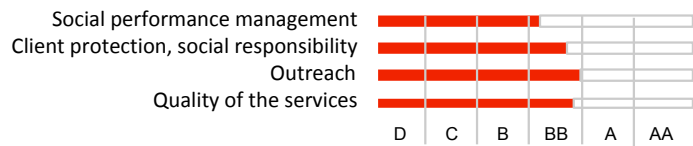


Thaneakea Phum (Cambodia) LTD. - Cambodia

SOCIAL RATING ^SBB

Adequate social performance management and client protection systems.
Satisfactory alignment to the social mission.



Social Rating Committee: 27th January 2014 **Previous Social Rating:** First Social Rating

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SOCIAL RATING RATIONALE

SOCIAL PERFORMANCE MANAGEMENT SYSTEM	TPC ownership and governance have demonstrated good capacity to support and enhance the company along the years. The company might face the risk of mission drift if will consider the inclusion of an additional shareholder without the full support of properly defined social criteria and shared objectives. The social strategy is not fully formalized and does not include clear and measurable quantitative targets that can ensure the achievement of the mission. The balance between the financial and social performance can be reinforced along with the development of more comprehensive SPM tools. The social performance tracking system is overall adequate with more effort needed to monitor the results achieved. The product design is fairly aligned to the mission; while the HR management does not sufficiently incorporate yet social criteria in line with the mission.
CLIENT PROTECTION AND SOCIAL RESPONSIBILITY	The social responsibility towards the personnel is overall adequate with staff enjoying a good labour climate grounded on a teamwork approach. The staff turn over is moderate and training and development opportunities are fairly available. The country exposure to the risk of over-indebtedness is significant but TPC enforces adequate supervision thanks to the combination of good repayment capacity process and internal controls. The overall transparency is good and prices are clearly presented in all branches. Privacy of client data is properly ensured. The Code of Conduct requires both more formalization and dissemination among personnel. The complaint resolution system has been formalized.
OUTREACH	The breath of outreach is adequate with TPC well positioned among competitors. The breath of geographic outreach is good thanks to a wide network of branches and sub-offices located nationwide. The depth of outreach is overall adequate and in line with TPC goal of reaching a rather wide population, even if the poverty outreach is moderate in absolute terms. The great majority of borrowers are located outside of the capital city, denoting an adequate outreach towards a vulnerable population.
QUALITY OF THE SERVICES	The variety of credit products available is fair and the company is currently working to develop more facilities to better match the different clients' needs. The product features do not represent a barrier for the wide target population thanks to the different amount ranges, doorstep service delivery and overall product flexibility. Guarantee requirements are rather strict. The client drop-out rate is investigated regularly but still significant.

Institutional data		sep-13	Social indicators		sep-13
Active borrowers		148,292	Individual methodology, clients		21%
Gross outstanding portfolio, US\$		68,961,668	Rural coverage, loans		99%
Branches and sub-branches		43	Female clients		85%
Total staff		849	Average balance per borrower / GNI pc		53%
Legal form	NBFI		Average disbursed loan amount, US\$		704
Year of inception	1994 (project), 2003 (MFI)		PAR30		0.2%
Network	Cambodian Microfinance Association		Clients at ≥ fourth loan cycle		19.2%
Area of intervention	Rural and urban		Female staff		23%
Credit methodology	Individual and group lending		Female staff in management		33%
Financial services	Credit		Staff turn-over ratio		18%
Non financial services	Training		Average annual percentage rate (APR)		36%
Geographical coverage	Rural and semi-urban		Average transparency index		97%

See annex 2 and 4 for more details.

Area	Factor	Main results	
Social Performance Management system	Social mission	+ Mission statement complete since includes the three social goals but lack of a clear definition and uniform understanding of the key terms.	
	Social governance	- The social strategic guidance provided by the BoD needs further reinforcement. - If new shareholders will be considered, a proper plan for identify social criteria for selection, should be defined to avoid the risk of mission drift. - Decision making process mainly guided by financial consideration as the SPM system is still being implemented. The monitoring system does not clearly identify the possible gaps between the mission and the actual results.	
	Social Strategy	+ The product strategy allows for the inclusion of a broad target population. - No clear formalization of the social objectives in the Business Plan; the social goals of the mission are not adequately supported by quantitative targets.	
	Social and financial balance	Overall adequate responsible management compensation, financing structure and profitability, despite some room for improvement in the redistribution of value to the clients. Moderate approach to responsible growth.	
	Social monitoring and reporting	- Client poverty data available from the PPI, even if the tool use may be further streamlined. Information on the change in clients' lives not available yet. + Client satisfaction survey performed. Room for development of more sophisticated tools to ensure proper identification of the clients' needs. + Social reporting is adequate but still need further enhancement to support the decision making.	
	HR alignment to the mission	Staff recruitment informally aligned to the mission. The incentive scheme does not yet include explicit social performance indicators.	
	Client protection and social responsibility	Product design and delivery	+ Product design fits with the clients needs and the delivery system is adequate.
		Prevention of over-indebtedness	Good client repayment assessment performed and proper dissemination. + Prudent approach towards over-indebtedness (limits on cross indebtedness, checks with CBC, share of info with major MFI players, etc.). The incentive scheme values quality as high as clients growth.
Transparency		+ Adequate approach to transparency (billboard at the branches, declining interest rate, written documentation provided to the clients).	
Responsible pricing		Cost structure overall in line with the market, despite slightly more expensive than competitors. TPC is efficient but more effort can be done to better redistribute the value generated to the clients.	
Fair and respectful treatment		- Yet to develop list of forbidden actions not to be enforced in the collection phase. PAR1 might push for PAR zero tolerance.	
Privacy of client data		+ Adequate set of measure to ensure protection of clients' data (MIS secure, disclaimer for information sharing with CBC, etc.).	
Mechanisms for complaint resolution		+ Complaint resolution manual available; control systems to ensure the effective follow-up of complaints to be implemented.	
Social responsibility towards the staff		+ Overall good working environment and capacity to retain personnel + Staff compensation in line with the market. + Fair staff development plan but more effort needed to reinforce delegation of duties and responsibility to the middle management at the HO.	
Responsibility: community and environment		+ Fair social responsibility towards both the community and the environment.	

Area	Factor	Main results
Outreach	Breadth of outreach	<ul style="list-style-type: none"> + Good geographic coverage thanks to a network of 26 branches and 17 sub-offices. + Steep growth with portfolio growing by 67% and the active borrowers by 30% in the last period of analysis.
	Alignment to the mission of geographical outreach	<ul style="list-style-type: none"> + Adequate depth of geographical outreach with 53% of clients (56% of portfolio) living in areas where the poverty rate is above the national average of 25.8%. Overall aligned with the broad target clientele depicted in the mission statement. Adequate rural coverage (shortcomings in the definition).
	Alignment to the mission of clients vulnerability and financed activities	<ul style="list-style-type: none"> + Women are the majority of clients (81%) and handle most of the portfolio (85%). This in line with the previous mission statement, while it is not a specific objective of the new mission. + Financed activities are overall in line with TPC mission statement and goals of serving families and entrepreneurs. Clients mainly engaged in agricultural activities (63%) followed by trade (13%), service (7%) and production (2%). + Clients’ dwelling conditions are overall moderate and adequately aligned to the mission.
	Alignment to the mission of client poverty and financial exclusion	<ul style="list-style-type: none"> + Economic poverty outreach: moderate in absolute terms (14% clients below the national poverty line, compared to the national average of 30%), but in line with the broad goal of serving families and entrepreneurs at the bottom of the economic pyramid. - Share of clients without previous access to to any financial service likely to be moderate, as the operations are concentrated in areas with a high presence of other financial providers. + Intermediate depth of outreach with the average balance/GNI pc at 53%. Wide amounts available allow the access of a broad target population.
Quality of the services	Variety of financial services	<ul style="list-style-type: none"> - Limited variety of financial services also due to regulation constraints. + Effort made to enhance the credit offer and different from competitors.
	Accessibility of credit services	<ul style="list-style-type: none"> + Good service delivery allowing the access of populations living in remote areas.
	Flexibility of credit services	<ul style="list-style-type: none"> + Overall flexible conditions offered (amount, pre-payment, balloon repayments, etc.).
	Customer service and client drop-out rate	<ul style="list-style-type: none"> + Adequate customer service. High client drop-out ratio according to the benchmark.
	Quality of non-financial services	<ul style="list-style-type: none"> + Literacy programme recently launched both for clients and community.

Social Rating Scale

Grade	Definition
^sAA	Excellent social performance management and client protection systems. High likelihood of achieving the social mission.
^sA	Good social performance management and client protection systems. Social mission likely to be achieved.
^sBB	Adequate social performance management and client protection systems. Satisfactory alignment to the social mission.
^sB	Moderate social performance management and client protection systems. Partial alignment to the social mission
^sC	Weak social performance management and client protection systems. Medium risk of mission drift
^sD	Poor social performance management and client protection systems. Risk of mission drift.

The modifiers “+” and “-” which can be added to the rating grade denote small relative differences within each rating category.

For more information please download the **Social Rating Methodology** available on our [Social Rating](#) webpage, including the social rating definition, the areas of analysis, the process, the results, and the correspondence table between the Universal Standards of Social Performance Management (USSPM) and the Social Rating criteria.

The information used in the social rating has been partly provided by the evaluated institution and partly collected during the meetings with the head executives, the staff and the clients of the institution. The analysis is based on internal MIS data and other official sources. MicroFinanza Rating cannot guarantee the reliability and integrity of the information, as it does not conduct auditing exercises, and therefore does not bear responsibility for any mistake or omission coming from the use of such information. The social rating has to be considered as an external and independent opinion and it has not to be considered as a recommendation to realize investments in a specific institution.

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