers.

“This funding will enable Prasac to extend more loans to small businesses and low-to-middle-income borrowers, 85 percent of whom are women,” said **Sim Senacheert**, Prasac's Chief Executive Officer.

Cambodia is an LDC country (least developed country) and one of poorest countries in Asia. Majority of the companies are small and medium-sized enterprises. The need for reachable and affordable banking services is growing fast.

## New financing supports development of Cambodia's microfinance sector

The loan provided by Finnfund is worth USD 15 million. It is a part of a syndicated senior loan facility of USD 55 million, arranged by the German development finance institution DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH. This support of international investors demonstrates a strong confidence in Cambodia's microfinance sector and outlook for the country's sustained economic recovery.



**Country: Cambodia**

**Sector: Microfinance**

**Year of investment: 2016**

### **Reliable banking services for all**

Support for microfinancing and other banking services is aiming to help the poor to have an access to finance and services. The aim is to reduce economic inequality which is also an essential part of the Sustainable Development Goals. Dependable banking services can have an important role in development, both for individuals and for companies.

Small companies, which provide a significant proportion of jobs in developing markets, often find it difficult to access traditional financial services. By cutting the need to handle cash and store wealth in fixed assets, banking services facilitate credit, saving and thereby planning for a better life. They can also allow greater freedom in the choice of livelihood, bring a safety net when needed, and increase self-determination of women. Many banking services also allow safe money transfer, for example from relatives living abroad.

At present, two billion, or 46 percent of adults in developing countries have no access to banking services. In Africa, almost 70 percent of women have no access to banking services. Significant progress has been made over the past five years, and especially through mobile financing, people living in rural areas can also be reached.

According to a study by the World Bank Group's Independent Evaluation Group, the effects of mere microfinance on poverty reduction are not unambiguous. In poverty reduction, saving money has more importance than credits.

More information: IEG (2016): Financial Inclusion - A Foothold on the Ladder Towards Prosperity? An evaluation of the World Bank Group Support for Financial Inclusion for Low-Income Households and Microenterprises.

<http://ieg.worldbankgroup.org/Data/reports/financialinclusion.pdf>

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***More information:***

***Prasac Microfinance Institution Ltd***

*Photo: Prasac Microfinance Institution Ltd.*