



NEWSLETTER

ISSUE 02 (JANUARY-MARCH 2022)

In this Issue:

Women Entrepreneurs
Guarantee Scheme

Maybank's View on
Partnership with CGCC

Access to Guaranteed Loans



www.cgcc.com.kh

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1 INTRODUCTION

MESSAGE FROM CEO



The year started off with much enthusiasm when more and more business activities resumed in the country. With the opening up of the border, Cambodia is ready to welcome back more international tourists. This has spurred revival in many businesses e.g. F&B outlets, restaurants, retail trade, construction, manufacturing, agriculture etc.

The improved economic activity is also reflected in the increased guaranteed loans for the first quarter of 2022. In the 3 months from January to March, we have guaranteed about 130 loans (\$10.3mil) which is about 70% of guaranteed loans in 2021. With such momentum, we are optimistic that the demand for guaranteed loans will grow in tandem with the loan growth for this year.

We signed up with 3 banks ie. Chip Mong Bank, Cambodia Asia Bank & Cambodian Public Bank to be our participating FIs (PFIs) making the total of 23 PFIs. The PFIs are getting more familiar with the credit guarantee and understand the benefits of providing guaranteed loans. With the wide network of branches of the PFIs, SMEs and business owners throughout the country will be able to access loans supported by CGCC guarantees.

In February 2022, CGCC signed a MOU with the Biogas Technology Information Centre (BTIC) to support the development of commercial biogas technology in the agriculture sector. This is CGCC's first step into supporting green financing for renewable energy and as part of our ESG initiatives. We are also having discussions with UNIDO (United Nations Industrial Development Organization) to support some of their projects to develop industries that will create better income and jobs for the rural areas.

We had a meeting with SERC (Securities and Exchange Regulator of Cambodia) to discuss on the possibility of CGCC providing guarantees for bond issues on CSX (Cambodia Securities Exchange). This would support the development of the capital market and for larger SMEs who have the need to raise funds to grow their businesses. We are excited with this new scope and will be working towards building up our capability and resources. Watch this space!

On a personal level, I'm happy to achieve a new milestone for the first 3 months when I cycled 1,030km! I hope to cycle longer distances in the next quarter. I would like to wish all Cambodians a very happy and prosperous Khmer New Year! May the new year be blessed with economic growth, great weather conditions, peace and harmony!

Thank you.■

Mr. KL Wong
Chief Executive Officer

ABOUT CGCC



CGCC'S STORY

Credit Guarantee Corporation of Cambodia Plc. (CGCC) is a state-owned enterprise established by a Sub-Decree No. 140 ANKR.BK dated 01 September 2020. CGCC is operated under the technical and financial guidance of the Ministry of Economy and Finance (MEF).

CGCC was incorporated on 03 November 2020 and has been receiving technical support from ADB, World Bank, and UNCDF. CGCC launched the first guarantee scheme on 29 March 2021.

VISION

To be the preferred credit guarantee institution in Cambodia to improve financial inclusion and develop the growth of SMEs.

MISSION

CGCC's mission is to provide credit guarantees to lenders on loans made to businesses based on international standards to share the risk with lenders and to improve financial inclusion.

CGCC'S MILESTONES

03 August 2020



Approval from Samdech Prime Minister on CGCC's conceptual framework

1 September 2020



Sub-decree on establishment of CGCC

03 November 2020



CGCC's incorporation (MOC Registration)

29 March 2021



Launch of BRGS

22 September 2021



Launch of CFGS

29 June 2021



2nd Batch PFIs

23 April 2021



1st LG issuance

29 March 2021



1st Batch PFIs

22 September 2021



3rd Batch PFIs

5 November 2021

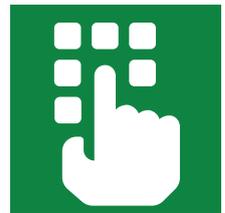


VAT exemption on Guarantee Fee

10 December 2021



4th Batch PFIs



25 March 2022

Women Entrepreneurs Guarantee Scheme (WEGS)

CGCC Supports Women-Owned SMEs to Get Guaranteed Loans!

- Higher Guarantee Coverage
- Favorable Guarantee Fee



CGCC GUARANTEE PROGRESS *(as of 31 March 2022)*

Pin Manika

As of 31 March 2022, CGCC has issued a total Letter of Guarantee (LG) to 319 businesses under its two guarantee schemes, the Business Recovery Guarantee Scheme (BRGS) and the Co-Financing Guarantee Scheme (CFGS), equivalent to USD 31.75 million.

USD 31.75 million **319 businesses**

Total Loan Amount

Total Letter of Guarantee

Top 3 Performing PFIs this Quarter (In terms of Number of Guaranteed Loan Disbursement)

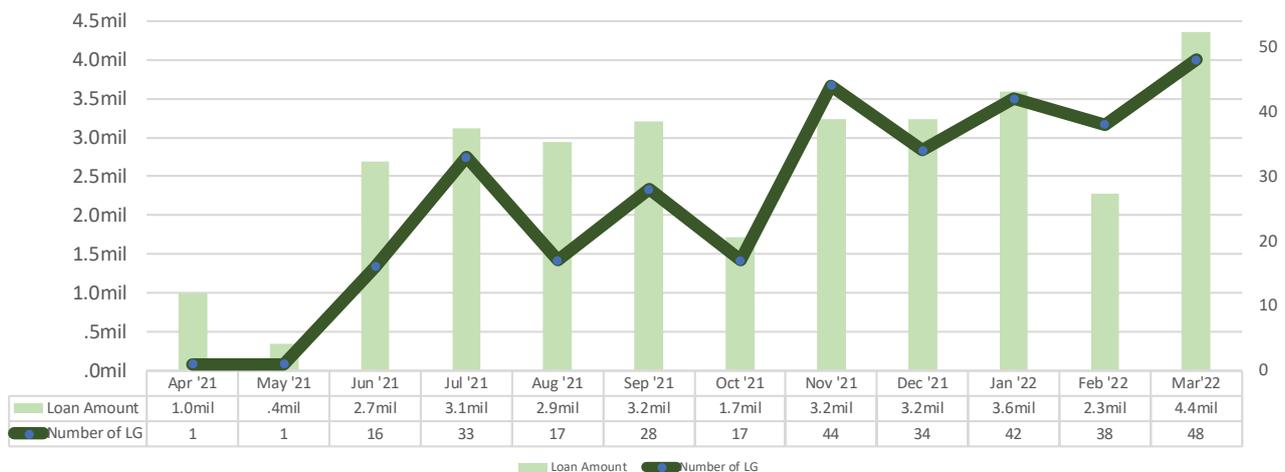


1. Guaranteed Loan By Month

In this 1st Quarter of 2022, CGCC has issued guarantees to 128 businesses. That is almost 67% of the total LGs issued in 2021. The credit guarantee trend has been picking up since the final quarter of 2021, and CGCC recorded its highest monthly performance in March 2022

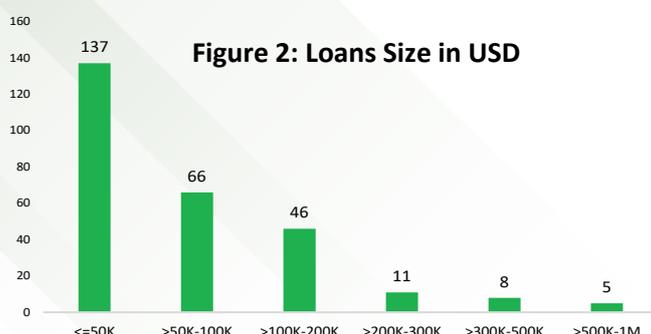
in both the total LGs (48 LGs) and the total loan amount (USD 4.4 million). This could reflect the increasing number of PFIs, and a better understanding of credit guarantees among PFIs, local SMEs, and firms.

Figure 1: Guaranteed Loan by Month



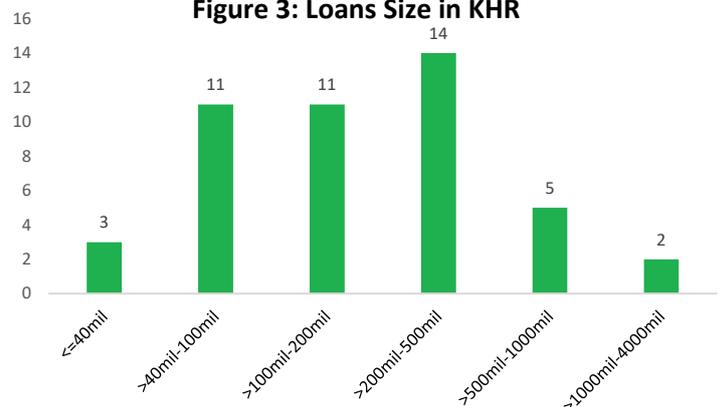
2. Loan Facility And Loan Size

Since most of the borrowers under CGCC guarantee schemes are SMEs (308 borrowers), the average loan size, loan purpose, and loan facility reflect these borrowers' needs and their business nature. As shown in Figure 2, CGCC issued guarantees most often to the loan sizes of USD 50,000 or less. The higher the loan size, the lesser demand for guarantees and the fewer guarantees issued by CGCC.



Maintaining a stable cash flow is the most pressing need for most SMEs, evidenced by higher demand for guaranteed loans for working capital, around 78% of the total loans, compared to 21% for investment/business expansion.

Figure 3: Loans Size in KHR



5 GUARANTEE PROGRESS

Figure 4: Types of Borrowers

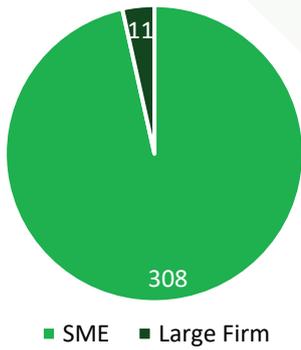


Figure 5: Loans Purpose

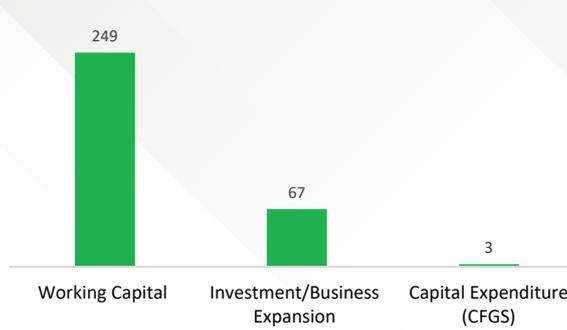
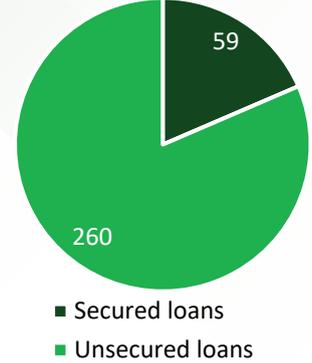


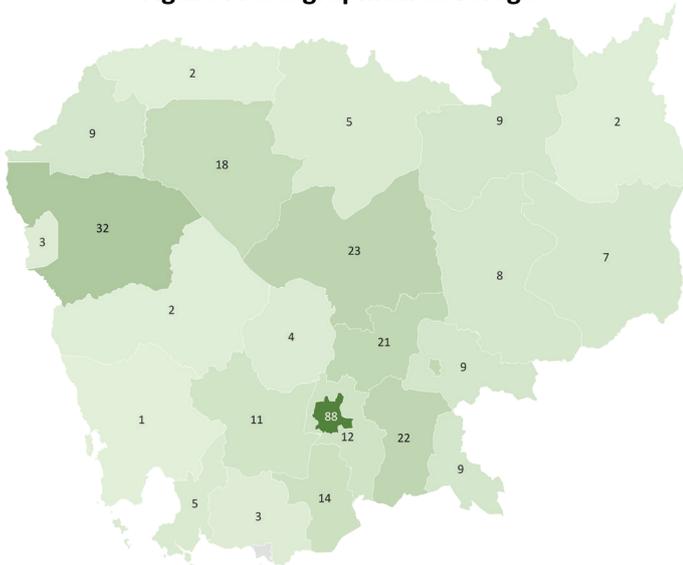
Figure 6: Types of Loans



3. Guaranteed Loan by Geography

The map in Figure 7 shows that CGCC guarantee schemes have reached all over the country, even in the remote provinces, thanks to the vast branch networks of CGCC’s

Figure 7: Geographical Coverage



PFIs across the country. However, more still needs to be done to ensure that financial inclusion is improved for different groups of businesses in other parts of the country.

Figure 7 also shows that the most guaranteed loan disbursement concentrates around major provinces and cities such as Phnom Penh (88), Battambang (32), Kampong Thom (23), Prey Veng (22), Kampong Cham (21), Siem Reap (18), Takeo (14), and Kandal (12). CGCC plans to implement several training programs and outreach to provinces with the PFIs and other business associations to increase awareness and deepen understanding of financial literacy, access to finance, and credit guarantee.

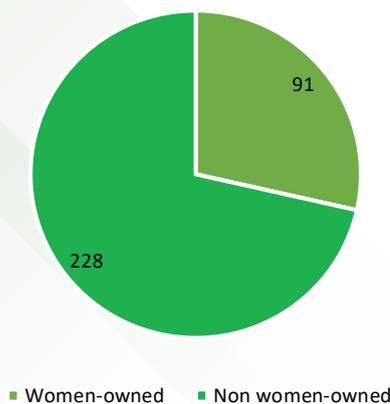
Top 3 Provinces Receiving Credit Guarantees

27%	10%	7%
Phnom Penh	Battambang	Kampong Thom

4. The Women-supported Scheme

The share of guaranteed loan disbursement to women-owned businesses increased from around 22.5% in 2021 to 28.5% in the first quarter of 2022. The number of guarantees for women entrepreneurs increased more

Figure 8: Guaranteed Loans by Gender



than double, from 43 in 2021 to 91 in the first quarter of 2022. Thanks to PFIs’ women-supported loan products and CGCC’s efforts in reaching out to more business owners, women-owned SMEs are reaching back to CGCC and the PFIs for uncollateralized loans.

In addition, seeing the increasing need for formal loans among female borrowers and potential in growing their businesses, CGCC has designed its third credit guarantee scheme, the Women Entrepreneurs Guarantee Scheme (WEGS), to close the financing gap among women entrepreneurs and formal financial institutions by giving a higher guaranteed coverage and lower guarantee fees for all sectors with other favorable credit guarantee features. ■

Pin Manika
Manager of Marketing and Business Development

TIPS FOR GUARANTEE APPLICATION

Nuon Vanny

Continuous improvement of the guarantee application process is at the core of CGCC's commitment to building trust and support from stakeholders, particularly the PFIs. In this quarter, CGCC has taken the following measures to further improve the process:

Revamping Guarantee Application

CGCC relies on PFIs to assess borrowers' creditworthiness. CGCC has become less stringent on verifying the information provided in the guarantee application because the PFIs shall be responsible for the information's accuracy. This allows CGCC to save a substantial amount of time reassessing the borrower's creditworthiness, shortening the turnaround time for guarantee issuance. CGCC has also allowed several required supporting documents to be optional, including:

- Borrower's Shareholders/Directors' Official Identity Documents
- Borrower's business registration
- Security's Evidence

GAF Guideline

The guideline was developed to assist PFIs in filling in the Guarantee Application Form (GAF). The proper GAF completion and submission by PFIs are helpful for the fast turnaround time of CGCC's guarantee issuance.

PFI Training

CGCC constantly provides training to responsible staff of PFIs to ensure that they clearly understand the process and the information required in the guarantee application. The training is conducted both as a group and as individual PFI. For instance, this quarter, CGCC has provided training to PFIs as a group for 1 time and individual PFIs almost 10 times. PFI Training is available upon request to CGCC.

Increasing headcounts

In this quarter, the overall headcount of the centralized operation department is increased to 5 to ensure that daily cases per capita are within a manageable number to achieve the targeted turnaround time of 5 days or less.

It is essential that consistent, adequate, and accurate information are provided in guarantee applications. CGCC notices three common errors when receiving the applications:

1. Errors, including misspellings, in the information provided in GAF.
2. Inconsistent information provided in GAF and in the loan appraisal document.
3. Unofficial or unverified supporting document.

Key points to pay close attention to when submitting guarantee applications:



COVER LETTER

Submission with an authorized signature and stamp with the correct loan application number.



CUSTOMER INFORMATION

Correct spelling and inputs of (1) borrowers' names, (2) identity reference number, (3) phone number, (4) address, (5) CBC report (k-score & risk grade), and (6) the number of borrowers to be consistent with the loan application.



BUSINESS DETAILS

Correct spelling and inputs of (1) name of business, (2) number of full-time staff, (4) annual turnover to be consistent with loan appraisal and financial information, (5) business sector to be consistent with the loan purpose.



LOAN INFORMATION & GUARANTEE REQUEST

Correct spelling and inputs of (1) loan application numbers, (2) whether it is an individual or legal entity company borrower, (3) not exceeding maximum loan amount, (4) clear loan purpose, (5) security reference number, and (6) loan security to be consistent with the loan appraisal. ■

Nuon Vanny

Manager of Centralized Operations



COMMUNICATION AND VISIBILITY

In this 1st quarter of 2022, CGCC's social media channels have been more active and recognized by wider audiences through the marketing campaign. CGCC's website also receives noticeable visits, generated by our genuinely and constantly updated content regarding the credit guarantee progress, activities and events, and other resourceful information related to credit guarantee.

4th Quarter of 2021

+2000 visitors   +300 Followers

+2000 Like   +150 Subscribers

1st Quarter of 2022

+6000 visitors   +500 Followers

+6000 Like   +130 Subscribers

PARTNERSHIP EVENTS

CGCC PARTNERS WITH MORE FINANCIAL INSTITUTIONS

In this 1st quarter of 2022, CGCC has expanded its partnership with financial institutions, including Chip Mong Bank, Cambodia Asia Bank, and Cambodian Public Bank.

The increased number of PFIs provides borrowers with a more diverse choice of financial institutions across the country to seek financing under the CGCC's guarantee schemes.

The signing of the Credit Guarantee Agreement enables CGCC and PFIs to collaborate on disbursing guaranteed loans to businesses in Cambodia.



13 January 2022
Signing Ceremony with Chip Mong Bank

Read more: <https://bit.ly/3HXUwze>



9 February 2022
Signing Ceremony with Cambodia Asia Bank

Read more: <https://bit.ly/34kUH9P>



24 February 2022
Signing Ceremony with Cambodian Public Bank

Read more: <https://bit.ly/3MAGNS2>

CGCC, BTIC AND UNIDO ESTABLISHED STRATEGIC PARTNERSHIP PROMOTING COMMERCIAL BIOGAS TECHNOLOGIES TO COMBAT CLIMATE CHANGE

24 January 2022 – CGCC entered into a Memorandum of Understanding (MoU) with the Biogas Technology and Information Center (BTIC), which was jointly established by the Royal University of Agriculture (RUA) and the United Nations Industrial Development Organization (UNIDO) through the project “Reduction of Greenhouse gas emission through Promotion of Commercial Biogas Plants,” funded by the Global Environment Facility (GEF) – as a key project for UNIDO’s ongoing Program for Country Partnership in Cambodia. This cooperative partnership aims to promote investments in commercial biogas technologies in Cambodia.

Press release: <https://bit.ly/3lvnqa7>



CGCC INVESTS 8,000 MILLION RIELS IN CAIC'S BOND TO SUPPORT THE DEVELOPMENT OF TECHO INTERNATIONAL AIRPORT



On 27 January 2022, a signing ceremony on “Techo International Airport Guaranteed Bond” is held between Cambodia Airport Investment Co., Ltd. (CAIC) represented by Mr. Charles Vann, Director, and Credit Guarantee Corporation of Cambodia Plc. (CGCC) represented by Mr. Wong Keet Loong, CEO, presided over by Neak Oknha Dr. Pung Kheav Se, Chairman of Overseas Cambodian Investment Corporation Ltd. (OCIC), and H.E. Mey Vann, Secretary of State of Ministry of Economy and

Finance & member of CGCC’s Board of Directors for the investment of 8,000 Million Riels in Techo International Airport Guaranteed Bond through private placement. This bond investment is part of CGCC’s investment diversification. CGCC is very pleased to invest and support the development of the TIA in contributing to building Cambodia’s national pride.

Press release: <https://bit.ly/3g4hWXN>



NETWORKING EVENTS

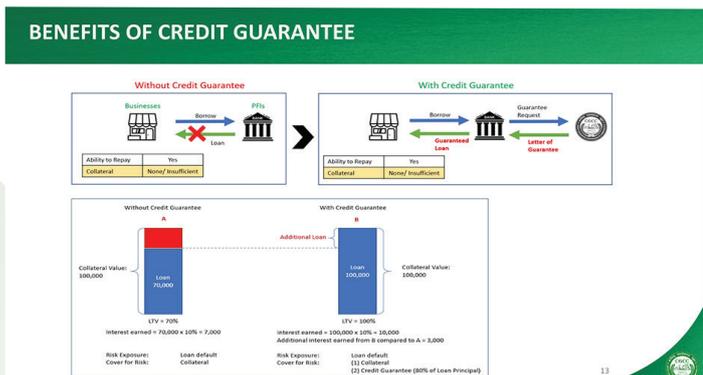
FINANCING FOR COMMERCIAL BIOGAS ADOPTION - CREDIT GUARANTEE'S INTERVENTION



On 15 March 2022, Mr. No Lida, Deputy Chief Executive Officer of Credit Guarantee Corporation of Cambodia, was invited as a speaker to a webinar on “Introductory to Commercial Biogas Technology” organized by Biogas Technology & Information Center (BTIC) Cambodia, under the topic “Financing for Commercial Biogas Adoption-Credit Guarantee’s Intervention”. The purpose of this webinar is to raise public awareness of biogas technology and access to finance for the biogas project.

Mr. No Lida presented to a wide range of audiences about CGCC, CGCC’s credit guarantee schemes, credit guarantee procedures, and benefits of credit guarantee, as well as CGCC’s strategy and partnership with related stakeholders including PFIs, development partners, and business associations. CGCC is strongly committed to working together with other stakeholders to promote access to finance for clean energy businesses.

About the partnership: <https://bit.ly/3lVnqa7>



“CGCC intends to work with FIs who are supportive of providing Green Financing to support the commercial biogas technologies to assist in reducing GHG emissions.”

said Mr. KL Wong during the MoU signing ceremony between CGCC & BTIC.

JOINT CONFERENCE HELD TO PROMOTE CREDIT GUARANTEE SCHEME AND SUPPORT WOMEN-LED MSMEs AS PART OF COVID-19 RECOVERY



A conference on financial inclusion of women entrepreneurs in Cambodia, co-hosted by the UN Development Programme (UNDP) and the Credit Guarantee Corporation of Cambodia (CGCC), was held in Phnom Penh on 25 March 2022 to discuss existing challenges in financial inclusion and harness collective intelligence and knowledge on enhancing access to finance for women-led micro, small, and medium enterprises (MSMEs).

The event presented key findings on the “Cambodia Public Credit Guarantee Scheme for SMEs and Women-Owned SMEs,” “The Credit Guarantee Scheme and how it benefits the development of SMEs,” and “Overview of Financial Services and Tools Popular Amongst Women-led MSMEs,” a panel discussion from prominent speakers, and successful stories sharing from women entrepreneurs on access to finance.

During this event, CGCC announced the official launching of the **"Women Entrepreneurs Guarantee Scheme"** with the support of development partners and CGCC's PFIs.

Press release of the conference: <https://bit.ly/3qEqjLt>



ENGAGEMENT WITH STAKEHOLDERS

The 3rd Executive Committee (EXCO) meeting of CGCC



CGCC held the 3rd Executive Committee (EXCO) meeting on 19 January 2022. The meeting aims to discuss strategic business plan 2022, and review the progress and action plans 2022 of each department. The meeting was attended by the CEO, DCEO, and all department heads of CGCC.

The agenda of this 3rd EXCO Meeting included (1) IT Policy, (2) Demo on Ms. Team’s Approval Function, (3) Amendment to Guidelines on Employees Compensation, Benefits, and Entitlements, (4) Financial Performance Report, (5) Monthly Risk Management Report, and (6) Action Plan 2022 of each department.

The EXCO meeting is regularly organized to review the monthly progress and discuss the future direction of CGCC. ■

4th Board Risk Management Committee Meeting

On 11 March 2022, Board Risk Management Committee (BRMC) conducted the 4th meeting virtually under the chairmanship of H.E. Mey Vann, Secretary of State of Ministry of Economy and Finance and Chairman of BRMC, to discuss about the following agendas: (1) Endorsement on Women Entrepreneurs Guarantee Scheme, and (2) Risk Management Report.

BRMC assists the Board of Directors to deliberate the risk management practices, to ensure the effectiveness of identifying, measuring, monitoring, and controlling the risks, as well as complying with the applicable laws, regulations, and guidelines for good corporate governance.

BRMC convinces the meeting at least once every quarter to review, endorse, and approve any risk-related issues to ensure that CGCC is operated in a sustainable and efficient manner. ■



1st Board Audit Committee Meeting

CGCC's Board Audit Committee conducted the 1st meeting virtually on 14 March 2022, under the chairmanship of Mr. Sok Voenu, the Chairman of Cambodia Microfinance Association (CMA), representative of the private sector for CGCC's Board of Directors, and Chairman of CGCC's Audit Committee, to discuss the Endorsement on 2021 Audited Financial Statement.

The Audit Committee for CGCC's Board of Directors was established on 25 December 2020 to ensure good governance, transparency, and efficiency. ■



8th Board of Directors Meeting



On 16 March 2022, CGCC organized the 8th Board of Directors Meeting, under the chairmanship of H.E. Ros Seilava, Secretary of State of the Ministry of Economy and Finance, and the chairman of the CGCC's Board of Directors, with the presence of all members of the Board of Directors.

The agendas of this 8th Board of Directors Meeting included: (1) CGCC Progress Report, (2) Women Entrepreneurs Guarantee Scheme, (3) 2021 Audited Financial Statements, (4) CGCC New Office Rental Contract, (5) Amendment to Guidelines on Employees Compensation, (6) Staff's Bonus and Salary, (7) IT Policy, and (8) Other matters including Bond Guarantee.

CGCC's Board of Directors Meeting is regularly organized to review, endorse, and approve CGCC's activities and progress. ■

CGCC's TRAINING AND TEAM BUILDING 2022



Providing employees with the opportunity to expand their knowledge and skills is one of CGCC's top priorities, in addition to its mission to improve financial inclusion and develop SMEs in Cambodia.

To enhance CGCC's human resource capacity, the backbone of the company's progress, CGCC organized the capacity training and team building on 18-20 March 2022

at Sihanouk Ville Province, with the support from the United Nations Capital Development Fund (UNCDF).

From the training and team building, CGCC staff got the opportunity to strengthen their communication skills and to gain an understanding of their personality that is beneficial to the working purpose, especially to practice leadership skills through recreational activities. ■



HEAR FROM OUR PFI

MAYBANK'S VIEW ON PARTNERSHIP WITH CGCC



What is your bank perspective toward the credit guarantee scheme in Cambodia?

SMEs are backbone of our economy and have substantial potential for driving economic growth in Cambodia as they make up the vast majority of businesses and employ large workforce in the country. Access to finance and cost of financing have been a major challenge due to lack of collateral and inadequate financial statement

Credit Guarantee Schemes are enabler in filling the financing gap of SMEs by providing guarantees to lessen the risk of the loan for the lender while also helping SMEs to develop their capacity and capability to manage their businesses. This would help entrepreneurs to grow and sustain their businesses, leading to more job creation in the country.

What factors encourage Maybank to join CGCC as a Participating Financial Institution (PFI)?

As guided by our Maybank Strategy, M25, we are committed to building New Value Drivers involving transformative initiatives that go beyond the current business-as-usual outcomes and represent new growth opportunities, such as SME.

At Maybank, we recognize SMEs as a backbone to Cambodian economy hence we would like to increase our support to grow and nurture SMEs through providing more access to formal financing as the country is re-opening. Our Maybank Group has a rich and long experience in supporting and

nurturing SMEs in our home market in Malaysia and we will certainly leverage on our Group's experience and expertise to contribute to SME development and growth in Cambodia.

How does credit guarantee benefit the bank and your customers?

For Bank: Collateral is one of key factors for the bank's decision on lending. The credit guarantee scheme enables us to offer financing solutions to a broader SME base with sound businesses that otherwise would not be able to get financing from us. Besides financing solutions, we will also work with CGCC and SMEs on capacity and capability building so that they can efficiently manage and grow their business in a more formal and sustainable manner which will, in turn, benefit the customers, banking industry, and our economy.

For Customer: Many SME businesses do not own enough assets to cover the collateral requirements when they want to expand or recover their businesses. It is where Credit Guarantee comes in. Entrepreneurs can access formal financing with a convenient and quick process without having property to secure the loan as long as the business is sound.

How does Maybank structure loans with credit guarantee?

The fundamentals of loan structuring remain more or less the same – meeting customer's needs and given the nature of SME. The loan structuring itself is simple and easy for customer to understand and use.

How will “SME's capacity building program” impact SME in greater access to finance regarding the guaranteed loans by CGCC?

In a rapidly globalizing world, there are changes in the public policies, economy and operational environment including disruption caused by COVID-19. Likewise, SMEs must be equipped with the knowledge and skills to survive and expand their businesses. Through Building Capacity and Capability program, SMEs will be provided with the latest business insights and knowledge to enable them to seek new opportunities and grow their enterprises.

The program covers various topics, including a Financial Literacy session to help SMEs gain a better understanding of financial management, banks' requirements for business financing applications, including guaranteed loans by CGCC, as well as financial solutions, social media/digital marketing, and technology to help ease SMEs to run and operate a business in a more effective and efficient way.

What is Maybank's strategy of using credit guarantees?

Help existing and new SME customers to grow and expand their business by providing them with affordable financing solutions with a particular emphasis on assessing the soundness and strengths of the borrower and borrower's business when deciding whether to grant credit lines to customers.

As the credit guarantee topic is a new topic in Cambodia, how should Maybank and CGCC do to raise awareness of credit guarantee to the borrowers?

So far, Maybank has proactively promoted the Credit Guarantee among our customers and communities. We introduced various promotions and awareness-raising through Business Forum on Advertisement on Khmer Times, news media, and many more. We also approached our individual customers we identified as having plans to expand or recover their businesses without adequate collateral to discuss Maybank and CGCC's partnership on Credit Guarantee. We have also discussed with CGCC about SME capacity and capability building and outreach programs in 2022 and beyond. ■



ACCESS TO GUARANTEED LOANS

Lida No & Kimhong Chhor

Credit guarantee aims to support businesses, especially SMEs, access formal loans. Under CGCC’s current schemes, CGCC provides credit guarantees on loans disbursed by banks and microfinance institutions that are the participating financial institutions (PFIs) to the borrowers. To reap the benefits of credit guarantees, the borrowers must be ready to apply for loans from the PFIs in the first place. Understanding how the PFIs assess the borrower’s creditworthiness helps the borrower better prepare to get the guaranteed loans.



Condition Before approving a loan, the bank must be convinced about the loan purpose and the appropriate loan amount for such purpose. How can the borrowers convince the bank? A reliable business plan and financial statement are good testimony to justify the loan purpose and amount. A proper business plan and financial records not only make it easier to borrow but also allow borrowers to critically examine the current business condition and plan better for success. Precisely, they help gauge the appropriate loan amount and repayment capacity. Indeed, borrowing the right amount matters. A surplus borrowing causes unnecessary accumulated interest, fees, and prepayment penalties, while inadequate borrowing may hinder potential business growth. This is called “condition,” one of the 5 Cs that banks use to evaluate borrowers’ creditworthiness.

Collateral Given that the condition is satisfied, banks also require “collateral” to protect themselves against loan default. The banks typically provide loans worth about 70% of the borrower’s collateral value. The collateral requirement is one of the main challenges for borrowers’ access to loans from banks. According to IFC, of all small and medium

enterprises that approached banks for loans, 66% were rejected because of lacking collateral requirements. This is why CGCC comes in. CGCC provides credit guarantees to banks to act as collateral on behalf of the borrowers. CGCC’s PFIs can assess the borrower’s creditworthiness by treating the credit guarantee as the borrower’s collateral. This reduces the collateral burden for the borrowers when applying for loans.

Capacity Besides, the ability to repay the loan is the fundamental requirement for the bank to approve a loan. Regardless of satisfied conditions and collateral or CGCC’s guarantees, the banks would not lend, and CGCC cannot guarantee if the borrowers cannot prove that they can repay the loans. So how can the borrower justify the “capacity” to repay? Again, this is when a reliable business plan and financial record can come into play. A proper financial statement tells the borrower’s assets, liabilities, equity, income, and cash flow which are reliable sources to evaluate the repayment capacity. Plus, the business plan describes the future business trajectory in which future income can also be used to justify the repayment capacity.

Capital If banks provide business loans, they want to know how much own “capital” the borrower put into the business. This matters because it shows the borrower’s commitment to the company where the loan proceeds will be used. It shows “skin in the game.” How can the borrower master this? The proper financial record should show the owner’s equity in the business. Official supporting documents such as partnership agreement and company registration are valid evidence of the borrower’s investment in the company. Usually, banks find it more challenging to assess informal or unregistered businesses because they lack reliable sources of document to validate the credit worthiness. That is why businesses are encouraged to register to improve their access to finance.

Character Another criterion to prove the repayment capacity is the “Character” of the borrower. Notably, banks investigate the borrower’s credit records, including loan repayment history, number of loans, current loan outstanding, etc. The primary purpose is to assess the borrower’s trustworthiness. Currently, Cambodia Credit Bureau (CBC) provides comprehensive credit reporting on individuals and businesses, which is helpful for banks to evaluate the borrower’s character.

However, in some instances, if your credit records are not favorable, you need to strengthen other Cs to convince the banks. For example, during the COVID-19 Pandemic, many businesses face challenges leading to late debt repayment and loan default, adversely impacting their “Character” and “Capital.” In this case, to get loans, the borrowers need to demonstrate a solid business plan which can improve “Condition” and “Capacity” and utilize CGCC’s credit guarantees which can improve “Collateral.”

As we can see, the 5Cs – condition, collateral, capacity, capital, and character – are important factors that banks evaluate the borrowers before deciding to lend. Improving the 5Cs increases the chance of getting loans from banks. A reliable financial statement and business plan can be used to validate every Cs, while a credit guarantee can help address the “Collateral” issue. ■

Lida No
Deputy Chief Executive Officer

Kimhong Chhor
Manager of Risk Management & Compliance Department



CREDIT GUARANTEES AROUND THE WORLD



Thai Credit Guarantee Corporation (TCG)

Thai Credit Guarantee Corporation (TCG) is a state-owned specialized financial institution under the Ministry of Finance of Thailand, established in 1991 under the Small Industry Credit Guarantee Corporation Act. The amended Small Industry Credit Guarantee Corporation Act (2017) was promulgated to extend operating scope of TCG to enable it to assist SME entrepreneurs to gain more access to a wider range of financial resources and to extend the scope of guarantee to cover other types of credits which are not general ones. TCG is a member of Asian Credit Supplementation Institution Confederation (ACSIC), a cooperation of Asia's credit guarantee organizations.

The objectives of establishment pursuant to the Small Industry Credit Guarantee Corporation Act (1991) are :

1. To assist small enterprises in obtaining a more significant amount of credit from financial institutions.
2. To strengthen the confidence of financial institutions in providing credits to small enterprises.
3. To accelerate the credit extension to small enterprises throughout the country.
4. To assist in the achievement of the small enterprise development target under the National Economic and Social Development Plan.

With the said nature of the operation, TCG focuses its operation on public interests with its credit guarantee service to SMEs as the critical mechanism for promoting the development of SMEs' strengths and further creating the social and economic growth.

The cooperation between TCG and public and private sector agencies and government support contribute to TCG's ability to achieve its goal. The credit guarantee is regarded as a critical financial instrument of the government in developing and promoting the social and entrepreneurial development .

All the information comes from the Thai Credit Guarantee Corporation (<https://www.tcg.or.th/>)

News on Credit Guarantee



SMEs to get financial relief as part of BCG economy strategy

The Nation Thailand: March 23, 2022

The Thai Credit Guarantee Corporation (TCG) and its partners launched Portfolio Guarantee Scheme (PGS) 9 to offer loan guarantees to small and medium-sized enterprises (SMEs) that operate their business under laws or policies related to energy conservation, alternative and renewable energies. "This scheme aims to provide financial support to SMEs, which is in line with Thailand's strategy to drive the Bio-Circular-Green Economy between 2021 and 2026," said the senior executive vice president Dusida Tapvong.

Reference: The Nation. (2022, Mar 23). SMEs to get financial relief as part of BCG economy strategy. <https://bit.ly/3vbloqH>



Credit guarantees up in 2021 as bank lending growth resumed

The Inquirer: February 28, 2022

MANILA, Philippines—Credit guarantees extended by the state-run Philippine Guarantee Corp. (PhilGuarantee) to private financial institutions and their borrowers rose last year as bank lending picked up following the recession-induced economic slowdown.

Reference: Ben O, D. (2022, Feb 28). PhilGuarantee: Credit guarantees up in 2021 as bank lending growth resumed. <https://bit.ly/3k4ZEHy>



BB introduces credit guarantee facility to pace loans disbursement among marginal groups

The Financial Express: Jan 23, 2022

Bangladesh Bank (BB) has introduced a new credit guarantee facility to speed up loan disbursement to landless farmers, low income professionals, school banking account holders and small traders. The lending bank will take advantage of the credit guarantee scheme against the loan payable / disbursed under the scheme. In this case, the BB will provide credit guarantee support to the banks.

Reference: The Financial Express. (2022, Jan 23). BB introduces credit guarantee facility to pace loans disbursement among marginal groups. <https://bit.ly/38ufWHy>

PFI GUARANTEE PRODUCTS



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Apply Business Loan with NO COLLATERAL* with Maybank now and enjoy special offer.* The financing is guaranteed by Credit Guarantee Corporation of Cambodia (CGCC).

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- Competitive interest rate

* Other Terms & Conditions Apply

How to Apply:

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*** Note: This content is originally produced and owned by Maybank (Cambodia)

Business Installment Loan Program



ធនាគារ ស្ថាបនា
SATHAPANA BANK

To fully support Cambodian SMEs during this Covid-19 pandemic, Sathapana Bank has signed a partnership with the Credit Guarantee Corporation of Cambodia (CGCC) to provide unsecured loans to borrowers with the capabilities to repay but lack of collateral. Businesses can use the loan in the purpose of investment capital, working capital, or business expansion.

Product Features:

- Loan Tenor 6 month up to 7 years
- Loan size USD 30,000 up to 300,000 Loan in USD or Khmer Riel
- Flexible repayment mode

For More Information:

Visit Sathapana's website : <https://bit.ly/3JUX42B>

*** Note: This content is originally produced and owned by Sathapana Bank

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