

LOLC (Cambodia) Plc.

Microfinance Index 2024 Survey, Conducted by 60 Decibels in Q1-2024

Phnom Penh, Cambodia – 02nd May 2024: LOLC Cambodia's engagement in the Microfinance Index 2024 survey by 60 Decibels marks a significant milestone in assessing the institution's performance and impact across crucial dimensions within the microfinance sector. As part of this comprehensive evaluation, LOLC Cambodia's operations will be closely scrutinized in terms of Access, Business Impact, Household Impact, Client Protection, Resilience, and Agency. This initiative underscores LOLC Cambodia's commitment to transparency, accountability, and continuous improvement in its efforts to drive positive change and empower individuals and communities through sustainable financial services.

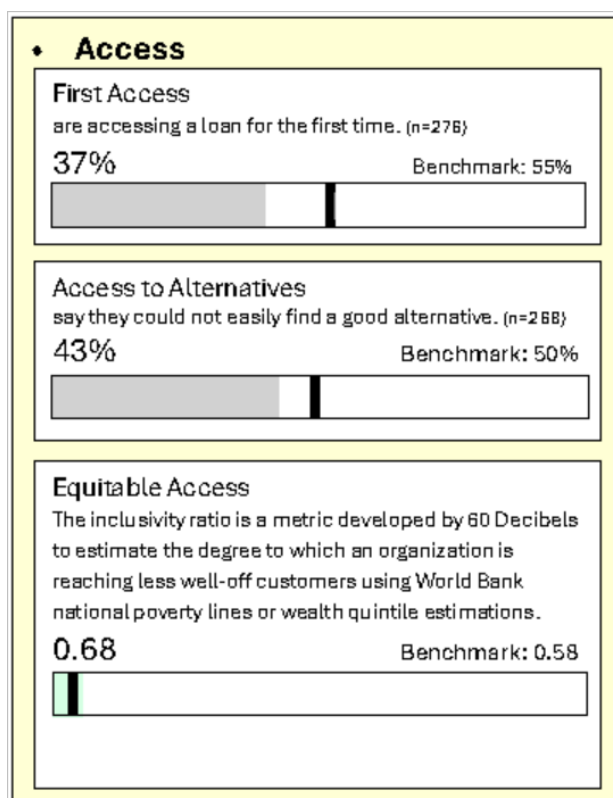
The survey results reveal the following regarding LOLC Cambodia's each key dimension as following:

> **Access Dimension:**

✓ **First Access:** LOLC Cambodia's performance of 37% in providing first-time access to loans showcases its efforts in reaching out to new clients who may not have had previous exposure to financial services. While this percentage is below the benchmark of 55%, it still indicates a positive trend towards expanding financial inclusion. Moreover, for first access, customers who receive group loans are more likely to have accessed a similar loan compared to customers who receive individual loans (73% versus 55%). This data suggests that individual borrowers are a less competitive market for microloans, and individual borrowers are receiving a much more unique value proposition, as compared to group borrowers.

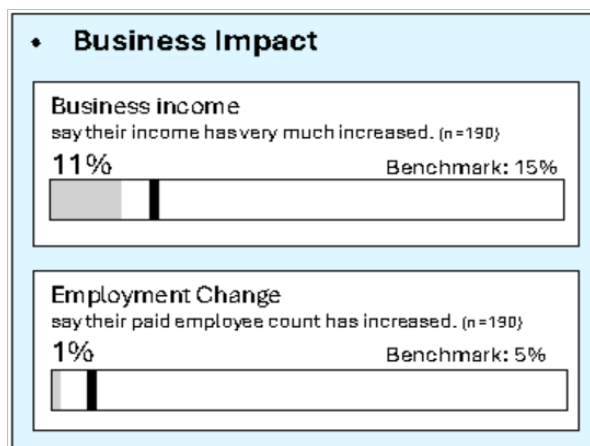
✓ **Access to Alternatives:** LOLC Cambodia scored 43%, which is below the benchmark of 50%. This indicates that a slightly smaller percentage of their clients believe they could not easily find a good alternative financial service provider compared to other institutions surveyed. Moreover, upon examining the lending methodology segmentation, it appears that customers who receive group loans have more access to alternatives compared to customers who receive individual loans (36% versus 48%). However, it is essential to note that LOLC Cambodia still serves a significant portion of clients who consider them their primary financial service provider. The lower score may be due to increased competition or improvements made by other microfinance institutions in the market.

✓ **Equitable Access:** With an inclusivity ratio of 0.68, LOLC Cambodia demonstrates a commitment to reaching less well-off customers based on poverty lines or wealth quintile estimations. This ratio surpasses the benchmark of 0.58, indicating that LOLC Cambodia is making strides in ensuring equitable access to its services.



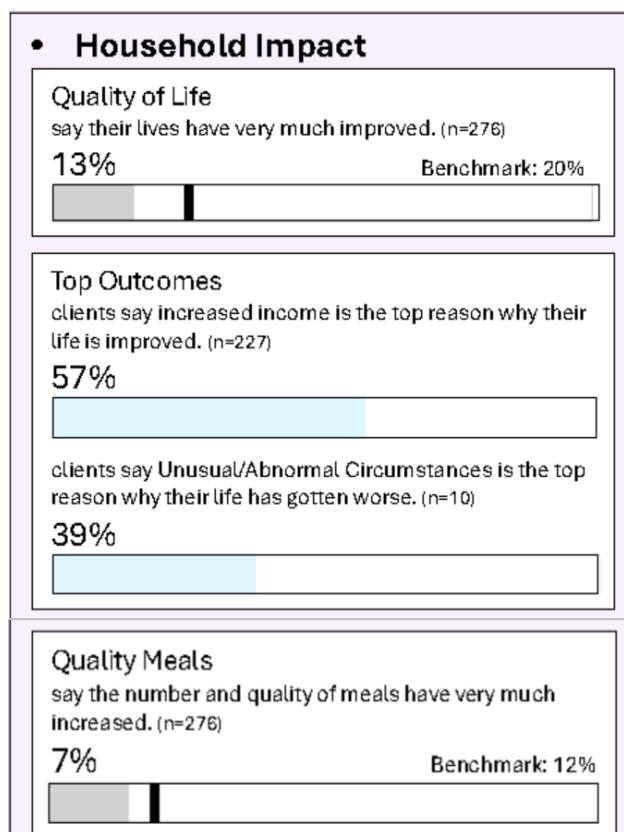
➤ **Business Impact Dimension:**

- ✓ **Business Income:** Out of the respondents, 11% reported that their income had very much increased after engaging with LOLC Cambodia. This figure is lower than the benchmark of 15%. However, this result signifies a positive trend as it indicates that a significant number of clients have experienced an increase in their income due to LOLC Cambodia's financial services.
- ✓ **Employment Change:** Regarding employment change, 1% of the respondents reported that their paid employee count had increased after working with LOLC Cambodia. The benchmark for this metric was set at 5%. Although LOLC Cambodia's performance in this area is below average, it is essential to note that microfinance institutions often focus more on individual clients rather than creating large - scale employment opportunities. Nevertheless, any increase in employment is a positive outcome for both clients and communities.



➤ **Household Impact Dimension:**

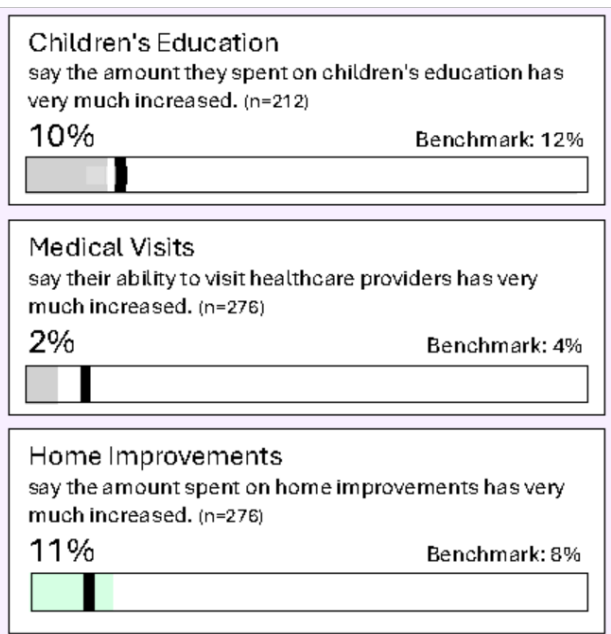
- ✓ **Quality of Life:** LOLC Cambodia has seen a 13% improvement in the quality of life reported by clients, slightly below the benchmark of 20%. This indicates that a significant portion of clients feel their lives have improved.
- ✓ **Top Outcomes:** The top reason cited for life improvement by LOLC Cambodia clients is increased income, with 57% of clients (n=227) mentioning it. The "increased income" as the top reason for life improvement reflects the effectiveness of LOLC Cambodia's services in up lifting the economic well-being of its clients. This statistic underscores the positive contribution that LOLC Cambodia is making towards poverty alleviation and economic empowerment in the communities it serves. On the other hand, 39% of clients (n=10) attribute a decline in their quality of life to unusual or abnormal circumstances.
- ✓ **Quality Meals:** The survey shows that 7% of LOLC Cambodia clients reported significant increase in both the number and quality of meals, compared to the benchmark of 12%. This suggests there is room for improvement in this aspect.



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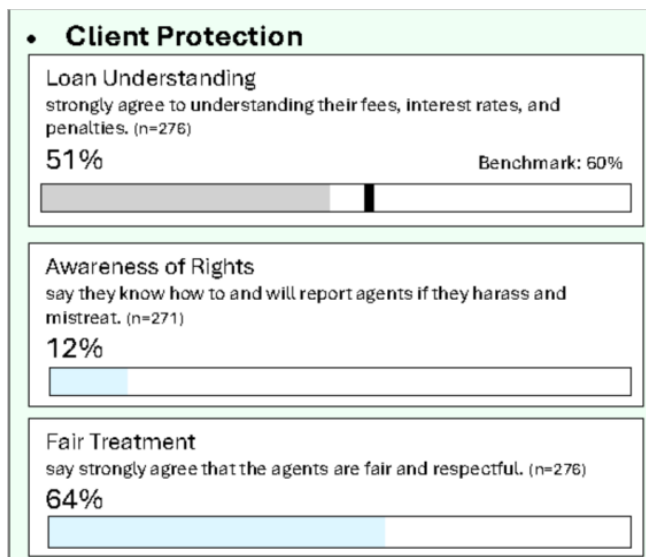
- ✓ **Children's Education:** Clients reported a 10% increase in spending on children's education, slightly below the benchmark of 12%. This indicates a positive trend towards investing more in education.
- ✓ **Medical Visits:** Only 2% of LOLC Cambodia clients mentioned a significant increase in their ability to visit healthcare providers, compared to the benchmark of 4%. This area might require attention to enhance access to health care services.
- ✓ **Home Improvements:** A notable 11% of clients reported a substantial increase in spending on home improvements, surpassing the benchmark of 8%. This signifies a positive impact on living conditions.



For these three metrics of **Children's Education, Medical Visits and Home Improvements**, LOLC Cambodia have consistently scored in the top 40 percent of Cambodia specific 60dB benchmarks. This indicates that compared to other FSPs in the region, LOLC Cambodia has done excellent work towards maximizing the impact on its customers' households.

> Client Protection Dimension:

- ✓ **Loan Understanding:** This indicates that a majority (51%) of LOLC Cambodia's clients agree that they understand their fees, interest rates, and penalties. This is slightly below the benchmark of 60%. However, this figure is still a strong indication that LOLC Cambodia's clients have a good grasp of their loan terms.
- ✓ **Awareness of Rights:** only 12% of LOLC Cambodia's clients (n=271) report that they know how to and will report agents if they are harassed or mistreated. This is a concerning figure and represents an area for improvement.

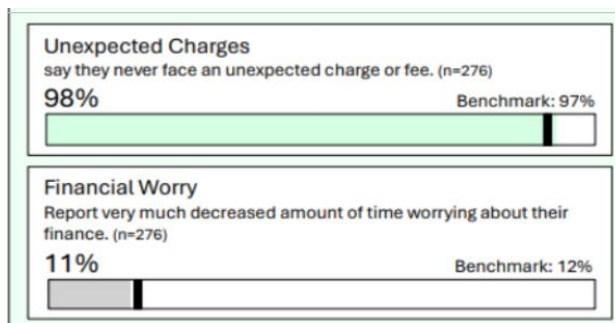


- ✓ **Fair Treatment:** The survey results indicate that a significant majority of clients, 64% out of 276 respondents, strongly agree that the agents at LOLC Cambodia are fair and respectful. Moreover, clients with group loans report a more positive experience with agents than clients with individual loans (72% as compared to 59%). This could suggest that the group lending methodology fosters more positive interactions, which could be leveraged to improve client experiences across the board. On top of this, positive feedback is a testament to the commitment and efforts of LOLC Cambodia in providing sustainable financial services to its clients and communities. It reflects well on the organization's dedication to ensuring fair treatment and respect for its clients, which are essential aspects of building trust and fostering long-term relationships.

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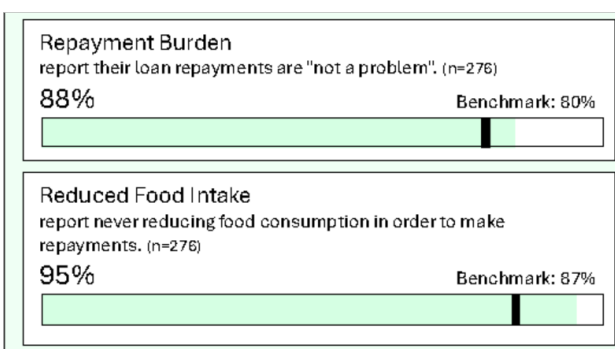
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- ✓ **Unexpected Charges:** This reveals that an impressive 98% of LOLC Cambodia's clients never face an unexpected charge or fee. This figure is even higher than the benchmark of 97%, indicating a strong commitment from LOLC Cambodia to transparency in their pricing.



- ✓ **Financial Worry:** LOLC Cambodia has successfully decreased the amount of time clients spend worrying about their finances, with 11% reporting a very much decreased level compared to the benchmark of 12%. This indicates that LOLC Cambodia's financial services have positively impacted their clients' peace of mind regarding money matters.

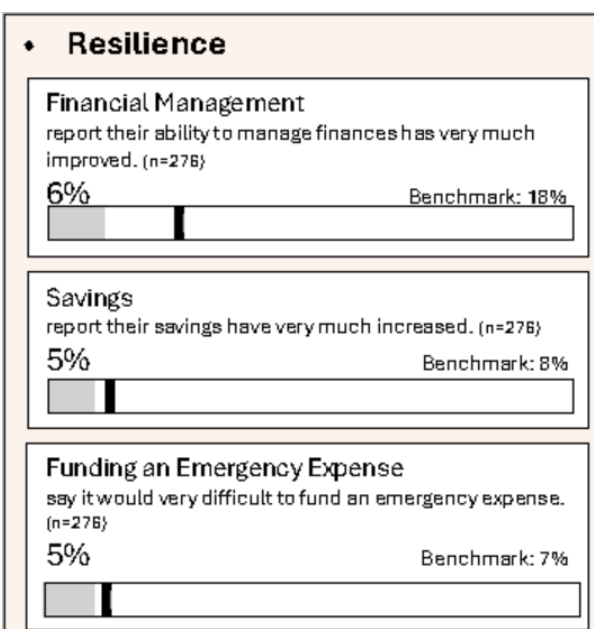
- ✓ **Repayment Burden:** An impressive 88% of LOLC Cambodia's clients reported that loan repayments are "not a problem," surpassing the benchmark of 80%. This showcases the effectiveness of LOLC Cambodia's loan structures and repayment plans in easing the burden on clients.



- ✓ **Reduced Food Intake:** A significant 95% of LOLC Cambodia's clients reported never having to reduce food consumption to make loan repayments, outperforming the benchmark of 87%. This demonstrates that LOLC Cambodia's financial products are designed in a way that does not compromise basic needs like food for their clients.

➤ Resilience Dimension:

- ✓ **Financial Management:** LOLC Cambodia reported that their ability to manage finances has very much improved, with a percentage of 6%, while the benchmark stands at 18%. Although LOLC Cambodia's percentage is lower than the benchmark, it still shows an improvement in financial management.



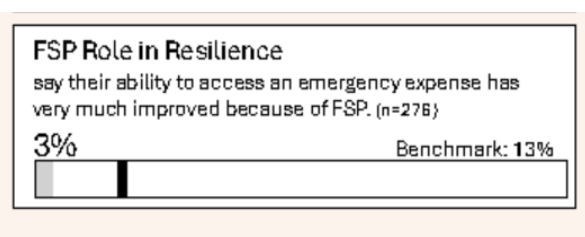
- ✓ **Savings:** LOLC Cambodia indicated that their savings have very much increased by 5%, compared to the benchmark of 8%. While LOLC Cambodia's percentage is slightly lower than the benchmark, any increase in savings is a positive sign of financial stability and resilience.

- ✓ **Funding an Emergency Expense:** A small percentage (5%) of respondents from LOLC Cambodia mentioned that it would be very difficult to fund an emergency expense, whereas the benchmark for this category is at 7%. This indicates that there is room for improvement in terms of preparedness for unexpected financial needs.

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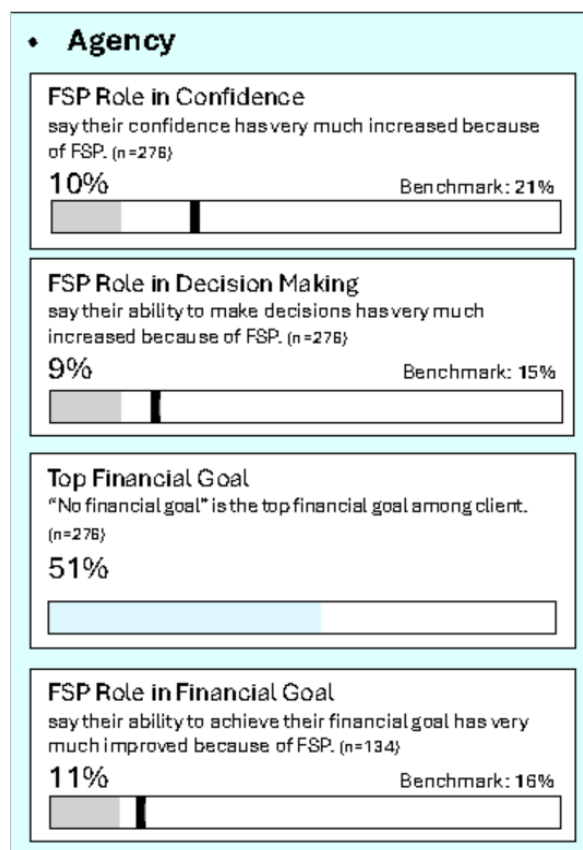
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- ✓ **FSP Role in Resilience:** Only 3% of respondents from LOLC Cambodia stated that their ability to access an emergency expense has very much improved due to the Financial Service Provider (FSP), while the benchmark for this aspect is at 13%. This suggests that there may be opportunities for LOLC Cambodia to enhance the support provided by FSPs in times of financial emergencies.



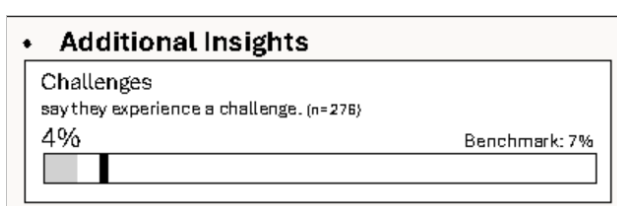
➤ Agency Dimension:

- ✓ **FSP Role in Confidence:** LOLC Cambodia has seen a 10% increase in confidence due to FSP, which is slightly below the benchmark of 21%. This indicates that while there has been a positive impact on confidence, there is room for improvement compared to the industry standard.
- ✓ **FSP Role in Decision Making:** LOLC Cambodia has experienced a 9% increase in their ability to make decisions because of FSP, which falls below the benchmark of 15%. This suggests that while there has been progress, there is still potential for further enhancement in decision-making capabilities.
- ✓ **Top Financial Goal:** The top financial goal among clients surveyed is “No financial goal,” with LOLC Cambodia having 51% of respondents selecting this option. This could indicate a need for better financial education or guidance to help clients set specific financial goals.
- ✓ **FSP Role in Financial Goal:** LOLC Cambodia has seen an 11% improvement in achieving financial goals due to FSP, slightly lower than the benchmark of 16%. This implies that while FSP has had a positive impact on goal achievement, there is room for growth to align with industry standards.



Additional Insight:

- ✓ **Challenges:** LOLC Cambodia’s challenge rate of 4% is lower than the benchmark of 7%, indicating that LOLC Cambodia is performing better in addressing challenges compared to the industry standard. This suggests that LOLC Cambodia may have effective

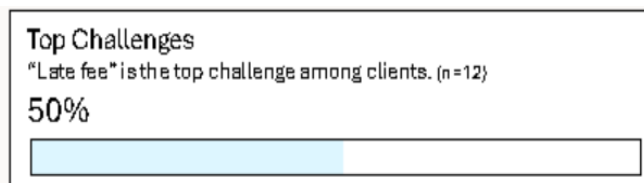


strategies in place to mitigate and resolve issues faced by their clients. Moreover, LOLC Cambodia in particular, has done a great job at maximizing client satisfaction as the low proportion of respondents who report having a challenge with LOLC Cambodia places them in the top 20% of all Cambodian FSPs in the 60dB benchmarks. This, along with the previous analysis on children’s education, medical visits and home improvements, are an example of how country specific benchmarks are a good point to understand how LOLC Cambodia has been performing, in comparison to Cambodian MFIs that are a part of the 60dB benchmarks.

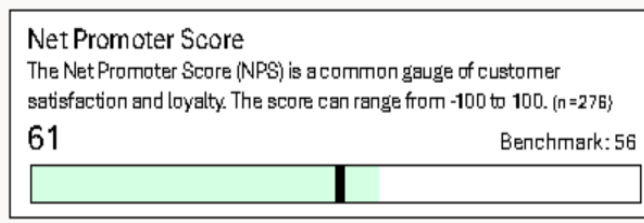
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- ✓ **Top Challenges:** The fact that “Late fee” is identified as the top challenge among clients, with a percentage of 50% among a sample size of 12, highlights an area where LOLC Cambodia can focus on improvement. By addressing this specific concern, LOLC Cambodia can enhance customer satisfaction and loyalty.



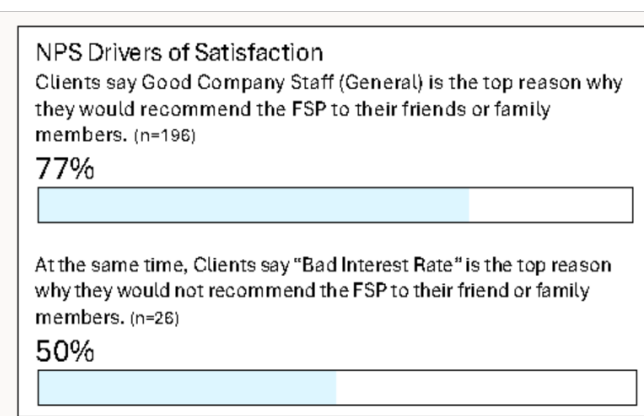
- ✓ **Net Promoter Score (NPS):** LOLC Cambodia’s NPS of 61 surpasses the benchmark score



of 56, indicating that customers are highly satisfied and loyal to the institution. This positive NPS reflects well on LOLC Cambodia’s customer service and overall performance. Similarly, the NPS score attained by LOLC Cambodia places them in the top 40% of all Cambodian FSPs in the 60dB benchmarks, indicating they have done a great job at maximizing client satisfaction among other Cambodian FSPs in the 60dB benchmarks.

- ✓ **NPS Drivers of Satisfaction:**

The data shows that clients attribute their likelihood to recommend LOLC Cambodia to factors such as Good Company Staff (General), which scored 77% among a sample size of 196. This underscores the importance of excellent customer service in driving positive word-of-mouth referrals. On the other hand, the issue of “Bad Interest Rate” being a deterrent for recommendations, with a score of 50% among a



sample size of 26, signals an area for improvement in terms of financial offerings. On the other hand, LOLC Cambodia can consider the values pointed out by promoters as the 'value proposition' and emphasize these in its marketing efforts. Likewise, take note of the issues raised by detractors. Addressing these can potentially turn detractors into promoters and boost LOLC Cambodia NPS in future surveys. There can be more than 1 key driver of satisfaction, and addressing each of those drivers can help understand impact more clearly.

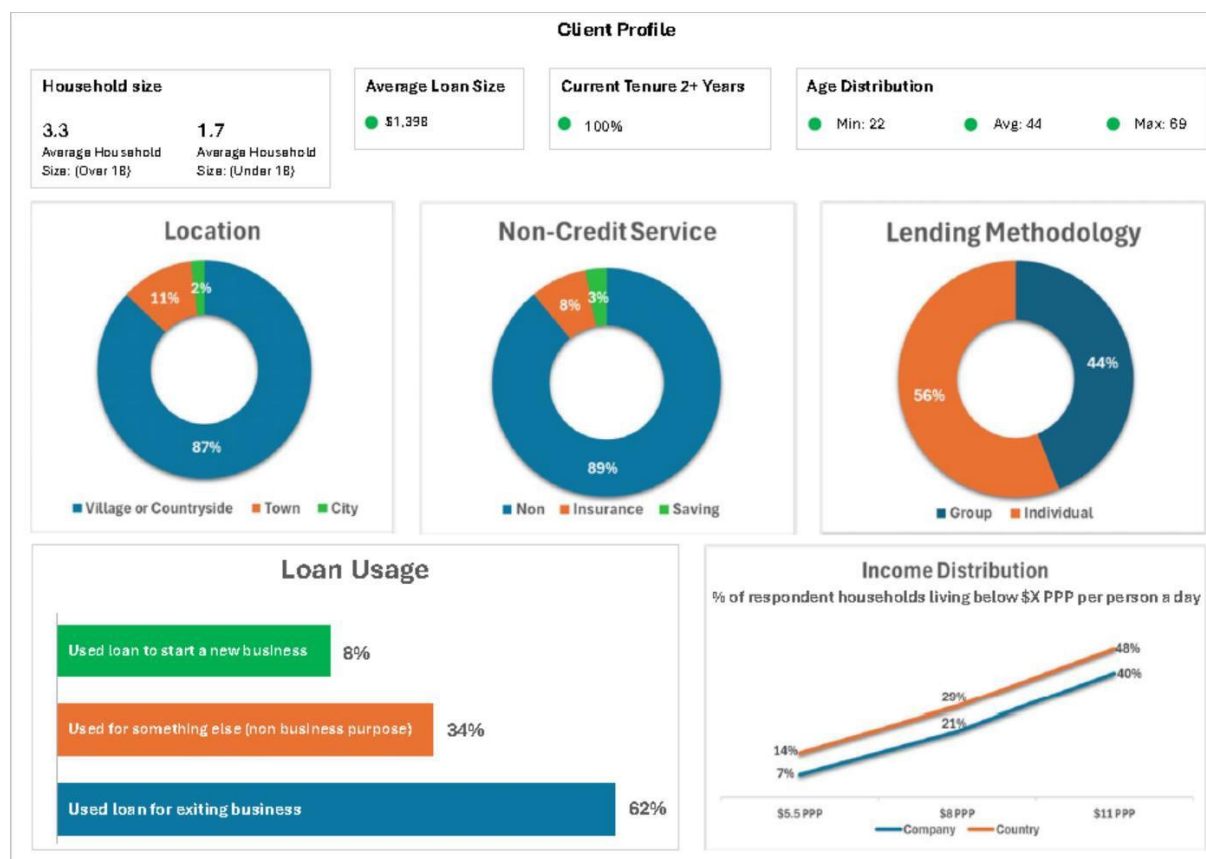
Note: The overall benchmarks figures refer to the 60 Decibels’ Asia Benchmark.

Client Profile

There are 2,039 clients that have been shared to 60 Decibels for selecting and contracting for this survey, in which it's important to note here that the final sample of 276 is representative of LOLC Cambodia entire customer population and not just 13.5% of LOLC Cambodia population as indicated in the report. 60 Decibels use LOLC Cambodia contact database to understand the broad proportions of key segments within its customer base (i.e., PAR30, lending methodology, gender, and tenure). This is crucial to ensure that the sample is representative of LOLC Cambodia entire population. The studies at a 90% confidence interval, meaning it can be 90% confident that the results of the research reflect the reality of LOLC entire consumer base, within a 5% margin of error. Below is the client profile who participated in the survey.

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In conclusion, the results of the Microfinance Index 2024 survey conducted by 60 Decibels provide valuable insights into LOLC Cambodia's performance across key metrics. The analysis of Access, Business Impact, Household Impact, Client Protection, Resilience, and Agency dimensions offers a comprehensive view of LOLC Cambodia's operations in the microfinance sector. By participating in this survey, LOLC Cambodia has gained a deeper understanding of its strengths and areas for improvement. The data collected through this assessment will be instrumental in guiding strategic decisions and enhancing the overall effectiveness of LOLC Cambodia's microfinance services.

About LOLC (Cambodia) Plc.

LOLC (Cambodia) Plc. ("LOLC"), a regulated microfinance deposit-taking institution, through its 83 offices in 25/25 provinces in Cambodia serves more than 336,000 borrowers and 518,000 depositors with a portfolio of US\$1.27 billion and US\$ 918.41 million in customer deposit as of March 2024. For more information: <https://www.lolc.com.kh/>

About 60 Decibels

60 Decibels is a global, tech-enabled social impact measurement company that brings speed and repeatability to impact measurement and customer insights. We provide genuine benchmarks of impact performance, enabling organizations to understand impact relative to peers and set performance targets. We have a network of 1,200+ researchers in 80+ countries and have worked with more than 1,000 of the world's leading impact investors, companies, foundations, corporations, NGOs, and public sector organizations. 60 Decibels makes it easy to listen to the people who matter most. For more information: <https://60decibels.com/>