

An Investigative Report on the
Lending Practices of
Korean Banks in Cambodia and
their Human Rights Impact



PREYING
ON
POVERTY



*Korean Transnational Corporations Watch (KTNC Watch) is a coalition of human rights, labor, environmental, and public interest law organizations formed in 2008 to monitor human rights and environmental issues in the supply chains of Korean companies, raise awareness of these issues in Korea, support victims in seeking redress, and call for improvements to the system.

Executive Summary

As Korean banks have been expanding overseas, many domestic commercial banks have entered Cambodia, one of the least developed countries in Southeast Asia, and are operating local subsidiaries. Among them, KB Kookmin Bank acquired Cambodia's largest microfinance organization PRASAC in 2021 and launched KB PRASAC Bank Plc. ("KB Prasac") through a merger with a local subsidiary in 2023. Woori Bank also acquired the microfinance organization VisionFund Cambodia in 2018 and launched Woori Bank (Cambodia) Plc. ("Woori Cambodia") in 2020 through a merger with a local subsidiary.

Microfinance refers to the business model of Grameen Bank, founded by Bangladeshi economist Muhammad Yunus in the 1970s, which lends small amounts of money without collateral to the poor, especially rural women. People used the money to start small businesses or invest in agriculture to generate income and lift themselves out of poverty. Microfinance has spread around the world as a means of poverty alleviation and for the economic empowerment of vulnerable groups, and Yunus was awarded the Nobel Peace Prize in 2006 for his work. The microfinance organizations acquired by KB Kookmin and Woori were originally nonprofit organizations that started with the same purpose. PRASAC, which KB Kookmin acquired in 2021, was founded in 1995 as a nonprofit organization to help rebuild rural Cambodia after a long civil war, and has grown to become the largest microfinance institution ("MFI") in Cambodia, while VisionFund Cambodia, which was acquired by Woori, was also a non-profit microfinance institution established in 2003 by the international aid organization World Vision.

In the 2010s, however, microfinance in Cambodia began to transform into a for-profit business, and MFIs began selling lucrative financial products to the rural poor, who were traditionally the beneficiaries of not-for-profit programs. No longer lending small, non-collateralized amounts to alleviate poverty, they lent increasingly larger amounts using their clients' land as collateral to maximize interest income. As competition among MFIs intensified, they became increasingly aggressive in targeting the rural poor, who have low levels of education and financial literacy in Cambodia, lending large amounts that households could not repay, solely based on the value of the collateral. When debts became unmanageable due to high interest rates and administrative fees, credit officers pressured farmers to pay off their debts by selling their collateralized land extra-judicially or by taking out informal loans, leading to a vicious cycle of loss of land, loss of livelihoods, and more debt, further deepening people's poverty. Increasing poverty has led to additional harms, including food shortages,

poor health, inadequate housing, and child labor.

Since the late 2010s, local human rights organizations, foreign media, international researchers, and UN human rights bodies have noted that the lending practices of Cambodia's microfinance industry have negatively impacted human rights by trapping Cambodians, especially the rural poor, who are the majority of borrowers, in an unending cycle of debt and deepening poverty. In July 2023, the UN Special Rapporteur on human rights in Cambodia reported to the UN Human Rights Council that about 167,000 families were forced to sell their land in Cambodia over the past five years due to excessive debt and land encumbrances caused by microfinance, contributing to rising poverty rates.¹ Despite these repeated criticisms, KB Kookmin and Woori proceeded with the acquisition of the local MFIs in question, and continued their unethical lending practices even after the acquisition.²

Over the course of 10 days in August 2024, KTNC Watch conducted field investigations in Cambodia. We visited the headquarters of KB Prasac and Woori Cambodia, interviewed their executives, and met with 14 families from various parts of Cambodia who have suffered from excessive debt due to the lending practices of the two banks. We also interviewed local human rights organizations that have been actively raising awareness of the issue and supporting victims.

The investigation found that KB Prasac's and Woori Cambodia's lending policies and practices confirmed many of the issues previously highlighted by local human rights organizations, foreign media, and others, leading to serious human rights violations, especially of socioeconomically disadvantaged groups like Indigenous People. Frontline staff at both banks engaged in aggressive face-to-face sales policies targeting customers and lending them excessive amounts of money, often using land as collateral and not taking into account the household's actual income levels. Credit officers promised easy access to money and encouraged borrowers to take on more debt, while failing to disclose or adequately explain important terms of the contract, such as fees and collateral requirements. As debts ballooned with high interest rates and fees, and borrowers were unable to make payments due to the economic crisis caused by COVID-19 and crop failures caused by climate change, credit officers began aggressive collection practices. Credit officers entered borrowers' home without their consent, harassed their families, publicly humiliated them in front of their children and neighbors, threatened to call the police or send the borrower to jail, told them that their children would still

¹ UN Human Rights Council, Report of the Special Rapporteur on the situation of human rights in Cambodia, Vitit Muntarbhorn, A/HRC/54/75 (July 20, 2023).

² According to the two banks' 2023 annual reports, KB Prasac Bank has 90.6% of its borrowers living in rural areas and 77% are women, while Cambodia Uri Bank has 72% of its borrowers living in rural areas and 69% are women. The average loan amount is \$8,141 and \$6,905, respectively, which is 4.5 times and 3.8 times the per capita GNI of Cambodia.

have to pay the debt even if the borrower died by suicide, and pressured them to sell land or take out informal loans to repay the debt.

The KB Prasac and Woori borrowers that KTNC Watch's field investigators met said they were struggling to make ends meet as they were overwhelmed with debt. Families had to cut back on food to meet repayments and children had to leave school to start working. Not only did their physical health deteriorate due to poor nutrition, but their mental health also suffered under the pressure of debt repayment. In the end, the banks' business practices pushed the already-vulnerable rural poor deeper into poverty, violating their fundamental rights guaranteed by international human rights law, including the rights to food, adequate housing, health, education, and land.

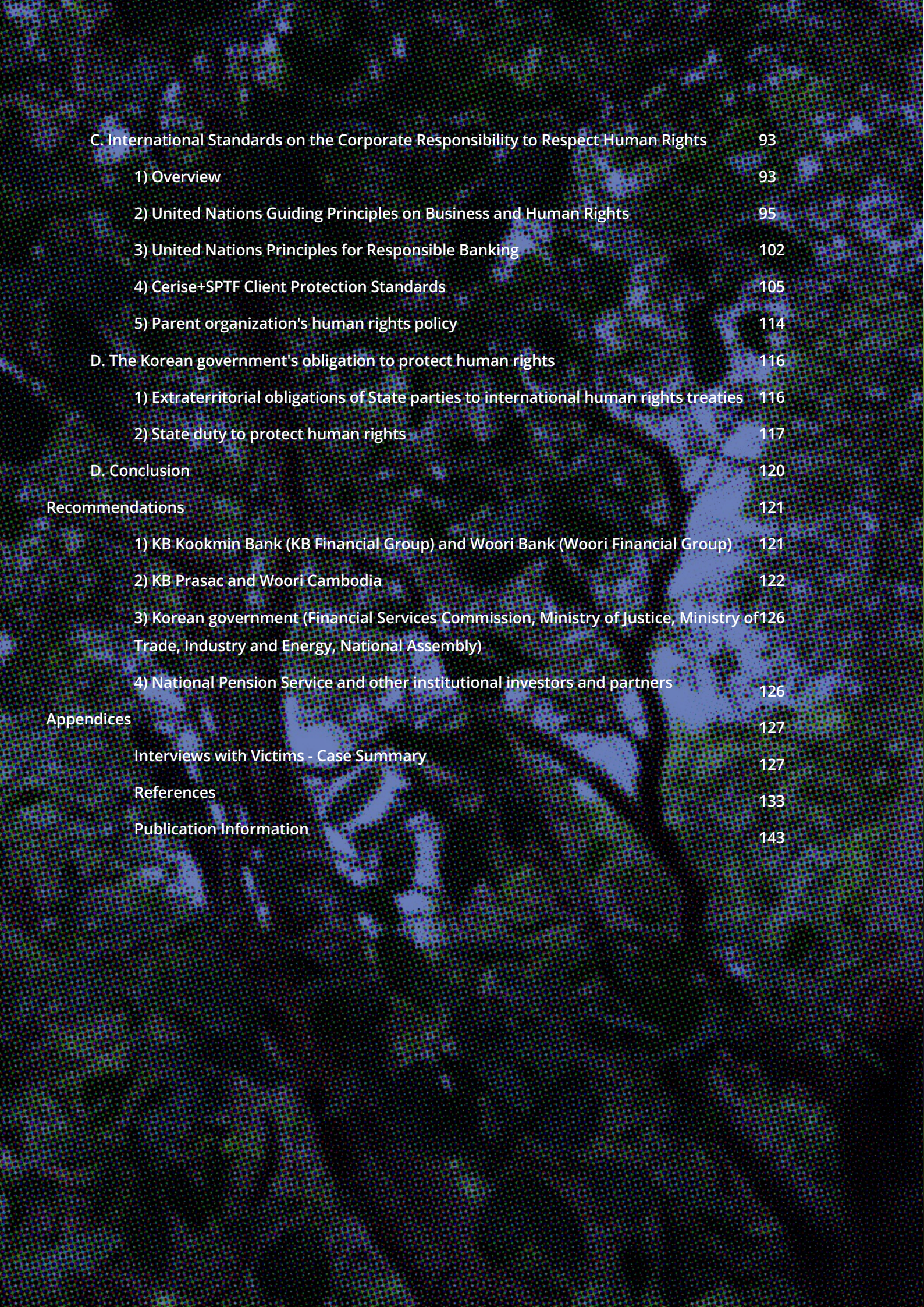
Businesses must respect the human rights of all people and must not violate them through their business activities. Both banks have publicly pledged to respect and uphold these international standards. The KB Financial Group has stated in its Human Rights Policy that it adheres to international standards on human rights, including the Universal Declaration of Human Rights and the United Nations Guiding Principles on Business and Human Rights. Similarly, Woori Financial Group has stated in its Human Rights Principles that it respects and supports international standards on human rights, including the Universal Declaration of Human Rights and the United Nations Guiding Principles on Business and Human Rights. However, the lending practices of KB Prasac and Woori resulted in violations of internationally recognized human rights and violated international standards on the corporate responsibility to respect human rights, including the United Nations Guiding Principles on Business and Human Rights.

KB Prasac, Woori Cambodia, and their parent companies should immediately conduct a comprehensive and independent human rights impact assessment to identify and understand the adverse human rights impacts of their lending operations in Cambodia and take steps to prevent, mitigate, eliminate, and minimize any potential or actual harms and provide effective remedies to victims.

Under international human rights law, the South Korean government has a “duty to protect” the human rights of all persons from corporate harm and to take appropriate measures to ensure that companies within its jurisdiction do not violate human rights through their operations abroad, including ensuring victims' access to remedy. Accordingly, the government should take appropriate investigative, punitive, and remedial measures for this case and urgently establish a legal framework to prevent human rights abuses by South Korean companies at home and abroad to ensure that companies are held accountable for violating human rights.

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<Photo 1> A Cambodian victim of predatory lending © Son Go-woon (Hankyoreh 21)

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Introduction

As South Korea has grown into one of the world's largest economies, Korean companies have become an important part of the global supply chain. Now, Korean companies are not only exporting goods and securing foreign contracts, but are also actively investing overseas. Similarly, Korean banks are expanding overseas by establishing subsidiaries and branches or by acquiring local financial institutions.

In Cambodia, one of the least developed countries in Southeast Asia, there are a number of Korean commercial banks, including KB Kookmin Bank, Woori Bank, Shinhan Bank, and NH Bank. Among them, KB Kookmin Bank and Woori Bank have acquired and merged with local microfinance institutions (MFIs) that previously provided microfinance to the poor to combat poverty and have consequently received commercial bank licenses. In particular, PRASAC, which was acquired by KB Kookmin, was the largest MFI in Cambodia and accounted for 46% of the total loans disbursed in the microfinance industry in 2022, just before it was licensed as a commercial bank.³

However, Cambodia's microfinance industry, including the MFIs acquired by the two Korean banks, has been criticized in international academic research and by the media for years of "predatory lending" to the poor and the resulting serious human rights abuses.⁴ Predatory lending refers to an unethical lending practice that involves lending excessive amounts of money to people who are unable to repay the debt and profiting from it.⁵ The MFIs acquired by the Korean banks have a history of lending large sums of money at high interest rates to households that cannot repay the debt due to their limited cash flow. Often the MFIs use the land of the rural poor with low financial literacy as collateral, and when they fail to repay, they use coercive collection methods to force them to repay the debt with additional MFI loans or informal private loans. This further exacerbates the indebtedness of the borrower and forces them to sell the collateral land extrajudicially, which results in the loss of livelihood and pushes

3 National Bank of Cambodia, Data on MFI Sector, Report of Loan and Non-performing Loan, https://www.nbc.gov.kh/english/economic_research/mfis_reports.php (Dec. 31, 2023).

4 Gavin Finch and David Kocieniewski, "Big Money Backs Tiny Loans That Lead to Debt, Despair and Even Suicide", Bloomberg, <https://www.bloomberg.com/graphics/2022-microfinance-banks-profit-off-developing-world/> (May 3, 2022); Jack Brook, "'I am afraid I will kill myself, like my husband': spotlight on loan firms in Cambodia after Indigenous suicides", The Guardian, <https://www.theguardian.com/global-development/2023/oct/23/cambodia-microfinance-loan-firms-indigenous-people> (Oct. 23, 2023); Jack Brook, "Cambodia's microfinance sector hit by predatory lending claims", Nikkei Asia, <https://asia.nikkei.com/Business/Finance/Cambodia-s-microfinance-sector-hit-by-predatory-lending-claims> (Nov. 11, 2023).

5 Bank of Korea, "Lee Yong-ho, 'Predatory Lending' (Article in the Sikyung Ilbo)" (June 22, 2011), <https://www.bok.or.kr/portal/bbs/P0000795/view.do?nttid=170949&menuNo=200559&searchBbsSeCd=z19&pageIndex=65> (last visited Apr. 20, 2025).



<Photo 2> KB Prasac branch in a regional city © Son Go-woon (Hankyoreh 21)

them deeper into poverty. These practices persisted even after Korean banks acquired local MFIs and converted them into commercial banks.

The Korean Transnational Corporations Watch (KTNC Watch) received the above information from a local Cambodian human rights organization in January 2024 and initiated a response. Although there have been many overseas research studies and media reports on this issue, little was known in Korea, and KB Kookmin's and Woori's stance on these allegations was not publicly available. On April 23, 2024, KTNC Watch, together with Cambodian human rights organizations, emailed a letter to the headquarters of KB Kookmin and Woori explaining the issues raised about the business practices of their Cambodian subsidiaries and requested a meeting with stakeholders, but did not receive a response. We also called the headquarters of both banks, KB Financial Group and Woori Financial Group directly and left contact information for their respective departments, but did not receive a response. Finally, KTNC Watch filed a consumer complaint with Woori on July 10, 2024, and KB Kookmin on July 12, 2024, through an online complaint portals for both banks. Only Woori replied and said it was difficult to respond because Woori Cambodia was a separate legal entity, and KB Kookmin did not reply.

KTNC Watch decided that it would be difficult to understand the situation and resolve the issue through direct dialogue with the banks, and decided to conduct an on-the-ground investigation to

verify the allegations of predatory lending practices and human rights violations. Over the course of 10 days in August 2024, KTNC Watch's fieldwork team conducted face-to-face interviews with representatives from KB Prasac and Woori Cambodia, 14 borrower households, local human rights organizations, Indigenous Peoples' organizations, and KOICA's Cambodia office in Phnom Penh, Ratanakiri province, and Kampong Cham province.

Based on the field research and literature review, this report analyzes the lending practices of KB Prasac and Woori Cambodia, the largest microfinance* operations of Korean banks in Cambodia, and their negative human rights impacts on local communities. Based on international standards related to responsible business conduct and the corporate responsibility to respect human rights, this report presents how the two Cambodian subsidiaries, the banks' headquarters and parent companies in Korea, investors such as the Korean National Pension Service, and the Korean government are responsible for the problem and the steps they should take to address the issue.

* While KB Prasac and Woori Cambodia have recently received commercial banks licenses, they have continued their microfinance operations which remain their chief source of revenue. The majority of their borrowers are still from rural areas and are majority women.

Research Methodology

Literature Review

KTNC Watch organized a five-member fact-finding team (“fact-finding team”) to research existing literature and data to understand the purpose and economics of microfinance, the socioeconomic context of Cambodia, and the development of the microfinance industry in Cambodia. We analyzed reports from Cambodian human rights organizations, foreign media reports, and prior research on predatory lending practices in the Cambodian microfinance industry. In the absence of public responses from the two Korean banks regarding such criticisms, we relied on press releases and reports published by the Cambodia Microfinance Association (CMA) on its website to understand the industry’s position. To understand the legal framework for microfinance operations in Cambodia, we examined the revised Law on Banking and Financial Institutions. To understand the lending status and related policies

of KB Prasac and Woori Cambodia, we analyzed the annual reports of both banks for 2023, and obtained and analyzed their internal regulations and guidelines related to their lending and collection practices. Finally, we reviewed the evaluation report of the World Bank Group's Compliance Advisor/Ombudsman's Office (CAO), which decided to open an investigation into the ongoing complaints against six microfinance institutions in Cambodia, including KB Prasac, and other United Nations documents that highlighted the issue.

Interviews in Cambodia

The team spent approximately 10 days from August 4 to 13, 2024, in Cambodia's capital Phnom Penh, central Kampong Cham province, and northeastern Ratanakiri province. After several requests, we visited the headquarters of KB Prasac and Woori Cambodia in Phnom Penh and conducted face-to-face interviews with bank executives. Following a referral from a local human rights organization, we conducted face-to-face interviews with 14 borrower households from different provinces⁶ and socioeconomic backgrounds who alleged harm from the lending practices of KB Prasac and Woori Cambodia. We also traveled to Ratanakiri to conduct interviews with Indigenous⁷ households who are a particularly vulnerable socioeconomic group in Cambodia. The borrower interviews were conducted by the investigators without the involvement of local organizations, and included a Hankyoreh 21 reporter who accompanied the investigators on the ground. Finally, the team conducted face-to-face interviews with other relevant organizations, including local human rights organizations, local Indigenous Peoples' organizations, and KOICA's Cambodia office. The Korean Embassy in Cambodia did not accept KTNC Watch's repeated requests for a meeting.

6 The capital city of Phnom Penh and five provinces: Ratanakiri, Preah Vihear, Tboung Khmum, Pailin, and Koh Kong.

7 Indigenous Peoples are social and cultural groups that share an identity and bond based on the land and natural resources they have inhabited or occupied for generations. In the context of Cambodia, it refers to ethnic minorities who have lived in the northeastern highlands for generations and have a different language and culture from the majority Khmer.



1. Background

A. Personal Debt and Human Rights⁸

Personal debt is soaring around the world. Deregulation and financialization have expanded the supply of finance, while many human needs for social reproduction are being reconfigured into unmet financial needs. In addition, states have failed to ensure the economic, social, and cultural rights of all people. These factors have led to an increase in personal debt. This means that in order to realize an individual's economic, social, and cultural rights, much of the territory once covered by the state's human rights obligations to ensure the accessibility, availability, affordability, and quality of those rights has shifted to unregulated market forces.

Personal debt is not a problem in and of itself. Borrowing within one's financial means can improve people's living standards, enable them to access previously inaccessible services, and play a role in stimulating and supporting the economy. Household or personal debt can also sometimes facilitate social mobility or integration, and can be a decisive factor in ensuring social inclusion.

However, personal debt becomes problematic when it causes or contributes to human rights violations, particularly when it affects people from marginalized groups or in vulnerable situations. Excessive debt (debt where repayment and related costs entail depriving the debtor of resources

needed to continue to enjoy their human rights), abusive contractual terms, and collection practices have the potential to burden and threaten the livelihoods of individuals or households, putting the realization of human rights at risk.

International human rights standards identify the right to life, liberty and security of a person as particularly relevant in the context of excessive debt and abusive lending and collection practices. This includes the right to an adequate standard of living, including rights to social security, food, housing, education, clothing, healthcare and necessary social services, and the right to security. The right to access to information and the right to political and public participation also have special significance in this context.

Very low levels of public spending on social protection networks and the progressive erosion of wages for workers have left many people dependent on credit to secure essential services, trapping them in a never-ending cycle. Affordability, accessibility, and quality are essential to the realization of the rights to housing, health, and education. Economic limitations (low wages, poverty, high cost of living, inflation) on the one hand, and the high cost of services on the other, limit access to relevant services, facilities and goods. Individuals exposed to debt and economic vulnerability often also face challenges from powerful economic forces or actors, high levels of inequality, low levels of accountability, increasing financialization of services, and limited access to justice or redress mechanisms.

Parties to personal debt often face debt enforcement, abusive collection practices, and the criminalization of debtors. Lenders can use a variety of means or channels to enforce repayment of debts. In addition to judicial enforcement, they often resort to debt collection services ranging from 'official' to non-financial institutions. In this context, lending practices that abuse human rights have emerged around the world. There are reports of debt collectors calling borrowers daily and subjecting them to various forms of harassment and humiliation. There have also been reports of debt collectors seizing a borrower's credit card and forcing the debtor to withdraw the amount owed (including interest) from an automated teller machine. Excessive debt not only deprives debtors of their economic, social, and cultural rights, but can also deprive them of their civil and political rights.

⁸ UN Human Rights Council, Private debt and human rights: Report of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of human rights, particularly economic, social and cultural rights, A/HRC/43/45 (Jan. 3, 2020).

B. Microfinance

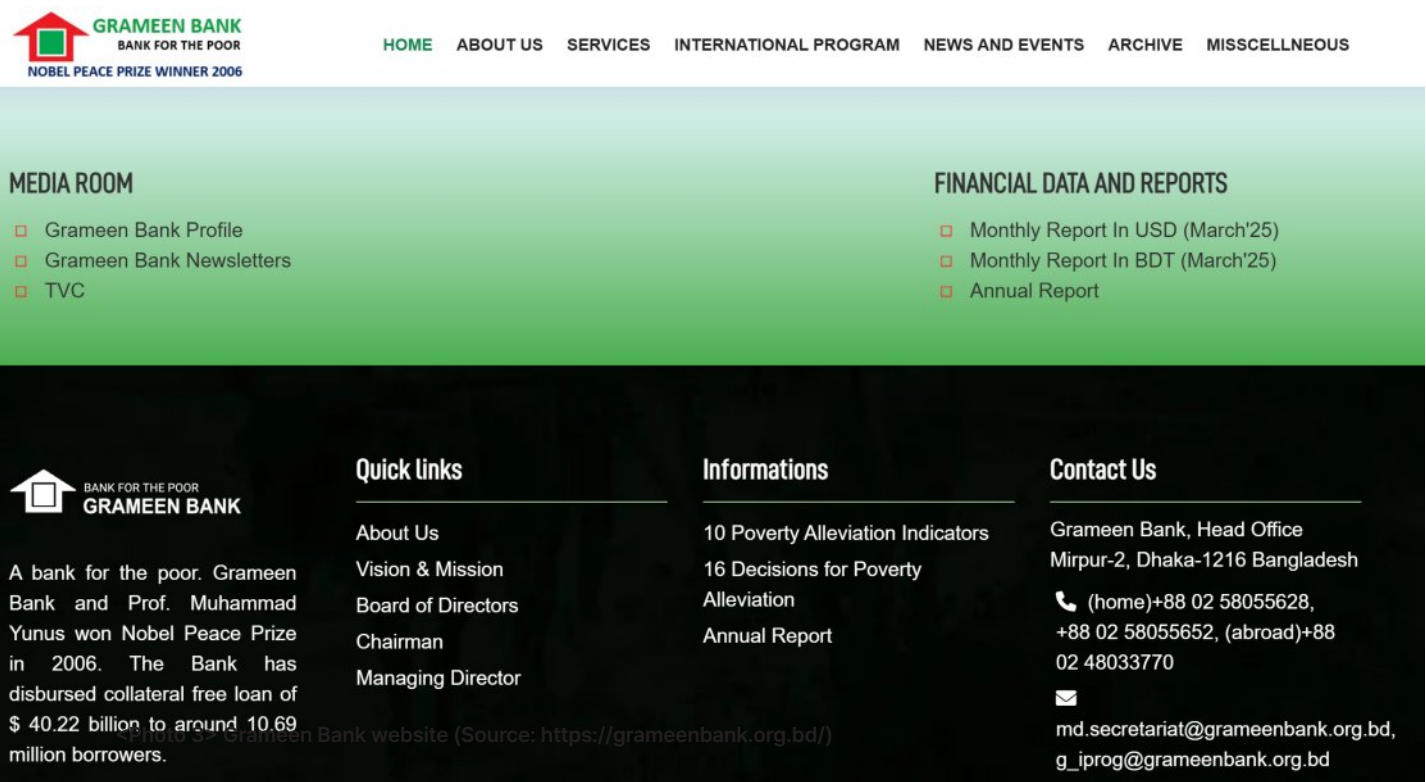
1) Origins and Development of Microfinance

Microfinance refers to financial transactions that provide small loans, savings, insurance, remittances, and other comprehensive financial services to small businesses or poor individuals. The main purpose of microfinance is poverty reduction and economic development by providing financial services tailored to the needs of the poor. It differs from money lending, which is primarily for profit, and is meant to promote self-reliance and economic activity of the poor. In addition, microfinance is a business that can solve social problems. Microfinance can also play a role in reducing the problem of child labor, as microloans to low-income individuals whose children are dependent on working can allow them to attend school instead of working.

The main reason the poor need microfinance is that many low-income individuals do not have access to traditional financial services. They often don't have accounts with traditional commercial banks, or they don't have enough collateral to get loans from these banks. For this reason, microfinance institutions have proliferated rapidly with the poor as their primary clientele. Additionally, commercial banks do not have established branches in rural areas of underdeveloped countries, while MFIs actively provide microfinance services to the rural poor, making banking easier even in remote areas; making microfinance inseparable from the economic life of the rural poor in countries like Cambodia. Microfinance has emerged as a powerful tool for poverty alleviation and economic empowerment of women and marginalized communities, replacing social welfare and public assistance.

While the prototype of giving microloans to the poor, the core of microfinance, can be traced back to the Middle Ages, the modern form of ‘microcredit’ was popularized by Muhammad Yunus, a professor of economics at the University of Chittagong in Bangladesh, after he founded the Grameen Bank in the 1970s. This new form of banking involved giving the poor credit without needing collateral to run a business and with the joint guarantee fellow villagers. In the 1990s, the term microcredit was replaced by microfinance, a term that refers to a wide range of financial services for the poor, including credit, savings, insurance, and pensions. Grameen Bank has been credited with helping to lift more than 500 families out of poverty in its first three years of operation, and had a 98% recovery rate that helped dispel some critics' fears of moral hazard. Yunus was awarded the Nobel Peace Prize in 2006 for "providing an alternative to capitalism."⁹ Yunus's Grameen Bank was recognized as an alternative to poverty alleviation and quickly spread to other less developed countries.

⁹ Shim Jin-yong, "Another Side of Grameen Bank, Exploiting the Poor," Kyunghyang Shinmun, <https://www.khan.co.kr/article/201511271958165> (Nov. 27, 2015).



2) Expansion and Problems of Microfinance

Despite the original purpose and intent of microfinance, the global microfinance market has become oversaturated, leading to a number of social and economic problems, and MFIs began turning towards profit-seeking behavior. Even in Bangladesh, where the concept of microfinance was first advocated, the dark side of microfinance has emerged. Muhammad Yunus proposed solving the problem of poverty using the market after working for Bangladesh's Economic Affairs Ministry where he witnessed the limitations of the state's welfare policies and public assistance to alleviate poverty.¹⁰ This concept of microfinance has a strong neoliberal flavor, with the market replacing the state's role in alleviating poverty and rejecting state intervention. When Yunus said, "When humans lived in caves, everyone took care of themselves. There was no state to turn to for help," it was clear that Grameen Bank was going to be a pioneer in promoting a neoliberal model of the state that would reduce the cost of welfare¹¹

¹⁰ Chosun Kyung Cho, "Muhammad Yunus: 'Start with the Problem Right in Front of You'", Dong-A Business Review (July 26, 2012), https://dbr.donga.com/article/view/1206/article_no/5108/ac/magazine (last visited Apr. 20, 2025).

¹¹ Lamia Karim (translated by Sohyun Park), Selling Poverty: The Bare Face of Good Capitalism that Exploits Poor Women, MaySpring (2015), 28 [Microfinance and Its Discontents: Women in Debt in Bangladesh, Minneapolis: University of Minnesota Press 2011].

The fundamental problems with microfinance can be summarized as follows. First is the privatization and commodification of the sector, in which wealth is concentrated in the hands of the ruling class by turning assets that were once public goods, such as intellectual property rights and genetic information, into the private property of specific capitalists. For example, Grameen Bank partnered with France's Veolia to sell Mubiso bottled water to rural residents.¹² Instead of the state managing access to clean water, which is an essential commodity, it is commodifying it and economically exploiting the poor. Second is the financialization of microfinance operations, where Grameen Bank charged a high interest rate of 20% (in 1998), but also charges group dues, compulsory savings, subscription fees, cancellation fees, and agricultural loans for the sale of improved seeds, forcing borrowers to spend more than the loan principal.¹³ Third is crisis management and manipulation, where economic crises of developing countries are exploited to force them into debt and the imposition of neo-liberalization. In 1996, non-government organizations (NGOs) in Bangladesh mobilized 100,000 low-income individuals in a demonstration to demand that the government adopt a policy to expand microfinance to eradicate poverty, which resulted in a large budget earmarked for the further expansion of microfinance lending.¹⁴ Fourth is the redistribution of wealth by the state. This refers to the large-scale transfer of public assets into private ownership. By public assets, we are not only referring to tangible state assets, but also social services such as education, healthcare, social work, infrastructure, pensions, etc. In Bangladesh, the growing influence of microfinance organizations has led to them taking over even the most basic state roles, such as flood recovery and relief for the displaced.¹⁵

One only has to look at the example of microfinance in Sri Lanka, which was highlighted in a report by the UN Independent Expert on Foreign Debt, to see the many problems with the current state of microfinance.¹⁶ As of 2017, there were nearly 70 registered MFIs in Sri Lanka, who often targeted women in poor and war-affected areas. Some institutions charged a simple interest rate of up to 30% annual percentage rate (APR), while others charged up to 220% APR and compound interest. Because lenders did not follow established guidelines for assessing the credit risk of a loan, a very large number of women defaulted and become trapped in an exploitative financial system. Some of these institutions were generating huge profits by exerting pressure on poor borrowers, especially women. Reportedly, debt collectors visited women's homes daily, sometimes staying there for hours, to collect money. While

¹² Jong-Hyun Kim, "A Poignant Critique of Neoliberalism, a Frustrating Explanation and an Alternative," Marx21, no. 15 (2016), 128-147.

¹³ Lamia Karim, *supra* note 11, at 141.

¹⁴ *Id.* at 76.

¹⁵ *Id.* at 86-87.

¹⁶ UN Human Rights Council, Visit to Sri Lanka: UN Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of human rights, particularly economic, social and cultural rights, A/HRC/40/57 (Jan. 17, 2019).

some women were exposed to psychological and physical violence from debt collectors, others were pressured by collectors to trade "sexual favors" for repayment of loan installments, including the sale of their kidneys to pay off their loans.

There have been numerous reports in Sri Lanka and around the world that microfinance organizations have lost sight of their original purpose of poverty alleviation and are pushing the poor into excessive debt through aggressive loan sales tactics and debt collection methods.¹⁷ In India in the early 2010s, 80 people committed suicide in a matter of months after being overwhelmed by microfinance debt.¹⁸

¹⁷ Finch, Gavin and David Kocieniewski, "Big Money Backs Tiny Loans That Lead to Debt, Despair and Even Suicide", Bloomberg, <https://www.bloomberg.com/graphics/2022-microfinance-banks-profit-off-developing-world/> (May 3, 2022).

¹⁸ Soutik Biswas, "India's microfinance suicide epidemic", BBC, <https://www.bbc.com/news/world-south-asia-11997571> (Dec. 16, 2010).

C. Microfinance in Cambodia

1) Background

Cambodia is a country of approximately 17 million people located in Southeast Asia.¹⁹ Cambodia was once the birthplace of the glorious Khmer civilization, but in modern times it has suffered several historical tragedies, including French colonization, the genocide of the Khmer Rouge regime, a long conflict with Vietnam, and an authoritarian governance system that remains in place today. Cambodia is categorized by the United Nations as a least developed country (LDC), referring to countries with the lowest levels of socioeconomic development in the world. Cambodia has a gross national income per capita (GNI per capita) of just US\$1,810 as of 2023²⁰ and a poverty rate close to 20%.²¹ Cambodia's poverty line²² is 10,951 Cambodian Riel (Riel) per person per day, which is approximately 4,000 KRW.²³ There is a large income gap between urban and rural areas, with the poverty rate in rural areas more than twice the rate reported in urban areas.²⁴ The country's ranks 148 out of 193 countries on the human development index, which is calculated using life expectancy, income, and education.²⁵

Cambodia's poverty rate decreased significantly during the Millennium Development Goals (MDGs) period from 30-35% to 13.5% (2018-19), but has since increased to 18% due to the impact of COVID-19.²⁶ The number of people living in multidimensional poverty in Cambodia, as measured by the Multidimensional Poverty Index (MPI), a multifaceted assessment of poverty based on health, education, and standard of living indicators, is 37.2% of the total population, or 6.13 million people. Of these, 13.2% are in severe multidimensional poverty and 21.1% are vulnerable to multidimensional poverty. Including all vulnerable groups, 58.3% of the population is living in poverty or at risk of poverty. As of 2017, 55.4% of the population, or 8.486 million people, live just above or below the

poverty line.²⁷

Cambodia's microfinance sector is among the largest in the world, with 87 registered MFIs operating as of the end of 2023.²⁸ Compared to commercial bank lending, microfinance lending has gained traction in Cambodia due to the simplicity of small loans with short underwriting processes. Due to low capital requirements and the ease of entering the market, and the number of MFIs has nearly doubled in just five years (2012-2017).²⁹ As MFIs compete with each other, they have opened many branches in rural areas that were previously under-served by commercial banks, making them the main financial institutions for Cambodia's poor.³⁰ However, microfinance lending in Cambodia is increasingly producing negative social and economic side effects.

According to a report released by the World Bank in 2020, Cambodia's economic growth slowed significantly as the COVID-19 pandemic intensified. As a country that relies on trade and tourism as its main sources of revenue, Cambodia was directly impacted by the pandemic in terms of a decline in gross domestic product (GDP).³¹ In fact, after having positive GDP growth since 1995, Cambodia experienced negative growth in 2020 for the first time in 26 years. After a sustained period of nearly 7% GDP growth since 2011, the country's economic growth slowed to -3.1% in 2020 due to the impact of COVID-19.³² As household incomes declined during the pandemic, individuals turned to microfinance institutions to borrow money for daily expenses, causing an increase in personal debt that contributed to the economic crisis.³³ The volume of microfinance lending increased significantly. PRASAC's loan portfolio reached \$2.862 billion in September 2020, a 14.43% increase from 2019 (35.69% of loans were given to individuals). The high level of private sector debt and the COVID-19 crisis led to an increase in non-performing loans, and these economic risks remain in place even after the pandemic has ended, according to an analysis by the National Bank of Cambodia.³⁴

19 Ministry of Foreign Affairs, "Country/Region Search: Kingdom of Cambodia," https://www.mofa.go.kr/www/nation/m_3458/view.do?seq=29 (accessed March 20, 2025).

20 Asia Development Bank, Key Indicators Database, Gross National Income per Capita, Atlas Method, https://kidb.adb.org/explore?filter%5Bindicator_id%5D=2200006&filter%5Beconomy_code%5D=CAM&filter%5Byear%5D=2023&grouping=indicators&showRegions=false (last visited Mar. 20, 2025). As of 2023.

21 World Bank Group, Pandemic Checks Cambodia's Progress on Poverty, <https://www.worldbank.org/en/news/press-release/2022/11/28/pandemic-checks-cambodia-s-progress-on-poverty> (Nov. 28, 2022). Average for 2020-2022.

22 The "poverty line" is the level of income required to maintain a minimum standard of living as specified by your country.

23 World Bank Group, Cambodia Poverty Assessment: Toward a More Inclusive and Resilient Cambodia, <https://hdl.handle.net/10986/38344> (Nov. 2022).

24 Id. Estimates for 2022.

25 UN Development Programme, Human Development Report 2023-2024, <https://hdr.undp.org/content/human-development-report-2023-24> (Mar. 13, 2024).

26 Frank Bliss, ""Micro" Finance in Cambodia: Development, Challenges and Recommendations", Institute for Development and Peace (Aug. 3, 2022), 19.

27 Id.

28 Embassy of the Republic of Korea in Cambodia, "Cambodia Economic Trends (2024.2.10-16)," https://overseas.mofa.go.kr/kh-ko/brd/m_3104/view.do?seq=1346097 (accessed Apr. 20, 2025).

29 KOTRA, "Cambodian Government's War on Usury Sparks Microcredit Firms," EMERiCs Emerging Markets Information and Knowledge Portal, <https://www.kiep.go.kr/aif/businessDetail.es?brdctNo=218772&mid=a10400000000> (June 15, 2017).

30 Chheang Lapy, "Microfinance in Cambodia", Foreign Economic Policy Research Institute (January 17, 2013).

31 World Bank Group, "Cambodia Economic Update: Cambodia in the time of Covid-19", <https://documents.worldbank.org/pt/publication/documents-reports/documentdetail/165091590723843418/cambodia-economic-update-cambodia-in-the-time-of-covid-19-special-focus-teacher-accountability-and-student-learning-outcomes> (May 29, 2020).

32 World Bank Group, "DataBank: World Development Indicators," <https://databank.worldbank.org/source/world-development-indicators> (accessed March 20, 2025).

33 Sangeetha Amarthalingam, "Raising the alarm on rising private debt", The Phnom Penh Post, <https://www.phnompenhpost.com/special-reports/raising-alarm-rising-private-debt> (Dec. 31, 2020).

34 National Bank of Cambodia, "Annual report 2023," https://www.nbc.gov.kh/english/publications/annual_reports.php (accessed Apr. 3, 2025).

2) Problems

Microfinance started as a program to improve the living standards of low-income individuals in the place of national social welfare systems or public assistance. Therefore, microfinance should be operated with the goal of alleviating poverty first and foremost, rather than generating profits. However, MFIs in Cambodia seem to be focusing on increasing their profits rather than alleviating poverty. Having lost sight of their original purpose, Cambodia's MFIs have placed a heavy burden on borrowers in an oversaturated microfinance market. In the past, the high annualized interest rates charged by MFIs (up to 20% or 30% in some cases) were justified by the high costs of setting up operations, typically in remote areas, and overseeing portfolios with many small and high-risk loans.³⁵ In 2017, the National Bank of Cambodia capped the annual interest rate on microfinance loans denominated in local currency and US dollars at 18% to ease borrowers' repayment burden and improve the efficiency of the microfinance sector. But the MFIs just charged higher non-interest fees to offset the loss of interest income. On average, fees associated with microfinance loans have more than tripled since the interest cap was set.³⁶ Despite the presence of 87 MFIs and low barriers to entry, which has created intense market competition, the burden on borrowers has not decreased. This high cost to borrowers can be attributed to the fact that MFIs charge high interest rates and fees to cover their fixed costs, such as operating expenses, and to recover their investments in order to survive in an overly competitive market.

And due to the lack of financial literacy and information asymmetry among customers, there may be no incentive for MFIs to lower their interest rates or fees. Financial literacy is the ability to understand basic financial terms and concepts and make sound financial decisions based on them, and the lack of financial literacy is sometimes referred to as financial illiteracy. Cambodia's financial illiteracy rate is among the highest in the world at 82%, meaning that most people are unable to fully understand financial products and make informed financial decisions.³⁷ When people are financially illiterate, they are more likely to be persuaded by MFI staff to take out a loan without fully understanding the risks, rather than making an informed choice by comparing products from different MFIs. There is also the possibility of direct collusion using MFI industry bodies, such as the Cambodian Microfinance Association, on interest rates and fees, or tacit collusion to prevent bleeding competition. The end

³⁵ Hang Sokunthea, "Cambodia's Largest MFIs Eye Future as Commercial Banks", The Cambodian Daily, <https://english.cambodiadaily.com/news/cambodias-largest-mfis-eye-future-as-commercial-banks-126859/> (Mar. 22, 2017).

³⁶ Dyna Heng, "Impacts of Interest Rate Cap on Financial Inclusion in Cambodia", IMF Working Paper, <https://www.imf.org/en/Publications/WP/Issues/2021/04/29/Impacts-of-Interest-Rate-Cap-on-Financial-Inclusion-in-Cambodia-50349> (Apr. 29, 2021).

³⁷ Leora Klapper, "Financial Literacy Around the World", S&P Global Finlit Survey, https://gflec.org/wp-content/uploads/2015/11/Finlit_paper_16_F2_singles.pdf (2015).

result is that borrowers are trapped in debt because MFIs compete to recover their investments as quickly as possible while borrowers have little understanding of the risks of their debt.

Meanwhile, the non-performing loan ratio of Cambodian MFIs is rising sharply. In 2023, the non-performing loan ratio of Cambodian MFIs was 6.5%, compared to 2.5% in the previous year.³⁸ The reasons for this include the slowdown and delayed recovery of Cambodia's economy after the pandemic, higher interest rates on loans in Cambodia due to rising interest rates in global markets, including the U.S., reclassification of restructured loans as non-performing by Cambodian authorities, new loans to individual borrowers to cover their repayments, and an increase in the number of households unable to repay. This surge in non-performing loans could lead to a severe financial crisis and solutions are urgently needed.

3) Human Rights Abuses

Unethical lending practices by MFIs in Cambodia have been a persistent concern for the human rights of Cambodians. Since 2019, Cambodian civil society organizations, including LICADHO and Equitable Cambodia, have published a series of reports on the impact of MFIs on vulnerable populations.³⁹ A study commissioned by the German Federal Ministry for Economic Cooperation and Development in 2022 also identified irresponsible lending practices in Cambodia's microfinance industry leading to over-indebtedness and loss of land.⁴⁰ In addition, complaints are currently being investigated by the World Bank Group's CAO against six Cambodian MFIs, including KB Prasac.⁴¹ These studies and investigations have revealed grave human rights impacts of the lending practices of Cambodian MFIs, including forced land sales, severe intimidation and coercion in collection processes, and child labor and food shortages.

In 2023, the UN Special Rapporteur on the situation of human rights in Cambodia recognized the human rights violations of microfinance in Cambodia and said, "The loss of land used as collateral for microfinance-linked loans, leading to increased debt that undermines food security."

³⁸ National Bank of Cambodia, Data on MFI Sector, Report of Loan and Non-performing Loan, https://www.nbc.gov.kh/english/economic_research/mfis_reports.php (Dec. 31, 2023).

³⁹ Office of the Compliance Advisor/Ombudsman (CAO), "Cambodia: Financial Intermediaries-04", <https://www.cao-ombudsman.org/cases/cambodia-financial-intermediaries-04> (last visited Mar. 20, 2025).

⁴⁰ Frank Bliss, *supra* note 26.

⁴¹ CAO, *supra* note 39.

Microcredit, typically around US\$5,000 or less, has emerged as an inducement to debt and deprivation, particularly as it is linked to large-scale losses of land used as collateral, and as poverty increases due to the COVID-19 pandemic. Cambodia has the highest ratio of private debt to gross domestic product among developing countries. One source estimates that 167,000 households have been pressured to sell their land to repay loans over the past five years. While some laws exist to regulate lending in Cambodia, they are insufficient.

This implies the need for more direct government action to regulate financial practices and monitor lenders, particularly through consumer protection laws and programs. Furthermore, action is needed to address the debt of the poor through debt relief, loan restructuring, and social protection measures.⁴²

4) Entry of Korean Banks

A number of Korean banks, including KB Kookmin and Woori, which have acquired MFIs in Cambodia, are making profits from lending to the rural poor, who were previously beneficiaries of non-profit microfinance programs.

KB PRASAC Bank Plc. is KB Kookmin's local subsidiary in Cambodia, established in August 2023 through the merger of the KB Kookmin Bank Cambodia and PRASAC Microfinance Institution. KB Kookmin purchased 70% of PRASAC's shares in April 2020 and the remaining shares in October 2021, and received license as a commercial bank in August 2023 under the name KB PRASAC Bank Plc.

Woori Bank (Cambodia) Plc. is Woori Bank's local subsidiary in Cambodia, established in February 2020 through the merger of Woori Finance Cambodia Plc. and WB Finance Co. Ltd. and renamed in December 2021. In June 2018, Woori Bank acquired VisionFund (Cambodia) Ltd. and changed its name to WB Finance Co. Ltd. In November 2021, Woori Bank Cambodia received license as a commercial bank. According to KB Prasac's 2023 annual report, more than 90% of its borrowers live in rural areas and more than 75% are women. The bank earned approximately US\$667.1 million in interest income in 2023.

⁴² UN Human Rights Council, Report of the Special Rapporteur on the situation of human rights in Cambodia, Vitit Muntarbhorn, A/HRC/54/75 (July 20, 2023).

<Photo 4> Woori branch in a regional city © Son Go-woon (Hankyoreh 21)



Although both banks were recently licensed as commercial banks, they remain focused on microfinance and hold a significant share of the Cambodian microfinance industry. KB Prasac in particular was the largest microfinance institution in Cambodia, accounting for 46% of all microfinance industry lending in 2022, the year before it received its commercial bank license.⁴³

⁴³ National Bank of Cambodia, Data on MFI Sector, Report of Loan and Non-performing Loan, https://www.nbc.gov.kh/english/economic_research/mfis_reports.php (Dec. 31, 2023).





2. Field Investigations

A. Interviews with KB Prasac and Woori Cambodia

1) Overview

The fact-finding team visited KB Prasac’s headquarters on the morning of August 6, 2024, and Woori Cambodia’s headquarters in Cambodia later that same day, where it conducted face-to-face interviews with executives from each bank. The investigators asked the banks about the status of their microfinance operations, their procedures and standards for loan approval, debt collection and collateral, their internal grievance mechanisms, and their responses to allegations of predatory lending and human rights violations. The banks' responses are summarized thematically below.

2) Original Purpose of Microfinance

The team first asked the banks to respond to the criticism that the Cambodian microfinance industry is operating outside of the original purpose of microfinance, which is to alleviate poverty. The banks responded that the definition of microfinance is unclear, and that their current operations have moved away from the original purpose of microfinance.

An executive from KB Prasac explained that the purpose of poverty alleviation has "long since faded," and that the bank is now engaged in lending at the level of a typical Korean savings bank. In the case of KB Prasac, the bank is now a commercial bank, so it is no longer in the microfinance business. Woori

Cambodia executives also said that when Woori acquired VisionFund, it was already a "small savings bank" that handled microloans, not a nonprofit organization. In addition, they said that they do not believe that Cambodia's microfinance institutions are established and operated for the same purpose as microfinance foundations run by Korean banks, which provide unsecured and non-collateralized small loans for the rehabilitation of low-income individuals.

The team asked KB Prasac executives whether it had received investments and loans from international development financial institutions (DFIs) such as the International Finance Corporation (IFC) in the past for the purpose of microfinance. KB Prasac executives replied that it has received loans from DFIs in the past, but it has almost repaid all of them and is currently doing some business with the Asian Infrastructure Investment Bank (AIIB). Woori Cambodia executives said they were not sure about the status of its loans but assumed they had been repaid.

3) Loan Approval Procedures and Criteria

When asked about their loan approval procedures and criteria, both banks said that they screen and evaluate borrowers' ability and willingness to repay loans according to relevant internal regulations and guidelines. In addition, they said that they apply standard loan agreements to loans below a certain amount in accordance with government regulations.

Woori Cambodia executives explained that the borrower's disposable income must be at least 1.5 times the total amount owed (including repayments on other loans), rising to 2.5 and 2.8 times for agricultural workers who are less able to repay. They also said that the borrower's debt-to-equity ratio should be no more than 1%. KB Prasac Bank executives said they have strict credit assessment and credit counseling processes and that the consumer protection principles in the annex of the loan agreement specified the prevention of over-indebtedness.

4) Interest Rates, Fees and Collateral

Both banks said that the interest rate is variable depending on the total loan amount, and that an administrative fee of 1% of the total loan amount is charged separately. KB Prasac executives further explained that, in the past, other MFIs had charged administrative fees as high as 3 to 5% of the total loan amount, which led to complaints to the authorities, who lowered the threshold for administrative fees.

In terms of collateral, KB Prasac executives replied that 99% of its loans are secured by real estate. The executives acknowledged that real estate collateral has significantly increased the average loan size, leading to an over-leveraged microfinance market. They explained that even though KB Prasac's average loan size is lower than the market average, it is still around \$8,000, which is a lot considering that Cambodia's GNI per capita is around \$1,800. On the other hand, Woori Cambodia executives denied the issue of over-leveraging, and said while it uses land as collateral it will not give bigger loans because of the high value of the collateral. They said that use of land as collateral is a minimum safeguard and that they have standards in place to ensure that loans are not made based solely on the collateral provided.

5) Debt Collection Procedures and Standards

Regarding allegations of aggressive collection practices by credit officers ("COs"), which have been highlighted in research reports and in the media, both banks said they have not seen any serious cases regarding the behavior of their COs.

KB Prasac executives said that they are not aware of any cases of "serious abuse", and that reports of coercive collections have been investigated by the Cambodian Microfinance Association (CMA) and the Association of Cambodian Banks (ABC), but that "the exact facts have never come to light." Regarding the ongoing investigation of KB Prasac and six other MFIs by the World Bank Group's CAO office, a KB Prasac executive claimed that the CAO investigators verbally told KB Prasac that there were no problems with KB Prasac. Woori Cambodia executives responded that it has a complaint process for aggressive collection practices and takes disciplinary action if complaints are found to be true. The banks said that there have not been any serious cases, as reported publicly, and that the bank has taken no recent disciplinary actions.

Regarding collection methods, Woori Cambodia executives said their practice is to go directly to



<Photo 5> KB Prasac advertisement on the roadside © Soe Go-woon (Hankyoreh 21)

the borrower in person, and that the CO or branch manager has to contact the borrower at least three times through various channels. The bank can ask the borrower what the problem is and ask if they can get help from relatives or anyone else. They said they first use non-judicial methods, such as negotiation and mediation, and will also work through lawyers and local authorities. The use of legal action is a last resort, Woori Cambodia executives said, but they emphasized that when they do take legal action, they do so within the legal framework. However, the judicial process is complex and expensive for both the customer and the bank, so most cases are "resolved" through local authorities.

When asked whether mobilizing local authorities or government officials in the collection process puts undue pressure on borrowers, Woori Cambodia executives explained that local authorities are only there to help members of the community and do not have the authority to demand repayment from customers. They act as a "buffer" before going to stronger legal procedures.

Regarding collections, KB Prasac executives claimed that there are many borrowers who do not repay even though they have the ability to do so.

6) Forced Land Sales

Regarding the allegations that COs were coercing borrowers to sell their land, which have been reported in research reports and the media, both banks said that there was no such coercion to make payments. Woori Cambodia executives explained that they do not force customers to sell their land, but rather the customers sell some of the land they own to protect their own credit.

KB Prasac executives claimed that financial institutions are actually at a disadvantage during the judicial process of enforcing the liquidation of the collateral. The courts decisions are delayed and the authorities are inclined to protect customers even though the banks have the right to the value of the collateral.

7) Pay Structure and Training for Credit Officers

When asked about the salary and incentive structure for credit officers, a KB Prasac executive said new COs receive a base salary of \$250 per month, plus 15% of the amount they collect as an incentive, up to a maximum of \$1,000. However, the incentive would be zeroed out if the non-performing loan (NPL) ratio of the employee's portfolio exceeds 3%. Woori Bank executives did not provide exact figures, but said that credit officers received a base salary and a performance incentive, with the latter being calculated using a performance evaluation that factored in the percentage of targets met.

Regarding the training of credit officers, KB Prasac executives said that it provides various trainings on the management of non-performing loans, customer information protection, the bank's social role, and the code of ethics in line with such trainings in Korea. Woori Cambodia executives said they are strengthening training for new employees, as well as refresher orientation and training for existing employees.

8) Other Issues

Both banks executives replied that they have internal grievance mechanisms in place. Woori Cambodia executives said that its customer service team receives complaints directly or through the association and responds according to internal procedures. They investigate and discipline employees as needed, but added that there have been no recent disciplinary actions of note. KB Prasac executives said that it had procedures for handling complaints through its call center and also receives complaints through banking associations or the National Bank of Cambodia. It added that it has complaint boxes

in each of its branches.

When asked if they have a separate policy for Indigenous borrowers who are socioeconomically disadvantaged, both bank executives said they are not aware of any such policy. In response to a comment about MFIs illegally taking Indigenous Peoples' communal land as collateral, both bank executives said they do not take communal land titles as collateral.

When asked if they had any final comments, a KB Prasac executive said that the bank was "toeing the line" and protecting its customers, noting that there were many injustices towards the banks as well. The executive added that financial institutions should also be protected.

B. Interviews with Victims

1) Overview

The fact-finding team conducted face-to-face interviews with 8 victim households in Ratanakiri province on August 8-9, 2024, 2 in Kampong Cham province on August 11, 2024, and 4 in Phnom Penh on August 12, 2024. Of the 14 households, 10 had loans with KB Prasac and 4 had loans with Woori Cambodia. These households included those who had initially borrowed from Prasac (which KB later acquired) or Cambodia Vision Fund (which Woori Bank later acquired), and have maintained or renewed these loans to date. 11 men and 9 women participated in the interviews, 10 of whom were Indigenous People. Based on the interview results, we have organized information centered on the profiles of the borrowers, human rights violations that occur at each loan stage, their impacts, and damages. Each household was given a case number, 1 to 14, and a summary of each case is presented in the Appendix under "Interviews with Victims - Case Summary". We have also presented literature research and local investigation findings related to the content mentioned in the interviews.

2) Profile of Victims

a) Socioeconomic vulnerability

Cambodia's microfinance institutions, including KB Prasac and Woori Cambodia, were primarily engaged in for-profit lending to the rural poor. Most of the victims we met were agricultural workers with low levels of education and income. Some barely made ends meet by selling food on the street or

washing their neighbors' laundry, while others lost the land they used as collateral for loans and turned to hunting and gathering forest products or worked as day laborers.

The victims generally had low levels of income, and for the agricultural workers, it was difficult to determine their exact monthly income because climate change and fluctuations in market prices of agricultural products had made their incomes unstable.

Some of the victims were even eligible for social benefits under the Cambodian government's Identification of Poor Households (IDPoor) Program, similar to the National Basic Livelihood Security Program in Korea. IDPoor categorizes households into IDPoor 1 (very poor), IDPoor 2 (poor), At-risk (at risk of falling into poverty), and Non-poor (people who are not poor) based on their responses to a standardized questionnaire and their individual circumstances.⁴⁴

A survey of 717 households with microfinance loans in Kampong Speu province found that 18% of the households surveyed were currently or previously classified as ID Poor. 9.9% of households were previously categorized as ID Poor, 6.1% were currently ID Poor 1, and 2% were currently ID Poor 2.⁴⁵

The economic crisis triggered by COVID-19 has taken a heavy toll on the finances of IDPoor households. IDPoor households experienced higher unemployment rates during COVID-19 and had greater difficulty returning to pre-COVID-19 income levels.

This suggests that IDPoor households are much more vulnerable to economic shocks and are more likely to suffer long-term socioeconomic impacts from COVID-19.⁴⁶

Victims' education levels were also generally low. Five cases were educated up to grade 7-9 (equivalent to middle school in South Korea), four cases were educated up to grade 6 (equivalent to elementary school in South Korea), and three cases had only non-formal education or were illiterate. Indigenous Peoples were particularly vulnerable in terms of language and education, which directly leads to vulnerability in debt relationships. In many cases, parents were forced to stop their children's education due to economic hardship, creating a vicious cycle of deprivation that perpetuated their poverty.

The fact-finding team met slightly more male victims (11) than female victims (9). However, the

44 Department of Identification of Poor Households (Cambodia), "About the Identification of Poor Households Programme in Cambodia _ IDPoor", Identification of Poor Households Programme in Cambodia _ IDPoor, <https://idpoor.gov.kh/en/about/> (last visited Mar. 18, 2025).

45 LICADHO, "Debt Threats: A Quantitative Study of Microloan Borrowers in Cambodia's Kampong Speu Province", (Aug. 2023), 8.

46 UNICEF, World Food Programme, and Asian Development Bank, "COVID-19 Socio-economic Impact Assessment: Phase II Report", <https://www.wfp.org/publications/cambodia-covid-19-socio-economic-impact-assessment-phase-2-report> (Dec. 14, 2022), 6.

majority of borrowers at KB Prasac and Woori Cambodia are women living in rural areas. KB Prasac's 2023 annual report shows that female borrowers and rural borrowers are an overwhelming majority of their customers. The number of female borrowers of KB Prasac was 332,372 (79.7% of total borrowers) in 2019, 348,435 (78.7%) in 2020, 362,630 (78.0%) in 2021, 389,769 (77.6%) in 2022, and 422,527 (77%) in 2023.⁴⁷ Rural borrowers also accounted for 374,218 (89.7%) in 2019, 397,547 (89.8%) in 2020, 419,339 (90.2%) in 2021, 455,099 (90.6%) in 2022, and 496,978 (90.6%) in 2023.⁴⁸ While there are small fluctuations, there is no fundamental change in the fact that female and rural residents still represent the overwhelming majority of borrowers for KB Prasac.

Looking at the borrower breakdown of Woori Cambodia, female borrowers are approximately 139,743 (71%) in 2022 and 121,530 (69%) in 2023, while rural borrowers are approximately 141,711 (72%) in 2022 and 126,814 (72%) in 2023.⁴⁹

<Table 1> Borrowers of KB Prasac and Woori Cambodia (2023)

	KB Prasac	Woori Cambodia
Total number of active borrowers	548,810	176,130
Percentage of female borrowers	77	69
Percentage of rural borrowers	90.6	72
Average loan amount (USD)	8,141	6,905
Average loan amount compared to Cambodia's GNI per capita in 2023 ⁵⁰	4.5 times	3.8 times

As such, KB Prasac and Woori Cambodia targeted the poor, women, farmers, and other socioeconomically disadvantaged groups as their primary customers. Despite the need for more stringent loan screening and safeguards for these vulnerable groups, the aggressive sales and collection practices employed by credit officers, as described later, often resulted in over-indebtedness, exacerbating their poverty and vulnerability.

47 KB PRASAC Bank, "Annual Report 2023", KB PRASAC Bank, (2024), 35.

48 Id. at 52.

49 WOORI BANK (CAMBODIA) PLC., "Annual Report 2023", WOORI BANK (CAMBODIA) PLC., (2024), 42.

50 Asian Development Bank, "Key Indicators Database, Gross National Income per Capita, Atlas Method," https://kidb.adb.org/explore?filter%5Bindicator_id%5D=2200006&filter%5Beconomy_code%5D=CAM&filter%5Byear%5D=2023&grouping=indicators&showRegions=false (accessed March 20, 2025). 1,810 per year.



b) Indigenous People and their socioeconomic status in Cambodia

Indigenous Peoples are social and cultural groups that share an identity and bond based on the ancestral lands and natural resources they have inhabited or occupied for generations.⁵¹

Half of the victims we met were Indigenous People. Indigenous Peoples are particularly vulnerable to predatory lending practices and suffer greater harm as a result. Language barriers, limited access to education, and economic vulnerability perpetuate a cycle of poverty and serious social problems.

Cambodia is home to 24 different Indigenous ethnic groups who speak at least 19 distinct languages.⁵² The Indigenous population is estimated to be between 170,000 and 400,000 people, or about 1.1% of the total population of Cambodia. However, Cambodian government data categorizes Indigenous Peoples by their language rather than ethnicity, making it difficult to determine the exact number. Some Indigenous Peoples do not identify themselves with authorities due to discrimination against them in mainstream society and trauma from the Khmer Rouge regime's genocide and the Cambodian government's violent "assimilation" policies. They live primarily in the forested highlands of northeastern Cambodia, and are concentrated in Ratanakiri, Mondulkiri, Kratie, Stung Treng, Kampong Thom, and Preah Vihear provinces.⁵³

For Indigenous Peoples, vulnerabilities in language and education were particularly evident. Most of the victims had limited proficiency in Khmer, the official language of Cambodia and spoken by the majority ethnic Khmer population. Some of the Indigenous borrowers could understand a little Khmer, but could not speak it (Case 6) or could speak about 80% of Khmer (Case 5). This low literacy level made it particularly difficult for them to understand official loan documents. In some cases, the interviews with the victims were translated from Indigenous language into Khmer and then back. Education levels were also generally low, with some people having no formal education and only literacy training (Case 7), and this was more pronounced in older victims who had no access to education at all due to the war (Case 9).

Economic vulnerability was also very high. While most of the victims were dependent on agriculture for income, many Indigenous People were trapped in a cycle of debt after taking bank loans, microloans, and private loans. This was because they lacked rights to their ancestral lands, faced land

51 World Bank Group, Indigenous Peoples, <https://www.worldbank.org/en/topic/indigenouspeoples> (last visited Mar. 20, 2025).
52 International Work Group for Indigenous Affairs (IWGIA), "Cambodia - IWGIA - International Work Group for Indigenous Affairs," <https://www.iwgia.org/en/cambodia.html> (accessed Jan. 13, 2025).
53 IWGIA, "The Indigenous World 2024", IWGIA, (Apr. 2024), 176.

<Photo 6> An Indigenous couple interviewed by KTNC Watch © Son Go-woon (Hankyoreh 21)

dispossession, limited access to forest resources, increased costs of living, reduced cultivated land, and decreased yields.⁵⁴ One of the most pressing issues for Indigenous Peoples in Cambodia is land tenure security for their traditional lands. The introduction of the communal land titles (CLT) system and the dual types of land ownership are discussed below in the ‘Specificities of the Cambodian land ownership system’ section. These communities have been dependent on natural resources for centuries and are now trapped in a cycle of poverty, causing some of them to sell off community land or engage in illegal logging. This is leading to increased suicide rates, drug use, and domestic violence among young people.⁵⁵

These vulnerabilities are compounded for the women, children, and other vulnerable groups living in Indigenous communities. The communities are facing increasing levels of economic hardship, poor health, loss of educational opportunities, child labor, and other issues.

3) The Loan Process

a) Reasons for taking a loan

Victims took out loans primarily to improve their livelihoods and basic living conditions. The main reason for taking a loan was to finance farming or farm operations. Examples included borrowing to invest in a cassava plantation and purchase a tractor (Case 9), the purchase of additional land (Case 5), and the purchase of a rubber plantation (Case 10).

Victims also took loans to improve their living conditions, particularly to build sturdier houses, as traditional Indigenous houses are made of basic materials such as bamboo only last about two years (Case 3). Some also took out loans for basic facilities in their homes like toilets, gardens, and fencing (Case 11). When the fact-finding team visited the villages where the borrowers lived, they found that most Indigenous People lived in simple houses. The floors were made of mud with no flooring and the walls were made of thin planks of wood. The holes in the walls were patched up with old sacks. The roof was made of thin corrugated metal, which was partly rusted and partly padded. These houses were not very strong or durable and the community’s desire for a 'sturdy house' is understandable.

Housing loans do not generate revenue perse, making it structurally difficult for low-income borrowers, who are already struggling to live on their existing incomes, to repay their loans.

⁵⁴ Id. at 180.

⁵⁵ Id.



<Photo 7> House of Indigenous borrower © Son Go-woon (Hankyoreh 21)

Nevertheless, banks were lending without any real assessment of repayment capacity, trapping borrowers in unmanageable debt.

"I was going to invest in a cassava farm. I was going to buy a spray that will make the cassava roots grow better [...] I was also going to buy a tractor to transport the cassava to the market. I needed a tractor because my farm was far away." (Case 9)
"Initially, I took a loan from ACLEDA Bank to buy a rubber plantation [...] So it cost me \$35,000 to buy the whole plantation. I decided to buy the rubber plantation because the rice harvest was not good." (Case 10)
"I took out a loan to build a sturdy house for my whole family. Usually our Indigenous People's houses only last two years, so I wanted to build a sturdy house." (Case 3)
"I took out a loan to build a new house because my house was very old. It leaked through the roof and flooded often. My mother is elderly and I was worried that the house would collapse because it floods a lot where I live and it wasn't strong enough." (Case 11)

Widespread poverty and an inadequate social security system in Cambodia are the main reasons why many households rely on microfinance. In particular, 90% of the poor live in rural areas, where access to basic social infrastructure, such as healthcare facilities, is low and the need for emergency funds to pay for an ailing family members is very common. In addition, agricultural workers face fluctuating yields and income instability due to climate change, and often take out microloans to finance farming operations or to support their livelihoods, leading to excessive debt burdens.⁵⁶

⁵⁶ Frank Bliss, supra note 26, at 19.

b) Loan sales methods and the contracting process

The two banks used aggressive sales tactics to encourage and facilitate loans to rural, socioeconomically disadvantaged customers. Credit officers traveled to villages on motorcycles to put up posters advertising loans and to distribute their business cards (Case 1), conduct face-to-face sales (Case 13), or advertise that "if you borrow from us, the interest rate is low," creating the impression that borrowing was simple and easy. Word-of-mouth marketing by existing borrowers was also active, with Vision Fund Cambodia (now Woori Cambodia) capitalizing on its image as an "NGO bank" by offering loan benefits during outreach in villages (Case 9).

"I got a new loan from Prasac because I saw an ad that said, 'If you borrow from us, you get a lower interest rate.' They put up posters in every house, and there were cards with the loan officer's contact information." (Case 1)
"A Prasac Bank employee came to my village to advertise a loan. The employee asked me if I already had other debts. The employee recommended that I pay off my other debts and take a loan [of a larger amount] so that I would have only one loan." (Case 13)
"I have a sister who borrowed from Woori bank, and she lives on the main street, and she recommended me to borrow from Woori bank." (Case 12)
"They called themselves VisionFund [...] they told me and they had a big sigh. Not NGO, it is a bank. It is not an NGO bank. I didn't even know what an NGO was then [...] they came and advertised, they said they would give me money if I would advertise in the village. [...] Yes, I helped them and advertised in the village, and they all needed to get a loan [...] No. Just in return they gave me a loan of 8,000 USD. I told people that NGO banks are very easy to get a loan." (Case 9)

However, when it came to signing the loan agreement, the contents of the contract were not properly explained to the borrowers. When signing the contract, credit officers explained the principal amount, monthly interest rate, and repayment schedule, but did not explain the detailed terms of the contract, such as various administrative fees, late payment rates, and how collateral is handled in case



of non-repayment. In particular, Indigenous People often signed loans without fully understanding the contract because the contract and credit officer's explanation were only provided in Khmer language. For Indigenous People who do not understand Khmer, it is unlikely they will be aware or learn about the financial terms and concepts used by credit officers. As a result, victims were forced to rely on limited explanations from credit officers about the complex mechanics of the financial products they were engaging with.

One victim said that the credit officer read the contract to him in Khmer language, but he could not read or write and did not understand what it meant. He understood the basic concept that the loan was interest-bearing, but he didn't know the rate of interest being charged (Case 6). Another victim borrowed \$10,000 and paid back \$3,000, but didn't understand why her outstanding loan balance was \$8,000 instead of \$7,000 (Case 9). The victim in case 3 did not have a clear understanding of the concept of repaying the loan principal and interest simultaneously and had to have the concept clarified during the interview. The victim also misunderstood the concept or scope of the collateral. He had pledged her CLT as collateral for the loan, but mistakenly believed that only the crops could be seized if the bank foreclosed on the land (Case 3).

"They read the contract to me in Khmer, but I didn't understand what it meant because I can't read or write. I only knew a little bit about interest. I knew there was interest if I borrowed \$1,000, but I didn't know what the interest rate was." (Case 6)

"They didn't explain what was in the contract at all, just the payment schedule and how much the principal and interest was." (Case 7)

"I don't know, they told me, I can't read and write." (When asked why the loan balance is \$8,000 if they say they borrowed \$10,000 and paid back \$3,000) (Case 9)

"At the Commune office, I stamped on the papers. If the bank seizes the crops on the land, they can't take the land itself. If they come and take the land, they can only take my crops. So far, they haven't come to take them because I'm trying to find a way to pay them back." (Case 3)

c) Increase in loan amount

Loan amounts tended to start small and gradually increase. Some victims increased their loan amount by switching banks, some increased their loan amount at the same bank, and some took out additional loans to pay off existing loans.

One victim borrowed 2 million riel (approximately US\$500) from ACLEDA Bank in 2015 and 6 million riel (approximately \$1,500) from Kasikorn Bank in 2017. The victim borrowed \$3,000 from Prasac in 2018 and \$5,000 from the same bank in 2019, but struggled to repay the loans due to his father-in-law's suicide, funeral expenses, and poor crop yields, and resorted to taking out a private loan in 2022, he borrowed a larger loan of \$8,000 from KB Prasac to repay her previous loans, but his financial situation did not improve (Case 5).

Another victim took out her first loan from Prasac (prior to the acquisition by KB Financial Group) around 2015 (she does not remember the exact amount), followed by a \$12,000 loan in 2017, and a \$21,000 loan in 2020 to pay off the \$7,710 principal for an existing loan. The victim was fired from her job at the end of 2022 for union activities and lost her income, making it difficult for her to repay the loan and eventually had to put the land up for sale (Case 11).

The use of additional loans to repay existing loans, such as the one above, is typical of predatory lending practices that trap borrowers in a cycle of debt, an unethical financial practice that sacrifices the long-term financial health of customers for short-term profits. The amount of the loan itself is also excessively high compared to Cambodia's 2023 gross national income per capita of \$1,810.

"I didn't pay off the principal of the 2019-20 loan. In 2022, I took a new loan of \$8,000 to pay off the previous loan. The purpose was for farming [...] At the time of the 2019-20 loan, my family was struggling: my father-in-law died by suicide, we had a funeral, and the farming harvest was not good." (Case 5)

"The first time I borrowed 400,000 riel, the second time 800,000 riel, and the third time 6 million riel."

"After I paid off my AMK loan, I borrowed 600,000 riel from Sathapana Bank in 2015. I borrowed from Sathapana for two years, and after repaying it, I borrowed from LOLC in 2017, and my first loan from LOLC was for \$3,000." (Case 7)

"Initially, I took a loan from ACLEDA Bank to buy a rubber plantation, but the loan was too much, so I borrowed money from Prasac to pay off the ACLEDA loan." (Case 10)

"The second loan was for \$12,000 from Prasac in 2017, with a [monthly] interest rate of 1.25% [...] The third was for \$21,000 in 2020, with an interest rate of 1.1% [...] I never paid back the second loan at all, because they asked for more loans. [...] With the third loan, I paid off the second loan, which is now over. [...] I took out a new loan in 2020 to pay off the remaining \$7,710 principal on the second loan." (Case 11)

"In 2020, I borrowed \$30,000 from Prasac. I couldn't finish my house with this money, so I borrowed another \$7,000 from Prasac. The bank saw that I couldn't finish the house and approved the second loan." (Case 14)

<Photo 9> Cambodian countryside © Son Go-woon (Hankyoreh 21)



4) The Use of Land as Collateral

a) Specificities of the Cambodian land ownership system

Before looking at collateral practices in Cambodia's microfinance industry, it's important to understand the specifics of land ownership in Cambodia.

Under the Cambodian land registration system, ownership of land can be proven in two ways: a so-called "hard title" or "soft title".⁵⁷ Hard title refers to formal proof of ownership issued and systematically registered at the central government level,⁵⁸ while soft titles refers to customary proof of use and occupancy of land issued by local authorities, and the issuance of a soft title is often proven through the existence of other documents.⁵⁹

KB Prasac and Woori Cambodia said they accept both hard and soft titles as collateral and require land ownership documentation when land is pledged as collateral.⁶⁰

For Indigenous Cambodians, the problem is more complex. The culture, traditions, spirituality, and identity of Cambodia's Indigenous Peoples is closely tied to their ancestral lands and natural resources. Most of Indigenous communities are engaged in agriculture or harvesting of forest products, and rely on their land for their livelihoods. Additionally, they have sections of forestland that are considered as "spirit forests" which are used to bury their deceased and pray to their ancestors and spirits.⁶¹

Because securing rights to land is essential to protecting the rights and interests of Cambodia's Indigenous Peoples, a system exists to ensure that Indigenous Cambodians have a unique form of land tenure based on their customary practices. Because Indigenous Cambodians have traditionally occupied, managed, and used land collectively as a community, rather than exclusively as individuals, the Cambodian Law on Land (as amended in 2001) grants them communal land titles (CLT).⁶²

Article 23 of the Land Law defines Indigenous communities and recognizes the right of Indigenous communities to continue to manage their properties in accordance with their traditional customs.⁶³ Article 26 defines an Indigenous community's land as state public property, provides that the state grants the Land to the Indigenous community based on collective ownership, and provides that the Indigenous community does not have the right to dispose of its collective ownership to any other individual or entity.⁶⁴ Article 27 of the Land Law provides that ownership of some of the land of an Indigenous community may be transferred to individuals, but only for the purpose of promoting the development of indigenous community members and ensuring the freedom of members to leave the

57 Chaing Sinath & Neuv Socheata, "Cambodia" (edited by Magnus Andersson et al.), in The Routledge Companion to International Housing Markets, London: Routledge (2022), 35-36.

58 A hard title is a proof of ownership issued by the Land Department of the Ministry of Land Management and is the official proof of property rights in Cambodia. It includes "land possessory rights and use titles," which are land rights issued prior to the enactment of the 1992 Land Law; "immovable possessory right titles," which are land rights issued prior to the establishment of a systematic land registration system in 2002; and "certificates of immovable ownership," which are issued after the establishment of a systematic land registration system. (Chaing Sinath & Neuv Socheata, supra note 35-36).

59 Soft titles are issued only at the district and commune levels, not by the central government [Chaing Sinath & Neuv Socheata, supra note 35-36]. Soft title does not necessarily prove full ownership of land, but can give an individual or community proof of use and occupancy rights over land [IPS Cambodia, "The Basics of Soft Title and Hard Title in Cambodia," <https://ips-cambodia.com/soft-title-and-hard-title-in-cambodia/> (March 8, 2023)]. Soft title, which is a form of proof of occupancy, is used primarily in rural areas where land use is governed by custom rather than a formal legal framework [IPS Cambodia, *ibid.*] It is customary for soft title transactions to be signed and sealed by the village or commune chief [Kim Dae-in, "Land Law from the Perspective of Reconciling Development and Human Rights: Focusing on Cambodia's Land Law System", Law Review, Vol. 15, No. 2 (2010), 112]. Soft tenure is often not recognized by the central government or official institutions [IPS Cambodia, *ibid.*]. As such, those who hold soft title to land do not have their ownership legally recognized, Article 242 of the Cambodian Civil Code recognizes some legal rights similar to ownership, such as the right to make a time-barred claim to ownership for "a person who has been issued a certificate of occupancy as a person who continues to occupy, use, and profit from land for which a register has not yet been drawn up" and "a person who has inherited occupation from such a person and obtained a certificate of occupancy" [Joon-Hyun Lee, "Japan's Support for the Enactment of the Cambodian Civil Code and the Contents of the Enacted Civil Code," Law Review, Vol. 60, No. 5 (Jan. 2011), 190]. 1.), 190].

60 KB PRASAC Bank requires at least one of the following documents to be submitted when land is used as collateral: "original land title deed" or "original land ownership certificate," and adjusts the size of the loan by categorizing the land as soft collateral, hard collateral with a mortgage registered with the cadastral office, or hard collateral without a mortgage registered with the cadastral office [KB PRASAC Bank, "Credit Policy" (Jan. 2024), 15]. When land is used as collateral, Woori Cambodia requires the original land title deed issued by the cadastral office as "hard collateral", and at least one of the following documents as "soft collateral": the Land Management and Administration Project (LMAP) receipt (receipt for receiving the original land title deed), a land title recognized by the commune leader and footnoted by the commune, a certificate issued by the local government office as a land title recognized by the commune leader, or a land title document recognized by the commune leader [WOORI BANK (CAMBODIA) PLC., "Manual of Credit Operations" (July 1, 2024), 26].

61 International Fund for Agricultural Development (IFAD) and International Work Group for Indigenous Affairs (IWGIA), "Country Technical Note on Indigenous Peoples' Issues: Kingdom of Cambodia" (2023), 6-7.

62 Jack Brook, "Cambodia's Indigenous communities renounce communal land titles for microloans", Mongabay <https://news.mongabay.com/2024/01/cambodias-indigenous-communities-renounce-communal-land-titles-for-microloans/> (Jan. 31, 2024).

63 Article 23 of the Cambodian Land Law
An indigenous community is a group of people that resides in the territory of the Kingdom of Cambodia whose members manifest ethnic, social, cultural and economic unity and who practice a traditional lifestyle, and who cultivate the lands in their possession according to customary rules of collective use.
Prior to their legal status being determined under a law on communities, the groups actually existing at present shall continue to manage their community and immovable property according to their traditional customs and shall be subject to the provisions of this law.
The following provisions of the Cambodian Land Law, as amended in 2001, is from the English version provided by the World Legal Information Center (World Legal Information Center, "Cambodia: Land Law," https://world.moleg.go.kr/web/wli/lgsInfoReadPage.do?CTS_SEQ=35963&AST_SEQ=165& (https://world.moleg.go.kr/web/wli/lgsInfoReadPage.do?CTS_SEQ=35963&AST_SEQ=165&)(Feb. 18, 2022)).

64 Article 26 of the Cambodian Land Law
Ownership of the immovable properties described in Article 25 is granted by the State to the indigenous communities as collective ownership. This collective ownership includes all of the rights and protections of ownership as are enjoyed by private owners. But the community does not have the right to dispose of any collective ownership that is State public property to any person or group.
The exercise of all ownership rights related to immovable properties of a community and the specific conditions of the land use shall be subject to the responsibility of the traditional authorities and mechanisms for decision-making of the community, according to their customs, and shall be subject to the laws of general enforcement related to immovable properties, such as the law on environmental protection.
The provisions of this article are not an obstacle to the undertaking of works done by the State that are required by the national interests or a national emergency need.

community.⁶⁵

These CLT schemes are in line with the United Nations Declaration on the Rights of Indigenous Peoples⁶⁶, which calls for Indigenous Peoples to own and use land according to their customs.⁶⁷ The Office of the United Nations High Commissioner for Human Rights (OHCHR) has recognized the importance of CLTs to Indigenous Peoples in Cambodia and has supported these communities in the process of applying for a CLT.⁶⁸ OHCHR has recommended that Cambodia further promote the CLT system and simplify the application process because ensuring Indigenous Peoples' rights to their land and resources is an indispensable condition for their long-term well-being and a prerequisite for their continued existence as a distinct people.⁶⁹

However, the process of organizing Indigenous lands into CLTs is complex and protracted, leaving Indigenous Peoples without legal rights to their traditional lands. As of 2023, only 40 (8.2%) of 488 Indigenous communities had obtained CLTs. Meanwhile, economic land concessions (ELCs)⁷⁰ for large-scale corporate plantations have been quickly granted,⁷¹ often severely threatening Indigenous Peoples' rights to survival and cultural preservation.⁷²

CLTs are difficult to use as collateral for microfinance because they do not recognize the individual ownership rights of indigenous peoples and are prohibited from being disposed of by other individuals or organizations. As a result, many Indigenous Cambodians do not apply for CLTs or withdraw their applications in order to continue accessing microfinance loans, using soft titles as collateral to prove

ownership of land prior to CLT registration.⁷³

Because of this peculiarity, some of the victims we interviewed included those whose CLTs were subdivided and sold as collateral, while others were those who had land that was part of CLTs that were not properly identified and were instead pledged as collateral during the loan process. These are discussed in detail below.

b) Actual situation of land collateralization

Banks offering microloans in Cambodia have required land as collateral for microloans. For example, KB Prasac said that out of 431,978 microloans disbursed between October 2021 and June 2024, 431,522 loans were secured by real estate (the land or land and the building standing on it), accounting for 99.9% of all microloan disbursed in the period.⁷⁴

All of the victims interviewed took out microcredit using land as collateral, including farmland and housing plots. In the case of agricultural land, some people had hard titles but most borrowers were using soft titles, while housing plots were mostly soft titles. In many cases, they used their own land as collateral, but in other cases they used land owned by family members, such as their father-in-law (Case 10) or mother (Case 14).

Given the fact that microfinance clients are often low-income farmers living in rural areas, many of whom are Indigenous Peoples living with socioeconomic vulnerabilities, taking their land as collateral for microloans, which is a key asset and source of livelihood for the borrower, poses a risk to the borrower's ability to generate income and can cause a severe livelihood crisis.

In many cases, the land that was pledged as collateral was once a CLT. In some cases, the land was CLT but was subdivided and issued individual titles (Case 1 and Case 4), and in other cases, they were unaware of whether the land was subdivided and issued individual titles (Case 2). In one case, a CLT was used as collateral and the borrower mistakenly believed that only the crops could be seized if the land was seized by the bank (Case 3). This was likely due to a lack of explanation during the loan contracting process to Indigenous People who did not speak Khmer fluently. On the other hand, credit officers sometimes failed to scrutinize the CLT status of collateralized land or to notify borrowers

65 Article 27 of the Cambodian Land Law
For the purposes of facilitating the cultural, economic and social evolution of members of indigenous communities and in order to allow such members to freely leave the group or to be relieved from its constraints, the right of individual ownership of an adequate share of land used by the community may be transferred to them.
Immovable property that is subject to such private individual ownership cannot fall under the general definition of public properties of the State.

66 United Nations Declaration on the Rights of Indigenous Peoples, UN General Assembly Resolution A/RES/61/295, (Sept. 13, 2007).

67 Koem Chhuonvuoch, Indigenous Communal Land Titling in Cambodia, Heinrich Böll Stiftung Cambodia <https://kh.boell.org/en/2022/08/10/indigenous-communal-land-titling-still-hundred-years-go> (Aug. 10, 2022).

68 UN Office of the High Commissioner for Human Rights (OHCHR) in Cambodia, "The rights of indigenous peoples", <https://cambodia.ohchr.org/en/economic-social-rights/rights-indigenous-peoples> (Jan. 26, 2015).

69 Office of the High Commissioner for Human Rights in Cambodia, "Collective land titling in Cambodia - a case for reform?", https://cambodia.ohchr.org/iplands/wp-content/uploads/2021/05/CLT-RECOMMENDATION_ENG.pdf (Aug. 2020).

70 These are long-term leases where the government grants the beneficiary the right to clear land for industrial agriculture for a set period of time. This has been criticized for its negative human rights impacts, including land encroachment, forced displacement, and environmental degradation. (UN Office of the High Commissioner for Human Rights (OHCHR) in Cambodia, "Economic and other land concessions", <https://cambodia.ohchr.org/en/economic-social-rights/economic-and-other-land-concessions> (Jan. 26, 2015)).

71 By September 2023, 25,990 hectares had been granted to three ELCs, and a total of 4.25 million hectares have been granted as ELCs for industrial agriculture and mining since 1996. (IWGIA, "The Indigenous World 2024", IWGIA, (April 2024), 177).

72 There is also a lack of legal protection against land encroachment by hydroelectric dams, mining development, and tourism, especially while awaiting CLT registration, resulting in the continued encroachment of indigenous communities' lands. (IWGIA, *ibid.*, 178).

73 Ian G. Baird, "Indigenous communal land titling, the microfinance industry, and agrarian change in Ratanakiri Province, Northeastern Cambodia", 51(2) The Journal of Peasant Studies, 267-293 (2023).

74 KB Kookmin Bank, "Response to the Inquiry (7.30) Regarding KB Prasac, KB Kookmin Bank's Local Subsidiary in Cambodia," submitted to the office of Member of National Assembly Kim Nam Geun (Aug. 2, 2024).

accurately. In one case, a borrower was pressured by a loan officer to sell his land, but he told the officer that he could not sell it because it was communal land, to which the officer replied that he "did not care." The victim later stated that he received a letter from a lawyer in Phnom Penh informing him that if he did not sell the land, the land would be divided and sold (Case 2).

As discussed in 'Specificities of the Cambodian land ownership system', Article 27 of the Cambodian Land Law provides that ownership of some of the land of an Indigenous community can be transferred to individuals, but the purpose is limited to promoting the development of members of the community and ensuring the freedom of members to leave the community. The practice of banks subdividing CLT land and using it as collateral seems to contradict the intent of these land laws. We have also observed that banks do not take into account the vulnerabilities of Indigenous Peoples, such as not being able to speak Khmer or having a low levels of education, and instead are taking advantage of them to easily mortgage land that was once CLT.

In some cases, the land to be purchased with the loan was collateralized in advance. Case 10 used a loan to buy rubber plantation land, and provided the bank with the land purchase and sale agreement for the rubber plantation, thereby pledging the rubber plantation land as collateral. He also pledged his house and his father-in-law's house as collateral, with the understanding that the collateral for his father-in-law's house would be returned once the work on the rubber plantation land was completed.

In other cases, land was pledged as collateral for the first loan, but the bank delayed returning the collateral even after the loan was repaid, forcing the victim to take out a second loan from the same bank, unaware that it is illegal for banks to hold on to the collateral after loan repayment (Case 6). In some cases, there were no title deeds for the land due to a lack of land titling systems. In Case 13, one of the three plots of land pledged as collateral did not have a title deed, so the loan officer told the borrower to get a title deed, which he did, and used it as collateral. As such, we found that the two banks did not systematically establish and manage their practices on accepting land as collateral for microloans.

5) Repayment Process

a) Use of the borrowed money

Victims generally used the loans for the reasons they said they took on the debt. The loans were used for agricultural investments, such as the purchase of farming equipment, seedlings and herbicides, hiring laborers, and purchasing land; for housing purposes, including to build and renovate their houses; and to start a small business, with the loans being used to purchase sewing machines or fabric. Loans were also used for subsistence expenses, like children's school fees and food purchases, and medical expenses, including treatment for family members. This shows that borrowers took loans for a mix of productive investments (agriculture or to start a small business) and subsistence expenditures (housing, healthcare and education).

Indigenous Peoples, in particular, used loans to perform cultural obligations. Indigenous People in the Ratanakiri sacrifices buffalo, cows, pigs, and chickens during funerals, marriages, and to heal illnesses. Buffaloes were sacrificed when there is a major event in the community, such as an illness that is difficult to cure. Cows, pigs, and chickens were sacrificed in other cases. Indigenous community members believe that sacrifices are necessary when medicines do not treat an illness.⁷⁵

In Case 6, lightning struck the borrower's house while it was being built, which signified bad luck. So the family had to buy one black buffalo and one white buffalo and sacrificed the animals according to the Indigenous customs. In Case 3, a child was sick and couldn't go to school, so the family sacrificed a cow, buffalo, and chicken. In Case 4, the original purpose of the loan was to expand the borrower's farm, but when his wife fell ill, he used half of the loan for the farm, and the rest of the loan to buy pigs, chickens, and buffaloes to sacrifice to heal his wife. Some part of the loan was also used to finish building a house and buy groceries. The grocery bill was an additional expense because the victim was unable to go to the forest to collect vegetables because he had to care for his sick wife.

⁷⁵ May Titthara and Aisha Down, "A Prayer from Rattanakiri," Khmer Times, <https://www.khmertimeskh.com/34022/a-prayer-from-rattanakiri/> (Dec. 28, 2015).



<Photo10> A rubber plantation © KTNC Watch

b) Issues with loan repayment

Victims have had difficulty making repayments for a variety of reasons.

Victims engaged in agriculture were often economically impacted by climate change (Case 1), reduced land productivity (Case 4), and drought damage (Case 13). These incidents reduced crop yields and, depending on the crop, prices dropped.

One victim suffered from reduced yields because "the soil was not as good as it used to be and there is a lack of fertilizer" and "the price of cassava dropped from 300 riel per kilogram to 100 riel per kilogram" (Case 4). Another victim said his "income from cashew nuts dropped from 15 million riel to 4 million riel, and cassava only earned 9-10 million riel per season," making it impossible for him to repay his annual principal and interest payments of 12 million riel (around \$3,000). Additionally, his cashew trees normally bloomed from November to January, but climate change has made it too hot, causing the flowers to dry up and produce fewer fruits (Case 7). The victim in case 10 started a rubber plantation, but "the trees got sick and stopped producing sap and fell down in strong winds" (Case 10), while another said that "the price of fruit and mangoes plummeted due to the economic crisis and all crops failed due to drought" (Case 13). In some cases, profits plummeted from 6-9 million riel (US\$1,500-\$2,250) a year to 3.5 million riel (US\$900) (Case 5).

Cashew nuts thrive at 26-37°C, but temperatures were expected to rise to 38-41°C during the 2024 dry season due to the El Niño phenomenon. The head of the Cashew Nut Association of Cambodia predicted a 10-30% drop in cashew nut production in the country.⁷⁶ Meanwhile, international cashew nut prices have also fallen. According to a February 2024 article, a farmer who grew cashew nuts in Ratanakiri province said that the price of cashew nuts has dropped by about 20%, from \$1.25 to \$1.37 per kilogram in the 2023 to \$1 to \$1.2 in the current year.⁷⁷

COVID-19 has also taken its toll. The victim in case 10, who ran a rubber plantation, also worked as an insurance agent. He said that the pandemic made it "harder to find clients," which reduced his income (Case 10). In some cases, the pandemic caused their children to lose their jobs, reducing the family's income (Case 12). This phenomenon is also reflected in statistics. According to UNICEF, before the pandemic, 28% of Cambodian households earned less than \$150 per month, but in 2021, during

⁷⁶ Ou Sokmean and Meng Seavmey, "Rising Cambodian Cashew Sector Hindered by Climate Change and Low Processing Capacities", *Cambodianess*, <https://cambodianess.com/article/rising-cambodian-cashew-sector-hinders-by-climate-change-and-low-processing-capacities> (accessed Nov. 5, 2024).

⁷⁷ Id.

the pandemic, that number rose to 52-68% of households.⁷⁸

Personal factors for non-repayment included paying for medical treatment and funeral expenses (case 5). Another victim found it difficult to find work because of their age (Case 6). The victim in case 14 faced difficulties repaying debts after losing her husband, the breadwinner for the family (Case 14). In case 11, the victim lost income after being fired for labor union activism (Case 11).

Notably, most repayment failures were caused by an overlap of risk factors, rather than a single factor. In particular, agriculture-dependent borrowers were found to be highly vulnerable to external factors beyond their control, such as climate change, crop price fluctuations, and soil degradation.

c) Measures taken for repayment

Victims worked to repay their debts in a variety of ways. First, they sought new sources of income, with one victim saying that he "started collecting recyclables five or six months ago, selling empty bottles and so on" to pay off part of his loan, however this work was limited to the dry season because he was unable to collect recyclable materials during the monsoon season (Case 4). The victim who had a poor cassava harvest due to climate change said she was contributing to her repayments by picking malva nuts⁷⁹, which she said was dangerous because she risked being attacked by wild animals (Case 5). In some cases, the victim picked malva nuts because their cashew nut harvests had declined (Case 7) or they were formerly farmers but were also doing day labor (Case 1).

In some cases, they made choices that hurt them in the long run. In one case, a farmer rented out his cashew nut farm to someone else but said "I could make \$3,500 if I farmed it myself, but I only got \$2,000 in rent" (Case 3). He may have chosen to rent the farm rather than farm it herself because he needed the money quickly to make repayments.

"Five or six months ago, I changed my job to collecting empty bottles so that I could sell them and make money to pay off my debt, so I could reduce the remaining loan to \$1,700. Nowadays, it's raining so much that I can't do recycling like I used to, so I'm working on the farm again. I used to work on a construction site, but I'm not as strong as I used to be because I'm getting older, and the buildings are too high and scary, and the soil is not the same as it used to be, so I'm collecting recyclables. I go from house to house to make money." (Case 4)

"When I used to grow cassava, I used to earn 6-9 million riel a season (one year), so I could pay back the bank and buy food, but now I only earn 3.5 million riel a season, so I only have enough money to send my children to school. So I decided to go to the forest and pick malva nuts to earn money to pay back the bank, but I still can't pay back the principal [...]. Wife: Where I pick malva nuts, I can hear the wild animals crying at night, and I can see their footprints." (Case 5)

Many victims used private loans, which have very high interest rates, to repay their microloans. "If you borrowed 1 million riel, you had to pay 80,000 to 100,000 riel in interest every month," said one victim (Case 7). Another victim said, "The interest was 10-12% per month, with a compounding calculation where if you were late for even one month, the interest would be converted to principal, which would be higher" and "I currently owe \$5,000 in debt" (Case 10). One victim took out a total of three loans: the first for 5 million riel (US\$1,250), using her daughter's house as collateral); the second loan for 1.5 million riel (US\$375), she used her second son's house as collateral; and a third loan for 1 million riel (US\$250) with her daughter's farmland as collateral. The victim in this case explained that she had no choice but to use the loan because "the bank was angry and said, 'You have property, why don't you sell it,' and pressured me to sell my motorcycle for even 500,000 riel to pay it back" (Case 9).

In some cases, family members were made to share the burden. In one victim's case, her son, who was studying at a Buddhist pagoda, said to his mother, "If you are in need, I will stop studying and work to pay off the bank debt." He quit the monkhood after grade 9 to work for a Chinese company, earned \$300 a month and was able to repay \$400 of the loan (Case 13). Another victim's 16-year-old daughter was forced to quit school to work carrying cassava (Case 9).

78 UNICEF, World Food Programme, and Asian Development Bank, "COVID-19 Socio-economic Impact Assessment: Phase II Report," <https://www.wfp.org/publications/cambodia-covid-19-socio-economic-impact-assessment-phase-2-report> (Dec. 14, 2022).

79 Malva nut is the fruit of a tree in the Malvaceae family. It is used as a traditional medicine in Cambodia and other parts of Southeast Asia.

"I couldn't pay the bank back, so I had to find a private loan. I approached a professional private lender, not someone I knew personally. The interest rate is 10% per month, sometimes 12%. If you don't pay the interest for a month, the interest rate goes up, and the interest is added to the principal. The interest rate keeps going up. I owe the private lender \$5,000 right now." (Case 10)

"I'll tell you a story about my son, my son was a monk, he was in the ninth grade of the monk school, and he saw that I was having trouble paying back the money, so he finished the ninth grade of the monk school and said to me, "Mom, I'll stop studying and find a job and get money to pay back the bank." So my son stopped studying to be a monk and got a job with an online Chinese company,⁸⁰ and he earned \$300 a month. He paid \$400 back to the bank." (Case 13)

"My daughter got bronchitis from working hard... she used to carry sacks of cassava for other people... I was threatened with arrest if I didn't pay back the bank, so she wanted to earn money for her mom... but even if she works hard, she can't pay back the bank... [...] Daughter: I dropped out of school in 2020. I was in grade 8. If I had stayed in school, I would be in grade 11 now. I finished grade 8, and I was going to be in grade 9 if I had continued to study." (Case 9)

The way victims are responding shows that the pressure to repay loans is forcing them to make choices that could have negative long-term consequences on their lives. This includes forgoing educational opportunities for their families, taking risky jobs, and pledging the family's essential assets. The pressure to repay loans is fundamentally undermining households' economic resilience because borrowers are being forced to make choices that could deepen their families' poverty in the long term, such having their children drop out of school.

80 Translator's note: "Online companies" here refers to online gambling venues operated by fraudulent organizations.

6) The Bank’s Collection Processes

a) Coercive collection behavior by credit officers

Credit officers at KB Prasac and Woori Cambodia engaged in various forms of coercive collection behavior with borrowers. The most common form was visiting the borrower's home and staying for long periods of time to pressure them for repayment. In one case, two to three loan officers visited the home of a borrower together and stayed there for up to 3 hours, pressuring the borrower to repay. This happened regularly, sometimes twice a day (Case 10). In some cases, they called until late at night (after 6 p.m.) (Case 13).

Particularly egregious was the public shaming of borrowers. In some cases, credit officers would shout loudly in front of the borrower’s house so that all the neighbors could hear (Case 10) or took pictures of the victim's face without their permission (Case 5). In some cases, they would stand outside a borrower’s store and shout at them so the borrower’s customers could hear them (Case 11). In a case where the victim was not at home, the credit officer asked her children for her phone numbers and called her (Case 5). In one case, the public shaming tactics used by credit officers resulted in the borrower’s child being teased at school (Case 13).

"They would stand next to the motorcycle, put their hands on their waist and talk loudly, saying that ‘you might have looked easy when you borrowed the money, but not afterwards’. There was no respect for us in this behavior, everyone could see it, and we lost face. Sometimes they come with three people on two motorcycles and stay for three hours [...] They do the same thing when they go to the guarantor's house. Unlike in the city, in the countryside, everyone stays at home, and if you hear a noise outside, everyone comes out and looks at you seriously." (Case 10)

Husband: "When I wasn't home, my son was home, and they asked for his phone number."
Wife: "I called the bank and told them to stop calling my son, he has nothing to do with the bank." (Case 5)

"Children from the same village go to the same school, and when the loan officer comes to the house, the other children in the neighborhood see it. My son feels embarrassed at school. The village leaders and children in the village like to read at home, and when the loan officer yells at us, they come and see it. Some children laugh at my son and say that the loan officers come to your house to tell you to pay back the money because your mother owes money. My small child sometimes tells me, 'Let's sell the land, pay back the money, and never borrow again.' (Case 13)

There have been other egregious cases. In one case, a bank employee followed an elderly female victim into the woods accompanied by security personnel and threatened to arrest her (Case 9). In another case, a loan officer tried to enter the victim's bedroom to verify that her husband was indeed dead, after she asked them to postpone her repayment schedule because her husband had died (Case 14).

"I was in the forest picking leaves for food. Five bank employees, including a security guard, came and told me to find the money I owed them. They followed me on a motorcycle through the forest. They told me to sell my land and house. The bank employee told me that if I didn't comply, the security guard would arrest me. The security guard said to me, "Grandma, do you want to go to jail?" I almost had a heart attack." (Case 9)

"Two credit officers came into the room where I was sleeping and wanted to check if my husband was really dead. I stopped them and told them that they didn't need to come into my room. I showed them my husband's remains and showed them the death certificate from the local government office to prove that he was dead." (Case 14)

Credit officers often use threatening comments with borrowers. In one case, when a victim said she was going to "take pills and kill herself," she was told that "even if you die, your children would have to pay back the money" (Case 9). Credit officers also threatened to call the police on one borrower (Case 13), and in one case, they threatened to blacklist her (Case 7).

"I told the credit officer that if he kept pressuring me to repay, I would take drugs and kill myself. The officer said, 'Even if you die, you have to find the money to repay. Even if you die, your child will be responsible for repaying the money.'" (Case 9)

As a result of these coercive collection practices, victims said they faced extreme psychological pressure from credit officers. They reported anxiety and fear that credit officers would kill them (Case 1), or even thoughts of suicide (Case 9).

"Even though the credit officer doesn't come to me much these days, I still worry a lot about my money, and I worry that something might happen to it, that they might kill me or something else bad might happen to me, that they might get angry and do something bad to me." (Case 1)

When asked why they think bank employees were so aggressive in their collection efforts, one victim said it was because they were also under pressure from their managers and if they didn't do their jobs well, the bank would cut their wages and bonuses (Case 13).

b) Pressure to sell collateral to make payments

Credit officers constantly pressured the victims to sell their collateral. In cases 1 and 2, the victims were pressured by loan officers to sell their land, which was part of an Indigenous CLT. The victim said that not only did the credit officer tell him to sell the land, but he also received a letter from a lawyer at the bank's headquarters in Phnom Penh stating that "if he did not sell the land, the process would be to divide and sell the communal land" (Case 2). In other cases, loan officers continued to visit borrowers and pressure them to sell their land, even forcing them to sign documents such as memorandums of intent to sell (Case 5). One Indigenous victim stated that KB Prasac officers repeatedly entered their home without their consent, stayed for 20 to 30 minutes, pressured them to sell their land and house to pay off the debt (Case 8). They did not relent and insisted the borrower sell at a lower price even if land prices were low at the time. Eventually, the couple was unable to withstand the pressure and agreed to meet with a Khmer buyer to sell their land at a low price, shortly after meeting with the fact-finding team (Case 8). Another Indigenous victim was not pressured by KB Prasac staff to sell his land to repay a loan, but was pressured to take out a new loan to pay off the debt, which eventually became unmanageable and she was eventually forced to sell her land at a low price (Case 7).

In addition to land, they were also forced to sell other assets in the household to make repayments. In Case 3, the loan officer demanded the sale of the house and kitchen building; in Case 4, the credit officer demanded the sale of farm equipment and anything else in the house; and in Case 5, the loan officer demanded the sale of livestock, including cows, buffaloes, and chickens. In some cases, loan officers personally purchased furniture, such as beds, tables, and chairs, from the borrower at low prices (Case 9).

"The loan officer came again and told me to sell the land. He asked me how many days it would take to sell the land. The loan officer came with a bank manager and made me write a memorandum stating that I would sell the land. The manager's behavior was not friendly. The manager put his hands on my waist and spoke harshly to me and told me to sign the memorandum. I told him to at least give me a copy of the memorandum or let me take a picture of the memorandum, but he said that no one does that. Because of the pressure, I had no choice but to sign the memorandum, and I was not allowed to take a picture of it." (Case 5)

"They told us to sell our machines and other things in the house to pay back the loan. I asked them if we sold everything, how could I live without anything? They forced us to sell the machines we needed for farming, and I felt pressured. How could I continue farming if I didn't have any machines? I had no choice but to make up my mind and not follow their words. I didn't listen to them, I pretended I didn't understand. They told me to sell whatever I had in the house to pay back the money, but even if I sold everything in the house, it wouldn't be enough to pay back the whole amount. If I sold everything, I wouldn't be able to work anymore. The loan officer said, 'I don't know. Whatever you do, pay back the money.'" (Case 4)

"Even the beds and chairs, the loan officer bought them himself for a cheap price. I didn't look for anyone to buy them for a good price. They weren't ordinary chairs and beds. They were made of good wood. They cost more than \$1,000 for a bed, but he bought them for \$250 because I couldn't come up with the money to pay them back on time. Three beds, one small table, and 30 wooden chairs. The chairs were made from one big piece of wood, all good, precious wood. One of the loan officers bought them. I didn't even see the money. The loan officer said he would deduct it from the money I borrowed." (Case 9)

Some credit officers threatened to take the victim to court if they refused to sell the collateral (Case 1), or report them to local authorities (Case 5).

c) Using local authorities to pressure borrowers

The fact-finding team investigated cases where banks privately used local authorities to pressure victims without using formal legal procedures. All of these cases were in rural areas with Indigenous populations, where relationships are highly localized and heavily influenced by local authorities, making the pressure on the victims significant. In some cases, the pressure was greater because the police were used to enforce their authority.

The intervention of local officials was mainly at the commune level. One victim was summoned to a meeting at the commune office after the bank filed a complaint with commune officials. Credit officers and the commune chief were also present at this meeting, and the commune chief was instructed to sell the borrower's land. The victim suspected that the commune chief might be in cahoots with the credit officer (Case 1).

Another victim was reported by the bank to the local police station where they were interviewed. The meeting was attended by police officers, the credit officer, the head of the local bank branch, and the commune police chief. The police chief claimed to be acting as a "mediator." The victim said that although it was better to discuss the matter at the police station than to have the loan officer come to his home and humiliate him in front of her neighbors, he felt that it was inappropriate to handle the matter at the police station because it was a civil matter, not a criminal case (Case 10).

"There were three loan officers at the meeting at the commune office. When I went to the commune office, my daughters were worried that I would be arrested. I called the commune and asked if my mother and daughters wanted to go with me, but they were refused. There was no commune chief at the meeting, only the deputy commune chief. The loan officer told me to find the money to pay him back. It was the deputy commune chief to whom I had to sell the land. The deputy commune chief and the loan officer gave me one week to repay the loan." (Case 1)

"The police didn't say anything particularly bad, but according to the law, when it comes to loans, it's a civil case, not a criminal case, so I don't know if you can file a complaint with the commune, but not with the police." (Case 10)

In one case, a borrower who was unable to withstand the pressure to repay the loan took the matter up with the village chief, but to no avail. The victim complained that he wanted to pay back the money but was unable to do so within the time-frame, but the village chief simply told him to find the money and pay the debt (Case 4).

The bank's use of local authorities to enforce repayment of loans increased the level of pressure on victims during the collection process. Beyond this, there were suspicions of bribery and other corruption to get local authorities to cooperate. Cambodia is known for its widespread corruption, with Transparency International's Corruption Perceptions Index ranking Cambodia 158 out of 180 countries in 2024.⁸¹ Local human rights organizations have said that some victims reported instances where credit officers have been seen buying alcohol for officials after the authorities helped them intimidate borrowers. KB Prasac's debt collection guidelines also state that it is not permitted to provide "benefit" to local authorities "unless there is an approval from the KB Prasac management" if credit officers are seeking their intervention in the debt collection process.⁸²

7) Remedy Procedures

Two banks have their own relief procedures, such as loan restructuring, but these measures are very inaccessible and ineffective in practice. Most victims were unaware of the options available to them if they had difficulty repaying their debts and these were never mentioned by the credit officer during the loan approval process.

With the help of local human rights organizations, some victims were able to request interest rate reductions and repayment moratoriums using the banks' own redressal processes or through arbitration proceedings at the National Bank of Cambodia. The use of these mechanisms helped some borrower get their debt restructured or reduced the pressure to repay the loan. However, even these measures were not enough to fundamentally improve their financial situation.

Local human rights organizations have helped victims ask the relevant bank to reduce interest rates and suspend repayments. In Case 4, these efforts were able to reduce the interest rate from 1.3% per month to 1.0% per month. In Case 12, the victim requested an extension of the loan term, which was granted and adjusted to interest-only payments. In Case 10, the victim told the bank that he was

unable to repay his loan. In response, the bank offered a new repayment plan, but it added two months of interest and late fees to the principal and increased the interest rate from 0.90% to 0.95%, which was not helpful for the victim's case.

In some cases, banks have rejected the victims' requests to modify the terms of the loan. Case 5 requested a repayment deferment in 2024, but the bank only granted them a two-day extension, whereas the victim in Case 11 requested their bank to extend the loan term and reduce the monthly repayments, but both were denied. In Case 13, the victim asked the bank for deferments twice in January and February 2024, both of which were denied.

In Cases 1 and 2, victims also used the National Bank of Cambodia's mediation process with the help of local human rights organizations, which resulted in 16 complaints at the village level to the Central Bank and the Ministry of Interior, requesting that the interest rate be reduced to 0.75% per month, after which collection pressure was reduced. In Case 13, the bank deferred repayment for four months after the borrower requested mediation from the central bank. In Case 14, the bank's collection pressure decreased after a complaint was lodged with the National Bank of Cambodia. However, in one case, the bank did not respond to a request for mediation even after visiting the central bank (Case 11).

⁸¹ Transparency International, "2024 Corruption Perceptions Index: Cambodia," <https://www.transparency.org/en/cpi/2024/index/khm> (accessed Apr. 20, 2025).

⁸² KB PRASAC Bank, "Procedure on Loan Recovery", KB PRASAC BANK (Jan. 2023).

"A bank officer came to my house every two days. A person from the NGO helped me file a complaint with the Central Bank and the Ministry of Interior. After that, no loan officer came to my house. It's been two years." (Case 1)

"I asked them to lower my interest rate from 1.5% to 0.75% per month, but they refused and adjusted it to 1.3%. The bank only gave me a one-week repayment deferment. I haven't made a repayment in almost a year, but no loan officer has come to see me." (Case 2)

"I asked the bank to postpone my repayment in 2024. I couldn't pay the principal of 7 million riel, and I didn't have a good harvest of cashew nuts and cassava, because I didn't have enough fruit. I asked the bank for a postponement and a new repayment document, but the bank just told me to pay the principal. I asked for a postponement, but the bank said they only allow 1-2 days. The bank told me to sell my chickens, cows, anything, and I said I don't have any cows." (Case 5)

"I started having trouble paying back in early 2024, so I sold my car and motorcycle to pay the bank, and then in March and April I couldn't pay at all. When I told them I couldn't pay, they said, 'We're going to add the interest and late fees to the principal for the March and April arrears, and we're going to raise the interest rate from 0.90% to 0.95%.' This didn't help at all, it just increased the principal and made it harder." (Case 10)

"When I had problems with my repayments, I asked the bank to extend the loan term and reduce my monthly repayments, but they put me off, asking me to meet them after work [...] They took my ID and loan repayment plan, and then I didn't hear from them. When I called them, they said they couldn't accommodate my request, which at the time was to reduce my repayments to \$200 per month. [...] I explained the whole situation to the National Bank of Cambodia. The National Bank sent a message to Prasac Bank via Telegram and said, 'If you look at her repayment history, she has been paying well even during the pandemic, so please consider her request.' But they didn't respond to the National Bank, even though they had granted other people's requests." (Case 11)

"I had an \$8,000 loan, and I asked them to extend it from three years to nine years, and I also asked them to lower the interest rate, which I thought was still high [...] The bank accepted the extension, but I was still having trouble paying it back. I asked them to restructure it to interest-only payments, and they did." (Case 12)

"Two days after I contacted the NBC, the loan officer came with his supervisor and said, 'Why did you complain to the NBC?' I said, 'I didn't report your behavior, I just explained my situation and asked for mediation.' They then offered me a four-month repayment deferment. But I could only pay one month's repayment with the money I earned from working on the corn farm. Then my son also lost his job, and I got sick, so I couldn't earn any more money, so I couldn't make any more repayments. After that, the bank employees didn't come to my house anymore." (Case 13)

"After meeting with LICADHO (a local human rights organization), they told me to call the National Bank of Cambodia, so I called Prasac Bank, and after that, the bank didn't come to me as often as they used to." (Case 14)

8) Negative Impacts

a) Economic impact

The economic impact of coercive loan repayment was severe. The biggest problem was that victims were forced to sell their land, especially when they had to sell it at prices much lower than market value; one victim was forced to sell land worth \$17,500 for \$10,000 after being pressured by credit officers to do so (Case 8). In some cases, the victims were made to sell their land and unable to farm, so they turned to hunting and gathering or day labor (Case 5).

"I don't know what will happen to me in the future, I don't have any more land to farm, I'll probably have to work for someone else, I can't get many jobs because I can't read and write, so I'll probably end up working as a day laborer. The problem is that even if I work, sometimes I don't get paid." (Case 5)
"For us, the Indigenous people and farmers, land is life. The land is where we farm, where we build our homes, where we live. The land is also where we die and where we are buried. We can't do anything without the land." (Case 6)
"If it wasn't for the rush, I would have been able to sell the 7 hectares of land for \$17,500, but because it was rushed, I could only sell it for \$10,000. Now the final price has been set, the land will be sold for \$10,000, and we are supposed to meet on Monday [...] the bank people kept threatening us and saying they were going to sue us, so I found a buyer myself [...] If we sold just one hectare, we would be able to pay off the debt, but it's hard to sell just one hectare because the buyers want a big piece of land, at least five to 20 hectares." (Case 8)
"The company took my land, the bank took everything, sometimes I feel like my life has no meaning. I lost everything and the company took all our land." (Case 9)
"Our lives have changed 100% since the loan, because we always have to think about repayment." (Case 12)

The pressure to repay loans coincides with a severe drop in household incomes. One household was earning 500,000 riel per month (US\$125), down from 3 to 4 million riel (around \$1,000) the family earned previously. The victims owned a rubber plantation, but their rubber trees became diseased and were blown down by strong winds, significantly reducing sap production, forcing them to sell part of their land to repay their debts. The sale of the land further reduced the family’s income, and with most of their income going to loan repayments, the borrower found it difficult to meet the family’s basic needs (Case 10).

"Before climate change, I was able to earn 15 million riel from my farmland, but between 2023 and 2024, I only earned 3 to 4 million riel because the price of cashew nuts dropped and the yield decreased significantly. I lost about 10 times as much. Before climate change, I was able to make monthly principal and interest payments, but afterwards it became impossible." (Case 7)
"I work all day on a rubber plantation, and the money I earn for my family of five is about \$500 a month. With this, I have to cover my daily food and health needs, and I have to pay my bank repayments. I work from midnight to 11 a.m. I used to earn 3 to 4 million riel per month from the plantation, but now I don't have that income." (Case 10)

The economic impact of microloans has led to a chain of damages: the loss of land as a key means of livelihood, sharp declines in income, and the loss of basic household assets. This has become a major factor driving these households into a vicious cycle of poverty.

b) Food security and nutrition

The burden of loan repayment has severely deteriorated the food security situation of households. Many households have had to drastically reduce their spending on food after taking a microloan, which has led to a decline in the quality and quantity of meals for the family. For one household, daily food expenditures dropped from 40,000 to 50,000 riel (around US\$12.5) to 10,000 to 20,000 riel (US\$5), which led to a significant reduction in protein intake from meat, fish, and other sources (Case 10). Overall, victims were in a state of extreme food insecurity, with one household unable to afford even 1 kg of rice (3,000 riel), and were surviving on porridge made with one to two kilograms of rice given by their neighbors (Case 9).

<Photo 11> An Indigenous borrower's house stopped mid-construction due to mounting debt © Son Go-woon (Hankyoreh 21)



"Our lives have changed. We used to be able to eat more meat, fish, and good food. We could also save money to buy clothes. After the loan, we eat less food and I can't give my children money to go to school like before." (Case 6)

"A kilogram of rice costs 3,000 riel, and we can't buy it, so we eat porridge. We put pumpkin leaves, gourd leaves from the forest, and a little bit of rice. We don't have meat, and if the children catch snails in the rice fields, we put them in the porridge [...] We don't have anything to eat, so our neighbors give us 1-2 kilograms of rice, and we share food. If we have rice, we put salt in the rice and eat it." (Case 9)

"The food we eat every day has decreased, we eat less nutritious food, fish, meat. We go to the forest to get vegetables. My children want to wear nice clothes, but now we can't live like we used to... [...] My food expenses have decreased, I used to spend 40,000-50,000 riel a day on food, now it's down to 10,000-20,000 riel, because I have to save that money for my repayments. I think more about my repayments than about food. I look for cheap food, like pickled radishes, pickled cucumbers, dried fish... I eat mostly pickled radishes or cucumbers." (Case 10)

"If I have a toothache, I can't spend 70,000 riel for treatment. A bag of rice costs 140,000 riel, and I'd rather buy rice for my children with that money [...] Compared to when my husband was alive, I could buy snacks for my children in the evening. Now, sometimes I just eat cheap instant noodles or boiled eggs with my rice, which is not enough." (Case 14)

c) Impacts on children’s education, child labor

Children's right to education was being severely violated due to economic pressure from microloans. Many children were forced to abandon their studies and pushed into labor, and in one case, credit officers directly pressured children to quit school and work (Case 9), whereas in other cases children dropped out of school because their parents could not afford the commute to school, which was 10 kilometers away (Case 5). Children who dropped out of school worked different jobs to support their families. In one family, a 12-year-old girl worked in a corn mill and her sibling, who was studying in a Buddhist pagoda, dropped out of school to work for an online scam operation in a border area (Case 13). A 16-year-old girl fell ill after carrying sacks of cassava but could not stop working or rest (Case 9).

"My children said they want to study, but they have to ride a motorcycle to school, and we can't afford gas." (Case 5)
"Since the loan, I eat less food and I can't give my children money to go to school like I used to." (Case 6)
"My daughter got bronchitis from working hard... she used to carry bags of cassava for other people... I was threatened with arrest if I didn't pay back the bank, so she wanted to earn money for her mom... but even if she works hard, she can't pay back the bank... [...] Daughter: I dropped out of school in 2020. I was in grade 8. If I had stayed in school, I would be in grade 11 now. I finished grade 8, and I was going to be in grade 9 if I had continued to study." (Case 9)
"Now in our village, only 10% of the students go to school. Some 5-6 year olds are in the fields taking care of cows [...] My youngest was 12 years old when he was working on the corn farm [...] He was paid 13,000-15,000 riel a day to harvest the corn, and he could only work for 10 days a season. My daughter also said, 'Mom, I can skip school and work for 10 days during the corn harvest season.' She asked me to let her skip 1-2 days of school and she said she would help us." (Case 13)
"I'll tell you a story about my son, my son was a monk, he was in the ninth grade of the monk school, and he saw that I was having trouble paying back the money, so he finished the ninth grade of the monk school and said to me, 'Mom, I'll stop studying and find a job and get money to pay back the bank.' So my son stopped studying to be a monk and got a job with an online Chinese company, and he earned \$300 a month. He paid \$400 back to the bank." (Case 13)

The pressure to repay loans has made people migrate to Japan, Thailand, and elsewhere, for work. In some cases, this migration turned the victims into undocumented migrants, increasing their risks overseas.

"The village headman also took a loan, and he had to send his children to Japan after they finished grade 12, and he sold all his land... I will be in the same situation, if I can't solve the problem with the bank and they take all my land, I will have to go somewhere else with my children to find work [...] There are people in my village who go to other provinces to work because of their loans, for example, some go to Thailand to work if they can't pay back" (Case 10).
"There was a family whose child dropped out of school and went to Thailand to work cutting grass. When he was cutting grass with a machine, a stone hit him in the eye and blinded him. He was illegal, so no one took responsibility. When he came home and complained, he was given 10,000 baht to treat his eye." (Case 13)

d) Impacts on mental health

The pressure to repay the microloans was causing serious mental health issues among victims. In some cases, victims suffered from insomnia due to constantly worrying about how to repay their loan (Case 7), and even hair loss due to excessive stress in Case 4. In one case, the victim cried alone and blamed himself (Case 12) and in Case 9 the person experienced extreme mental distress to the point of having thoughts of suicide. In another case, stress from the pressure to repay loans led to domestic violence (Case 4). These mental health issues were severely reducing the quality of life for individuals and families.

"I think about it so much that my hair falls out, my health deteriorates, and I feel unhappy all the time [...] Yesterday was the saddest day of my life, I thought so much about getting food for my family, paying off my bank debts, and the stress made me violent towards my wife." (Case 4)

"I can't sleep because I'm getting into more debt, and I think I'm going to go crazy." (Case 7)

"I am so heartbroken, I don't know where I will live if I sell the land, I will probably kill myself, all the land documents are in the bank, I don't know what to do, I don't know how to get the land back to survive, to make a living." (Case 9)

"Sometimes I cry because I get so emotional when I think that I've put a burden on my children and there's nothing I can do to help them. Sometimes I cry alone. I thought at first that if I took the loan I could work and pay it back, but I couldn't work. I couldn't work, I'm getting older, there's no place that would take me, I had surgery and I couldn't work. I have to rely on my children, and it's really hard when they don't have a job." (Case 12)

9) Conclusion

Cambodia's microfinance market targets vulnerable groups such as women, farmers, and Indigenous Peoples. Despite their unstable incomes and limited ability to repay, most of these people are given microloans to sustain their livelihoods and improve their basic needs. However, the use of aggressive loan sales tactics, inadequate assessment of the borrower's repayment capacity, high interest rates and fees, and coercive collection practices are causing structural human rights violations.

The damage caused by predatory loans goes far beyond just the financial losses, threatening the very existence of families. Complex harms are occurring, including loss of land and housing, food insecurity, disruption of children's education, child labor, migrant labor, domestic violence, depression, and

<Photo 12> A victim of predatory lending making noodles for livelihood © Son Go-woon (Hankyoreh 21)



suicidal thoughts.

C. Meetings with NGOs and Relevant Authorities

1) Local Human Rights Organizations

After completing interviews with the two Cambodian subsidiaries and the 14 affected households, KTNC Watch interviewed local human rights organizations that investigate predatory lending practices in Cambodia's MFI sector and provide support to victims. These interviews primarily sought to confirm or clarify issues raised during the interviews with victims.

The organizations began investigating predatory loans and the consequent human rights abuses in Cambodia's microfinance industry in 2019, at which point loan amounts were much larger and disproportionate to borrowers' actual income. As foreign investors increased their investments in MFIs, the size of loans grew exponentially, with the pressure to repay increasing as well, explained the NGO staff. The use of land as collateral was one of the enablers of this increase in lending, which was bolstered by the issuance of hard and soft land titles which could be bought and sold. As land values continued to rise, households began to borrow large amounts of money which they could not repay based to their cash flow, secured with land collaterals. However, as land values have begun to fall, it has become increasingly difficult to make repayments.

According to the human rights organization, climate change, the economic crisis caused by COVID-19 and falling land values have had a devastating impact on the incomes and livelihoods of rural households. Cambodia is one of the most vulnerable countries to climate change and the lack of government intervention in the market has led to high volatility in crop prices. When crops fail due to climate change or external market factors, causing crop prices to crash, there are no mechanisms to mitigate its impact on farmers, leaving households to bear the losses themselves.

Regarding the cost of education, many victims explained that while public education in Cambodia is free, teachers are underpaid. So the teachers will only teach the bare minimum during classes in the morning and will charge students for private classes in the afternoon. These informal tuition fees, combined with the cost of transportation to and from school in rural areas, can place a significant burden on families, forcing them to abandon their children's education in order to repay debts.⁸³

⁸³ The UNDP has also published a report on the impact of this practice in Cambodian schools on children's right to education. United Nations Development Programme, Curbing Private Tutoring and Informal Fees in Cambodia's Basic Education, <https://www.undp.org/cambodia/publications/curbing-private-tutoring-and-informal-fees-cambodias-basic-education> (June 12, 2015).

When asked what happens if a borrower uses the loan differently than the official reason given for taking the loan, the human rights organization said that the contractual purpose of the loan is generally for the MFI's internal use and clients are often unaware of the official reason for the loan written in the agreement and used it for other purposes. While this could be a violation of the MFIs' internal regulations, there have not been any known sanctions imposed by the authorities against MFIs.

The fact-finding team asked whether there was a difference in pressure felt Indigenous People vis-a-vis ethnic Khmer borrowers when faced with aggressive collection tactics. The human rights organization said that it would depend on the community and that ethnic Khmer majority people were also victimized by the system. However, there is general discrimination against Indigenous People, and that if an Indigenous person didn't speak Khmer well, it would be a very intimidating experience for them to hear about lawyers and the courts, or have to go to the police station for questioning. In this respect, the Indigenous People could be more vulnerable to pressure by the banks.

In response to the banks' claim that their internal grievance mechanism was effective, the human rights organization said that the grievance mechanisms used by MFIs were generally not effective unless the issue was also raised with outside investors. As for the grievance mechanisms operated by the National Bank of Cambodia, they said that while some borrowers were able to get their debt restructured — again with the involvement of foreign investors— but this was very rare occurrence. Instead, they said, bank officers routinely retaliated against borrowers for filing a complaint, including verbally abusing them and threatening to take legal action.

The organization emphasized that microfinance is not replacing private lenders in Cambodia, but rather, paradoxically, the microfinance industry and private/informal lending have grown together. This contradicts the claims of MFIs that private lenders will take over if MFIs disappear. The reason for this is debt-shifting. If a borrower is unable to repay a debt, credit officers, who want to prevent bad debts which may hurt their own incentives, will often force the borrower to take out an informal loan from a private lender to pay off the debt and promise additional MFI loans to pay off that informal loan. Through this process, the private lending industry has grown rapidly based on the exorbitant interest the charge as borrowers wait for the credit officers to approve a new loan to repay the private lender. Of course, this process snowballs and the borrowers is now burdened with additional debt.

Finally, we asked them what they would like to see from Korean banks in the microfinance sector in Cambodia. The organization said that the first step is for the banks to acknowledge that these problems exist. They suggested establishing and operating a body of independent experts to investigate these

issues and provide remedy to victims. They emphasized that if the investigation proves that the bank was responsible for overindebtedness, either during the loan approval process or collection process, the victims should be provided with effective remedies such as debt restructuring, loan forgiveness, and the return of collateralized land.

2) Korea International Cooperation Agency (KOICA) Cambodia Office

During the literature review prior to the fieldwork, KTNC Watch learned that the South Korean government's Country Partnership Strategy for Cambodia 2021-2025 includes "improving access to finance and market access for smallholder farmers, including expanding microcredit support"⁸⁴ as an action plan in the area of rural development. The team requested an interview with the KOICA's Cambodia office to determine whether Korean ODA funds are being channeled to the Cambodian microfinance industry, and conducted a face-to-face interview with Mr. Shin Yong-hwa, the Deputy Director in charge of Rural Development on August 6, 2024.

When asked if KOICA is currently supporting any microfinance-related projects in Cambodia, Mr. Shin replied that the organization is not involved in lending because if they do so, people may “run away to Thailand.” As for KOICA's current rural development projects, he explained there is no room for predatory lending because the accounts are opened jointly with the implementing organizations. They use the Woori Cambodia for these joint accounts.

When asked if Mr. Shin was aware of issues such as predatory lending that have been raised in relation to the Cambodian microfinance industry, Mr. Shin said he was not aware of any such issues and did not know if the MFIs acquired by Korean banks were involved in predatory lending.

When asked if KOICA, as a public entity with a relationship with the Woori's local subsidiary, would be willing to raise the issue of predatory lending practices with Woori, Mr. Shin was quick to point out that KOICA has "no right to raise issues" with the bank. He said while the organization conducts human rights impact assessments when undertaking new projects, it is cautious to criticize the bank's behavior at this point because the rural development project only used Woori's accounts and did not directly involve the bank.

84 Joint Ministry of Foreign Affairs and Trade, "Country Partnership Strategy for the Kingdom of Cambodia" (Jan. 2020), https://www.koica.go.kr/sites/khm_kr/file_download/CPS_Cambodia.pdf (last visited Apr. 14, 2025).



3. Human Rights Impact Analysis

A. Overview

Drawing on information from the fieldwork in Cambodia and literature review, this chapter analyzes how the lending practices of KB Prasac and Woori Cambodia have adversely affected the human rights of victims, specifically the fundamental rights guaranteed by international human rights law. It introduces international standards related to corporate responsibility to respect human rights, examines how these standards apply to the two banks' lending operations in Cambodia, and considers what steps the two banks should take to comply with them. Specifically, it examines whether the banks' lending policies and practices are consistent with international standards for financial institutions on consumer protection. Finally, we examine the South Korean government's "duty to protect" obligations to prevent human rights abuses caused by the domestic and international operations of Korean corporations and to provide remedies to victims.

B. Negative Impact on the Victims' Human Rights

The victims the fact-finding team met detailed the negative impacts KB Prasac's and Woori Cambodia's lending practices on their families' lives. These negative impacts have resulted in an already socio-economically vulnerable population falling deeper into poverty and serious violations of their human rights. This section will specifically examine how the lending practices of the two banks directly and indirectly affected the borrowers' enjoyment of their fundamental rights under international human rights law.

1) Right to Food⁸⁵

Food is essential for human survival and sustenance, and the right to adequate food is a fundamental right guaranteed by international human rights law.

The Universal Declaration of Human Rights (UDHR)states in Article 25(1) that “Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services.” The International Covenant on Economic, Social and Cultural Rights (ICESCR), to which Cambodia and the Republic of Korea are parties, also states in Article 11(1) that "everyone recognizes the right of everyone to an adequate standard of living for himself and his family, including adequate food, clothing and housing, and to the right to continuous improvement of his living conditions."

Article 11(1) of the International Covenant on Civil and Political Rights

The States Parties to this Covenant recognize that everyone has the right to an adequate standard of living for himself and his family, including adequate food, clothing and housing, and to the right to continuous improvement of his living conditions. The States Parties recognize the essential importance of international cooperation based on free and informed consent to that end, and shall take appropriate measures to secure the realization of that right.

⁸⁵ Universal Declaration of Human Rights, Article 25, paragraph 1.

These same principles are also enshrined in the Korean Constitution in Article 34 (1), which states that “all citizens are entitled to a life worthy of human beings. This means that the state has a duty to ensure that citizens have access to a decent standard of living and basic human needs are met.”

The right to food is essential to the enjoyment of other human rights because it is closely linked to human survival and basic needs. In its General Comment No. 12, the UN Committee on Economic, Social and Cultural Rights (the CESCR) affirmed that the right to adequate food is “linked to the inherent dignity of the human person and is indispensable for the fulfilment of other human rights enshrined in the International Bill of Human Rights.”⁸⁶ The CESCR further explains that the right to adequate food should not be interpreted as a minimum set of calories and specific nutrients, but rather as “the ability of food in a quantity and quality sufficient to satisfy the dietary needs of individuals, free from adverse substances, and acceptable within a given culture.”⁸⁷

The victims of KB Prasac and Woori Cambodia informed the fact-finding team that they were unable to enjoy their right to adequate food due to pressure to repay mounting debts and loss of livelihoods, such as farmland. In terms of quantity, some were living on one meal a day due to insufficient funds, and in terms of quality, they were unable to meet the minimum dietary needs of their families. They were either limiting their protein intake and, in some cases, they were eating loose porridge made with herbs from the forest and snails caught from the rice fields.⁸⁸ Foreign researchers have also identified “reduced quantity and quality of nutrition” as one of the most damaging forms of overindebtedness.⁸⁹

As we saw in Chapter 1, Cambodia is a least developed country as defined by the United Nations, with a poverty rate of nearly 20%.⁹⁰ The poverty line in Cambodia is 10,951 riel ⁹¹ (US\$2.75) per person per day, or about 4,000 KRW. So, nearly twenty percent of the Cambodian population lives on less than 4,000 KRW per person per day. Moreover, the poverty rate in rural areas, where microfinance institutions are prevalent, is more than twice as high as in urban areas.⁹² There is also a large number

⁸⁶ UN Committee on Social Rights, General Comment No. 12 (1999): The Right to Adequate Food (Article 11), paragraph 4. The Committee on Economic, Social and Cultural Rights is the expert body (“treaty body”) that examines the implementation of the International Covenant on Economic, Social and Cultural Rights by States parties and has periodically issued general comments containing specific interpretations of rights under the Covenant.

⁸⁷ United Nations Committee on Social Rights, General Comment No. 12 (1999): The right to adequate food (Article 11), paragraph 8.

⁸⁸ See *supra* Chapter 2 Field Investigations, B. Interviews with Victims, subsection (7).

⁸⁹ Frank Bliss, *supra* note 26, at 81.

⁹⁰ World Bank Group, *Pandemic Checks Cambodia’s Progress on Poverty* (Nov. 28, 2022), <https://www.worldbank.org/en/news/press-release/2022/11/28/pandemic-checks-cambodia-s-progress-on-poverty>. As of 2022.

⁹¹ World Bank Group, *Cambodia Poverty Assessment: Toward a More Inclusive and Resilient Cambodia*, <https://hdl.handle.net/10986/38344> (Nov. 2022).

⁹² *Id.*

of vulnerable population who are not living below the poverty line, but are just above it and can be pushed into poverty by small economic shocks. According to the United Nations Development Program (UNDP), 55.4% of Cambodia’s population was living below or just above the poverty line in 2017.⁹³

The lower the income, the higher the proportion of a household’s total expenditure that goes to food (the Engel coefficient). Further reductions in household income due to the pressure to repay their debt and the loss of livelihoods, such as land, can force households to cut back on their already-scarce food budget. Poor nutrition leads to poor physical and mental health, decreased labor productivity, and stunted children, further reducing the likelihood of debt repayment.⁹⁴ Thus, overindebtedness is pushing victims in Cambodia to the brink.

2) Right to Adequate Housing

The right to adequate housing is also a fundamental right guaranteed by international human rights law. The right to housing, along with the right to food, are incorporated under the right to an adequate standard of living and is expressed in Article 25(1) of the UDHR and Article 11(1) of the ICESCR. In its Concluding Observations on the second periodic report of Cambodia, published in March 2023, the CESCR expressed concern about the negative impact of microfinance-induced debt on the right to an adequate standard of living of low-income groups and requested the Government of Cambodia to analyze the impact of debt on the enjoyment of social rights and to protect victims.⁹⁵

In its General Comment No. 4, the CESCR emphasized that the right to housing is “paramount to the enjoyment of all economic, social and cultural rights.”⁹⁶ It also explains that housing should not be interpreted as “equated with a roof over one’s head or viewed purely as a commodity,” but rather as “the right to live in safety, peace and dignity.”⁹⁷ According to the CESCR, adequate housing should be “at a level where the costs to individuals or households associated with housing do not threaten or limit their ability to secure and meet other basic needs” and should “provide adequate space for the occupants and protect them from cold, damp, heat, rain, wind, other health hazards, structural

⁹³ Frank Bliss, *supra* note 26, at 19.

⁹⁴ John Saunders, Trevor Smith, “Malnutrition: causes and consequences”, *Clin Med (Lond)*, 10(6):624-627, <https://pmc.ncbi.nlm.nih.gov/articles/PMC4951875/> (Dec. 2010).

⁹⁵ Committee on Economic, Social and Cultural Rights, *Concluding observations on the second periodic report of Cambodia*, E/C.12/KHM/CO/2 (Mar. 27, 2023), paras. 38-39.

⁹⁶ UN Committee on Social Rights, General Comment No. 4 (1991): The right to adequate housing (Article 11, paragraph 1, of the Covenant), paragraph 1.

⁹⁷ *Id.* at paragraph 7.

hazards, and pests."⁹⁸

Some of the borrowers we met during our fieldwork had taken out loans from KB Prasac and Woori Cambodia to improve their poor housing conditions. In the case of Indigenous Peoples, traditional houses made of basic materials such as bamboo do not maintain their structural integrity for long, so they took out loans to build sturdier houses that they could live in for a longer time.⁹⁹ However, the victims were eventually unable to handle the mounting debts and were forced to abandon the construction of their homes halfway through or were forced to sell their homes and the land that was used as collateral to repay the debt (Case 9).

The exacerbation of poverty caused by the lending practices of the two Cambodian subsidiaries negatively impacted not only the borrowers' right to food, but also their right to housing. It has made it more difficult for low-income households to obtain adequate housing where they can live "in safety, peace and dignity" and has exacerbated their existing housing conditions. These inadequate housing conditions not only undermine a person's human dignity, but also threaten the health and safety of their families.

The banks also directly threaten borrowers' right to housing by requiring loan officers to prioritize the use of a borrower's home and land as collateral. The "Loan Application and Assessment Process Guideline" from Woori Cambodia states the following, "for better loan security, Residential House where the customer is staying is the first type of collateral that CO shall request for depositing," with the phrase "residential house where the customer is staying" underlined for emphasis.¹⁰⁰

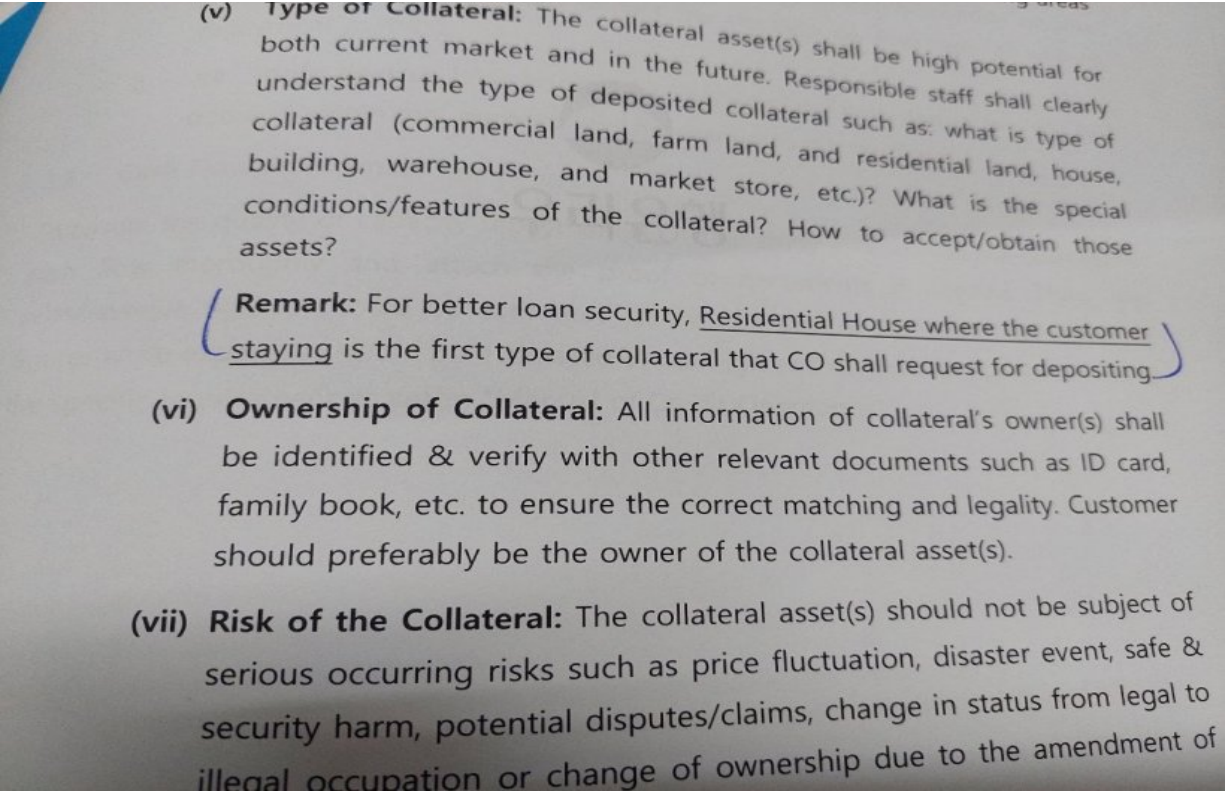
A 63-year-old Indigenous Cambodian woman the team met during the fieldwork said she had pledged her home and land as collateral and was told a credit officer to sell her home and land and "go live in the forest" when she was unable to make her repayments. Credit officers also allegedly told her son, who was the guarantor of the loan, to go and evict his mother from the home and to sell the land to make the payment (Case 9).

⁹⁸ Id. at paragraph 8.

⁹⁹ See supra Chapter 2 Field Investigations, B. Interviews with Victims, subsection (2).

¹⁰⁰ WOORI BANK (CAMBODIA) PLC, "Loan Application and Assessment Process Guideline" (Dec. 20, 2023). Original: For better loan security, Residential House where the customer staying is the first type of collateral that CO shall request for depositing.

<Photo 13> Woori Cambodia's "Guidelines for Loan Application and Appraisal Process"



3) Right to Health

The right to health is a fundamental right guaranteed by international human rights law. The right to health appears in Article 25(1) of the UDHR, in connection with the right to an adequate standard of living, and more specifically in Article 12(1) of the ICESCR, which states that everyone has the right to "the enjoyment of the highest attainable standard of physical and mental health."

In its General Comment No. 14, the CESCR emphasizes that the right to health is "a fundamental human right indispensable for the exercise of other human rights."¹⁰¹ It also explains that health is not "merely the absence of disease or infirmity" but "a state of complete physical, mental and social well-being" and is not limited to the right to health care but extends to the "underlying determinants of health, such as food and nutrition, housing, access to safe and potable water and adequate sanitation."¹⁰²

¹⁰¹ United Nations Committee on Social Rights, General Comment No. 14 (2000): The right to the highest attainable standard of health (Article 12), paragraph 1.

¹⁰² Id. at paragraph 4.

The physical and mental health of the victims' families the team met were rapidly deteriorating due to overwhelming debt. Their overall physical health was deteriorating due to poor nutrition, and some victims were unable to seek medical attention when they became ill due to reduced household income and pressure to repay debts. One victim even stated that she was not seeking medical treatment because she would rather use the money to buy rice for her children so that they have food to eat (Case 14).

In other cases, people were engaging in dangerous labor conditions to make money and repay their debts, threatening their physical health. The minor daughter of one victim suffered respiratory illnesses from exposure to pollutants from a nearby mine while working as a day laborer. She left school to help pay off her family's debts (Case 9). The minor child of another debt-ridden victim was blinded while working as a migrant laborer in Thailand (Case 13).

The mental health of the victims' families was also seriously deteriorating. All of the victims the investigators met faced extreme mental distress due to the overwhelming debt and pressure to repay. Some were unable to sleep, experienced depression, blamed themselves for their families situation, and, in some cases, had thoughts of suicide. In some cases, the stress to repay debt led to domestic violence (Case 4). Many victims were particularly troubled by the guilt they felt towards their children. Unable to provide their children with basic necessities such as nutritious food, clothing and shoes, they found it difficult as parents to bear the thought of their children having to leave school and work to pay off the family's debts.

In addition to the pressure of mounting debt, coercive collection methods employed by credit officers and the aggressive behavior of bank employees caused additional mental anguish for borrowers. Collection methods, such as coming to a borrower's home several times a day to publicly humiliate them in front of their family and neighbors, taking pictures of their family and home without their consent, and threatening to call the police, took a toll on the mental health of victims.¹⁰³ In a rural society where reputation and loss of face is important, stigmatization against a borrower's family was negatively impacted their children's friendships.

Inappropriate behavior by credit officers also negatively impacted the victims' mental health. When one victim hinted at suicide to a Woori Cambodia credit officer, the officer continued to pressure her and said, "Even if you die, your child will be responsible for paying back the money" (Case 9). The deterioration of the victims' physical and mental health as a result of these practices undermined their

¹⁰³ See supra Chapter 2 Field Investigations, B. Interviews with Victims, subsection (5).

dignity, destroyed their families, and made it more difficult for them to repay their debts.

4) Children's Right to Education and Child Labour

The right to education is a fundamental right guaranteed by international human rights law. Article 26(1) of the UDHR states that "everyone has the right to education," and the ICESCR also recognizes the right of everyone to education in Article 13(1). The Convention on the Rights of the Child (CRC), which Cambodia and South Korea have ratified, states in Article 28(1) that children have the right to education. In relation to the right to education, the CESCR, in its General Comment No. 13, refers to "economic accessibility" as an essential element of the right to education.¹⁰⁴ Economic access to education refers to the ability to receive a quality education at an affordable cost, regardless of the child's socioeconomic background.

With respect to child labor, Article 32(1) of the CRC recognizes the right of the child to be protected from "economic exploitation and from performing any work that is likely to be hazardous or to interfere with the child's education, or to be harmful to the child's health or physical, mental, spiritual, moral or social development." Additionally, Article 32(2) requires States Parties to prescribe a minimum age of employment. Also, the Worst Forms of Child Labour Convention, under ILO Convention No. 182,, which has been ratified by all 187 member states of the International Labour Organization (ILO), including Cambodia, states that "the use, procuring or offering of a child for illicit activities" and "work which, by its nature and circumstances in which it is carried out, is likely to harm the health, safety, and morals of children" constitute the worst forms of child labor¹⁰⁵

The lending practices of the two banks had a negative impact on families' economic accessibility to education. The minor children of the victims the team met had mostly stopped studying and were working to reduce the burden of education costs on their families and to support efforts to repay their debts. For many victims, the pressure of mounting debts and the loss of livelihoods, reduced their household incomes and made it difficult for them to afford school expenses, such as informal tuition costs, transportation costs to and from school, and adequate and nutritious food for their children.

One victim said two of her daughters had recently dropped out of school because they could not afford the fuel and maintenance costs for the motorcycle they used to get to school (Case 5). Another victim said a large number of children in her village had dropped out of school because families were

¹⁰⁴ United Nations Committee on Social Rights, General Comment No. 13 (1999): The right to education (art. 13), paragraph 6.

¹⁰⁵ International Labour Organization (ILO), Convention for the Prohibition of the Worst Forms of Child Labour (ILO Convention No. 182), Article 3 (adopted June 17, 1999, entered into force Nov. 19, 2000).

in debt, leaving only about 10% of the village children in school. She said that her own children, including her youngest son, who is 12 years old, had to drop out of school and work as day laborer on a corn farm with their parents (Case 13). Under Cambodia's labor laws, the minimum age to work is 15.¹⁰⁶

During our investigation, the team also identified child labor that "interferes with the education of the child or is harmful to the child's health or physical, intellectual, moral, or social development," which is prohibited by international human rights law. Most child labor took the form of interference with schooling, such as children volunteering to skip school and work to help their families pay off debts (Case 13). We also identified work that was harmful to children's health (Case 9) and work related to illegal activities prohibited by the ILO (Case 13), as described in the “Right to Health” section.

The team also found cases where credit officers directly pressured victims to force their minor children to quit school and work. One victim reported that a KB Prasac employee threatened to report her to local authorities and bring the police to her home if she did not repay the money, and said in front of her children, "You have grown up children. Why don't you tell them to stop studying and get some money." The victim's 16- and 13-year-old children ultimately stopped studying to start working (Case 13).

The bank's policies and practices directly violate children's rights to education, protection from worst forms of child labor, and adverse effects to their physical and mental health and intellectual, moral, and social development. They undermine the children's dignity and again lead to the long-term perpetuation of poverty.

5) Indigenous Peoples' Right to Land

Indigenous Peoples are social and cultural groups that share an identity and bond based on the land and natural resources they have inhabited or occupied for generations. Often they have a distinct language and culture from mainstream ethnic groups in the country.¹⁰⁷ According to the World Bank, Indigenous Peoples around the world are at risk of losing their unique language, culture, ancestral lands, and access to natural resources due to discrimination and inequality from mainstream society.

¹⁰⁶ Council for the Development of Cambodia, Employment and Labor, <https://cdc.gov.kh/laws-and-regulations/employment-and-labor/> (last visited Mar. 20, 2025).

¹⁰⁷ World Bank Group, "Indigenous Peoples," <https://www.worldbank.org/en/topic/indigenouspeoples> (accessed March 20, 2025).

Indigenous Peoples make up about 19% of the world's extreme poor and have a life expectancy up to 20 years lower than non-indigenous peoples.¹⁰⁸

In Cambodia, Indigenous Peoples refer to approximately two dozen ethnic minorities who mostly live for generations in the northeastern highlands of the country and have different languages, cultures, and religions from the Khmer ethnic majority.¹⁰⁹ Indigenous Peoples in Cambodia face socioeconomic vulnerability due to historical underdevelopment, official discrimination, land grabbing, and assimilation policies that threaten their traditional cultures. According to 2016 data from one NGO, life expectancy among Indigenous communities in the northeastern province of Ratanakiri province was only 39 years for men and 43 years for women.¹¹⁰ This is much lower than the life expectancy of 66.1 years for men and 71.6 years for women in Cambodia as a whole in 2016.¹¹¹

As Indigenous Peoples face serious obstacles in exercising their basic human rights around the world, there are several international human rights standards that affirm the specific rights of Indigenous Peoples. For example, the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), adopted by the UN General Assembly in 2007, affirms the right of Indigenous Peoples to self-determination, the principle of non-discrimination against Indigenous Peoples, and, in particular, the right to land that is central to their traditions, customs, spirituality, and livelihood.¹¹² Article 26 (1) of UNDRIP states that Indigenous Peoples have the right to the land and resources traditionally owned, occupied, used or acquired, and Article 8 (2) states that acts that dispossess Indigenous Peoples of their land, territory or resources should be prevented and, in cases where this occurs, there must be an effective mechanism for redress.

KB Prasac and Woori Cambodia actively provided loans to Indigenous Peoples, who were previously beneficiaries of not-for-profit microfinance programs aimed at poverty reduction. During the team's interviews with the two banks, executives told us that they are not aware of policies that take into account the specific vulnerabilities faced by Indigenous Peoples and the specific modalities of their land systems. However, KB Prasac did identify Indigenous Peoples' rights as a material area in its environmental, social and governance (ESG) policy and included activities that could violate

¹⁰⁸ Id.

¹⁰⁹ International Work Group for Indigenous Affairs (IWGIA), "Indigenous People in Cambodia," <https://iwgia.org/en/cambodia.html>, (accessed Mar. 20, 2025).

¹¹⁰ Pact, "In Cambodia, a mining company & an indigenous village are working together for better development", <https://www.pactworld.org/features/cambodia-mining-company-indigenous-village-are-working-together-better-development> (Nov. 18, 2016).

¹¹¹ World Health Organization, "Cambodia: Health data overview for the Kingdom of Cambodia", World Health Organization Data, <https://data.who.int/countries/116> (accessed March 13, 2025).

¹¹² United Nations Declaration on the Rights of Indigenous Peoples, UN General Assembly Resolution A/RES/61/295 (Sept. 13, 2007).

Indigenous Peoples' land rights in its business exclusion list.¹¹³ However, the executives were unaware of the existence of such a policy, and in practice, the lending practices of both banks did not take into account the vulnerabilities faced by Indigenous Peoples in Cambodia, which has resulted in significant negative impacts on these communities' human rights.

In particular, the two banks used the policy of pledging land as collateral for loans and the use of pressure tactics to get Indigenous individuals to sell land extra-judicially to repay their loans, disregarding these communities' specific rights to their lands. As discussed above, the Cambodian Law on Land recognizes the customary practice of communal occupation, management, and use of land by Cambodia's Indigenous Peoples and grants them communal land titles (CLT). Under the Land Law, the collective ownership of real estate by Indigenous communities cannot be transferred to other individuals or organizations. However, due to the aggressive lending and collection practices of the two banks, many Indigenous Peoples pledged portions of their communal land as collateral in their individual names, and when they were unable to repay the loans, credit officers pressured them to sell the land, which is not legally available for sale to outsiders. Among the Indigenous victims the fact-finding team met were those who chose to sell their land after being overwhelmed by the aggressive collection efforts by bank employees (Cases 7 and 8).

The loss of land stemming from the predatory lending practices of the two banks negatively impacted the human rights of all farmers, but in particular violated the land rights of Indigenous Peoples and caused the disintegration of these communities.

6) Other Rights under International Human Rights Law

In addition to the rights outlined above, KB Prasac and Woori Cambodia have used lending practices that negatively impacted the human rights of people investigated by the team. The right to privacy of borrowers¹¹⁴ was negatively impacted by bank employees who entered homes without consent and took photographs. In addition, the right to social security,¹¹⁵ the right to private property,¹¹⁶ the right to

development,¹¹⁷ the right to a remedy,¹¹⁸ and other rights have also been negatively affected.

The human rights abuses of Cambodia's microfinance industry, including the two banks investigated in this report, were not only raised by local human rights groups, but were also recognized by international human rights bodies and experts. In his report to the UN Human Rights Council in July 2023, Vitit Muntarbhorn, the UN Special Rapporteur on the situation of human rights in Cambodia, reported that an estimated 167,000 households have been forced to sell their land over the past five years due to over-indebtedness and land mortgages caused by microfinance loans, and that this massive loss of land has worsened rising poverty rates during COVID-19.¹¹⁹ In its concluding observations on Cambodia's second periodic report, published in March 2023, the CESCR expressed concern about the negative impacts of microfinance-induced debt on the right to an adequate standard of living for low-income groups and called on the government to protect victims by analyzing the impact of debt on their social rights.¹²⁰

C. International Standards on the Corporate Responsibility to Respect Human Rights

1) Overview

Under international human rights law, states are traditionally responsible for ensuring the human rights of all people under its jurisdiction. Thus the Cambodian government bears primary responsibility for ensuring the fundamental the rights of victims of predatory MFI lending under international human rights law. States have a "duty to respect" and not violate the fundamental rights of everyone, as well as a "duty to protect" everyone's human rights from violations by third parties, including business enterprises. The Cambodian government fell short of this duty by failing to effectively regulate the lending practices of microfinance institutions, including KB Prasac and Woori Cambodia, and ignored the impacts of these loans on economic situation of its citizens. Additionally, the lack of social safety nets in rural Cambodia has led to low-income households becoming overly dependent on microfinance

117 UN Declaration on the Right to Development, UN General Assembly resolution 41/128 (Dec. 4, 1986), art. 1.

118 UN General Assembly, Resolution 60/147, "Basic Principles and Guidelines on the Right to a Remedy and Reparation for Victims of Gross Violations of International Human Rights Law and Serious Violations of International Humanitarian Law" (Dec. 16, 2005).

119 UN Human Rights Council, Report of the Special Rapporteur on the situation of human rights in Cambodia, Vitit Muntarbhorn, A/HRC/54/75 (July 20, 2023).

120 Committee on Economic, Social and Cultural Rights, Concluding observations on the second periodic report of Cambodia, E/C.12/KHM/CO/2 (Mar. 27, 2023), paras. 38-39.

113 KB PRASAC Bank, "ESG Management," <https://www.kbprasacbank.com.kh/en/esg-management/> (last visited Apr. 20, 2025).

114 Article 12 of the Universal Declaration of Human Rights.

115 Article 22 of the Universal Declaration of Human Rights.

116 Article 17, paragraph 1, of the Universal Declaration of Human Rights.

loans. International human rights organizations, including the CESCR, have repeatedly expressed concern and made recommendations to the Cambodian government to improve the situation.¹²¹

This is not to say that the Cambodian government is entirely to blame and that companies are not responsible. According to international standards on 'corporate responsibility to respect human rights,' companies that engage in and benefit from predatory microfinance lending practices are also responsible for the negative human rights impacts linked to their operations. Therefore, KB Prasac and Woori Cambodia are responsible for the negative human rights impacts of their lending business, as are their parent holding companies, KB Financial Group and Woori Financial Group.

Let's take a moment to look at the context in which these international standards developed. In the modern world, with the growing influence of corporations, especially that of multinational corporations that are often beyond the control of any one particular state, the impact of business activities on human rights have also increased. Businesses can contribute to the promotion of human rights by providing necessary goods and services, creating jobs, and fostering economic development, but they can also violate the human rights of workers, consumers, local residents and others. Businesses have also emerged as important actors in addressing global issues that are critical to human survival, such as climate change. In recent years, as supply chains and value chains have become increasingly complex, human rights and environmental risks have been outsourced to countries with weak governance, resulting in serious human rights abuses for local populations. But it had been very difficult to hold these corporations, which benefit the most from these structures, accountable.

In response, the international community has been developing norms on 'business and human rights', which include the corporate responsibility to respect human rights. The United Nations Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and the ILO's Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy have established that companies are responsible for respecting human rights as an international standard. The responsibility of companies to respect human rights started as a soft norm, but it is gradually developing into a hard norm. Recent legislation like laws requiring companies to conduct mandatory 'human rights due diligence'¹²² in European countries and the adoption of the Corporate Sustainability Due Diligence Directive (CSDDD)¹²³ in the

121 Committee on Economic, Social and Cultural Rights, Concluding observations on the second periodic report of Cambodia, E/C.12/KHM/CO/2 (Mar. 27, 2023), paras. 38-39.

122 Human rights due diligence. This is discussed in more detail in 2) United Nations Guiding Principles on Business and Human Rights below.

123 European Union, Corporate Sustainability Due Diligence Directive (CSDDD), Directive (EU) 2024/1760, https://commission.europa.eu/business-economy-euro/doing-business-eu/sustainability-due-diligence-responsible-business/corporate-sustainability-due-diligence_en (last

European Union last year have aided in holding corporation accountable if they violate human rights. And a new binding international human rights treaty on business and human rights is currently being drafted at the United Nations.¹²⁴

In the following section, we provide a more detailed introduction to international norms on the corporate responsibility to respect human rights and responsible business conduct of financial institutions, as well as examining the responsibilities of KB Prasac, Woori Cambodia, and their parent companies in this regard.

2) United Nations Guiding Principles on Business and Human Rights

The UN Guiding Principles on Business and Human Rights (UNGPs)¹²⁵ were unanimously adopted by the UN Human Rights Council in 2011, and serve as a major international standard on business and human rights. The UNGPs provide a "Protect, Respect and Remedy Framework" consisting of three pillars: the duty of States to protect human rights, the responsibility of business enterprises to respect human rights, and access to remedy.



<Photo 14> The three pillars of the UN Guiding Principles on Business and Human Rights (Source: Shift Project)

visited Mar. 20, 2025).

124 UN Office of the High Commissioner for Human Rights (OHCHR), "BHR Treaty Process," <https://www.ohchr.org/en/business-and-human-rights/bhr-treaty-process> (accessed Mar. 20, 2025).

125 UN Office of the High Commissioner for Human Rights (OHCHR), UN Guiding Principles on Business and Human Rights (UNGP), https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr_en.pdf (last visited Apr. 3, 2025).

With respect to the corporate responsibility to respect human rights, the UNGPs state that all businesses must respect "internationally recognized human rights" guaranteed by the International Bill of Human Rights, which includes the UDHR, ICESCR, the International Covenant on Civil and Political Rights (ICCPR), as well as the ILO Declaration on Fundamental Principles and Rights at Work.¹²⁶ It also requires companies to prevent their business activities from causing or contributing to adverse human rights impacts and to respond to them where they have occurred. Corporations should also use their available leverage to prevent and address adverse human rights impacts in their supply chains, value chains, and business relationships.¹²⁷

The UNGPs' primary methodology for companies to identify and respond to potential and actual adverse human rights impacts associated with their activities or business relationships is the conduct of 'human rights due diligence'. Human rights due diligence requires companies to identify potential and actual adverse human rights impacts that they cause or contribute to through their activities, including for companies in a controlling or dependent relationship. These assessments should also investigate potential impacts in their supply chains, value chains, or business relationships¹²⁸ and to take steps to prevent, mitigate, eliminate, or minimize potential and actual adverse impacts. Companies are also required to provide appropriate remedies to victims, establish internal systems and policy frameworks to implement all of these processes, regularly evaluate and feed back on the operation of these systems and frameworks and the effectiveness of the response measures, and transparently disclose the process and results.¹²⁹ The UNGPs also emphasizes that the human rights due diligence process should take into account language and other potential barriers, and ensure the meaningful participation of stakeholders who are or can potentially be affected by a company's activities.¹³⁰

Access to remedy is another pillar of the UNGPs, requiring both governments and businesses to provide effective remedy for victims whose human rights were negatively impacted by business activities. According to the UNGPs, effective remedy includes "not only preventing violations, such as guarantees of non-repetition, but also criminal or administrative disciplinary sanctions, such as apologies, reparations, rehabilitation, monetary and non-monetary compensation, and fines."¹³¹ For remedy, the UNGPs recommends that companies operate internal grievance mechanisms, emphasizing

that effective mechanisms can earn the trust of stakeholder groups by ensuring accessibility for those affected and ensuring fairness in the process, so that that outcomes and remedies are consistent with international human rights standards.¹³²

As discussed above, KB Prasac and Woori Cambodia employed predatory lending practices that adversely affected the victims' internationally recognized fundamental human rights. Below, we examine whether the two Cambodian subsidiaries and their parents companies have so far fulfilled their responsibility to respect human rights, what steps should be taken to prevent further adverse human rights impacts, and what remedies should be provided to affected borrowers under relevant international standards.

a) Scope of corporate responsibility to respect human rights

The responsibility to prevent, mitigate, eliminate, and minimize the adverse human rights impacts of KB Prasac's and Woori Cambodia's business activities also lies with their parent companies. In its 2012 commentary on the UNGPs, the Office of the United Nations High Commissioner for Human Rights (OHCHR) explained that while a business group may have different structures, such as subsidiaries and affiliates, this does not affect the group's inherent responsibility to respect human rights.¹³³ The EU's CSDDD, adopted in 2024, states in Article 1(1) that the Directive sets out "the obligations for companies regarding actual and potential human rights adverse impacts and environmental adverse impacts, with respect to their own operations, the operations of their subsidiaries, and the operations carried out by their business partners in the chains of activities of those companies" and their "liability for violations of the obligations."¹³⁴

KB Prasac is a wholly-owned subsidiary of KB Kookmin Bank, which in turn is a wholly-owned subsidiary of the KB Financial Group.¹³⁵ Woori Cambodia is a wholly-owned subsidiary of Woori Bank, which is a wholly-owned subsidiary of the Woori Financial Group.¹³⁶ In other words, under the UNGPs, KB Kookmin Bank and KB Financial Group, Woori Bank and Woori Financial Group, all headquartered

¹³² UNGP Article 31.

¹³³ UN Office of the High Commissioner for Human Rights (OHCHR), "The Corporate Responsibility to Respect Human Rights: An Interpretive Guide," <https://www.ohchr.org/en/publications/special-issue-publications/corporate-responsibility-respect-human-rights-interpretive> (June 1, 2012).

¹³⁴ European Union Corporate Sustainability Due Diligence Guidance.

¹³⁵ KB Financial Group, "Status of Group Companies (as of December 31, 2024)," <https://www.kbfg.com/kor/about/network/domestic.htm> (accessed April 20, 2025).

¹³⁶ Woori Financial Group, "Domestic Network (as of August 1, 2024)," <https://www.woorifg.com/kor/company/introduce/summary/contentsid/32/index.do> (last visited March 20, 2025).

¹²⁶ UNGP Article 12.

¹²⁷ UNGP Articles 13, 19.

¹²⁸ The process of identifying these negative impacts is sometimes referred to as a "human rights impact assessment".

¹²⁹ UNGP Articles 13-24.

¹³⁰ UNGP Article 18 and its commentary.

¹³¹ UNGP Article 25 commentary.

in South Korea, are responsible for preventing, mitigating, eliminating, and minimizing actual and potential adverse human rights impacts of their business activities in Cambodia, and for providing effective remedies to victims of such impacts under relevant international standards.

국내 네트워크

대한민국 대표 종합금융그룹 KB의 국내 네트워크를 소개합니다.



기준일자 : 2024.12.31

KB국민은행 100%	
KB국민은행(중국) 유한공사	100%
KB마이크로파이낸스미안마법인	100%
KB미안마은행	100%
KB프라삭은행	100%
KB Bank	
* KB 국민은행: 66.88 %, PT KB Valbury Sekuritas : 0.24%	
* PT, KB Insurance Indonesia : 0.10%	66.88%
* PT KB Finansia Multi Finance : 0.29%	
* PT Sunindo Kookmin Best Finance : 0.06%	
└ PT Bukopin Finance	99.24%
└ PT Bank Syariah Bukopin	95.92%
KB펀드파트너스	100%

<Photo 15> KB Financial Group's subsidiary network (Source: KB Financial Group website)

According to the UNGPs, not only the parent companies, but also other companies directly linked to the adverse human rights impacts of KB Prasac and Woori Cambodia’s lending practices through their supply chains, value chains, and business relationships, should use their available leverage to address them. According to OHCHR, "leverage" is the ability to improve the practices of entities that cause or contribute to adverse impacts.¹³⁷

In this case, this includes businesses that finance KB Prasac and Woori Cambodia, as well as

137 UN Office of the High Commissioner for Human Rights (OHCHR), "The Corporate Responsibility to Respect Human Rights: An Interpretive Guide," <https://www.ohchr.org/en/publications/special-issue-publications/corporate-responsibility-respect-human-rights-interpretive> (June 1, 2012), 48.

shareholders and investors of the two banks and their parent companies, including companies and public institutions that have influence over the two banks through their value chains and business relationships. For example, according to KB Prasac’s website, NH Nonghyup Bank, KEB Hana Bank Hong Kong Branch, and KEB Hana Global Finance Limited appear to be financing KB Prasac’s lending business in the form of syndicated loans.¹³⁸ If this is true, the financial institutions listed above have a responsibility to conduct a human rights impact assessment to determine if the funds they provide to KB Prasac are being directly utilized for predatory lending or contributing to such practices, and to take appropriate action based on the findings. The Korean National Pension Service, which is the largest shareholder of both KB Financial Group and Woori Financial Group, also has a responsibility to use its leverage to get the financial groups to prevent human rights abuses linked to their business practices, including demanding explanations from the group’s management of the operations of their subsidiaries.

b) Violation of international standards on responsible business conduct

The first step toward responsible business conduct is to recognize that someone's human rights may be affected by business activities.¹³⁹ A higher level of care is required when a company's operations primarily target vulnerable populations, such as low-income farmers, women, and Indigenous Peoples in one of the poorest countries in the region. In particular, when local civil society organizations, foreign media, international researchers, and even UN human rights bodies and experts have raised these concerns repeatedly over the years, any business operating in Cambodia’s microfinance sector who claim to respect human rights must actively investigate such allegations and take necessary action.¹⁴⁰

However, the executives of KB Prasac and Woori Cambodia claimed that their lending practices were not problematic and that these external criticisms were untrue.¹⁴¹ They claimed that investigations conducted by the Association of Banks in Cambodia, a business association of banks, or by banks themselves had concluded that there were no problems. However, as mentioned above, the KTNC Watch team was able to easily confirm the existence of these problems through interviews with victims

138 KB PRASAC Bank, Funding Partner & Member, (last visited Dec. 31, 2024).

139 UNGP Article 17. "In order to identify, prevent and mitigate adverse impacts on human rights and to be accountable for their actions, business enterprises should conduct due diligence on human rights."

140 See Chapter 1, Background. See Microfinance in Cambodia.

141 See Chapter 2, Fieldwork Findings, a. Interviews with Bank of Cambodia entities.

during a short field visit.

We also found no evidence of efforts by KB Prasac and Woori Cambodia to improve their lending policies or practices or to eliminate or minimize the adverse human rights impacts that have already occurred and to prevent further harm, in accordance with international standards. According to the UNGPs, the first step in a human rights due diligence assessment is to identify potential and actual adverse human rights impacts.¹⁴² If a problem does not exist, it is unlikely that any action will be taken. Therefore, denying that a problem exists undermines the foundation of human rights due diligence.

The banks have shown no effort to engage with stakeholders, including victims, to understand their concerns, as emphasized by the UNGPs. Victims' requests for relief, such as debt restructuring, were usually denied by bank employees, and borrowers who filed complaints with external organizations, such as the National Bank of Cambodia, often faced retaliation by the bank.¹⁴³ There was also no effort to engage with local human rights organizations that consistently raised these issues and provided support to victims. KB Prasac executives even dismissed the human rights organization's claims in a meeting with the investigators, asking us "how can you believe them?" Representatives of the human rights organization we met with said that neither KB Prasac nor Woori Cambodia had ever attempted to engage with them. KTNC Watch also contacted the headquarters of the parent companies South Korea multiple times prior to the field visit, but they refused to engage.

The two banks' parent companies, KB Koomin Bank and Woori Bank, also violated international standards on the corporate responsibility to respect human rights. When KB Kookmin Bank and Woori Bank respectively acquired PRASAC and VisionFund Cambodia, there were already reports from local human rights organizations and foreign media about the predatory lending practices and human rights abuses in the sector.¹⁴⁴ Even without these reports, the human rights impacts of the acquisitions should have been carefully assessed and measures taken to avoid being complicit in human rights abuses, especially because the acquired companies target vulnerable populations in the poorest countries as their main clientele. However, KB Koomin Bank and Woori Bank continued to increase their stake in the MFIs, fully acquire it, expand its business, and obtain a commercial banking license, despite ongoing reports of human rights violations.

Denying the existence of adverse human rights impacts, refusing to take any actionm, and refusing

to engage with stakeholders constitute the most serious form of disregard of international standards on the corporate responsibility to respect human rights. KB Prasac and Woori Cambodia, KB Bank, Woori Bank, KB Financial Group and Woori Financial Group are all in clear and gross violation of international human rights standards for businesses.

c) Measures to fulfill the responsibility to respect human rights

To fulfill their responsibility to respect human rights in line with international standards, KB Prasac, Woori Cambodia, and their parent companies must immediately acknowledge the adverse human rights impacts of their lending operations in Cambodia, conduct a thorough human rights due diligence using the processes outlined in the UNGPs and other international standards, and provide effective remedies to victims.

The first step is to conduct a comprehensive and independent human rights impact assessment to identify and address any adverse human rights impacts of their lending operations. The assessment should not be conducted by the bank itself or by a business association representing industry interests, but by credible and independent human rights experts in accordance with the principles of the UNGPs. This should include substantive consultation with groups and stakeholders who were or may be affected by the business activities,¹⁴⁵ with the results made public and accessible to all stakeholders.¹⁴⁶

And if the human rights impact assessment identifies potential or actual adverse human rights impacts, the banks must take immediate steps to prevent, mitigate, eliminate, or minimize them.¹⁴⁷ These measures could include improving lending, collection, and collateral policies and practices, taking necessary action, including disciplinary action against officers and employees responsible for adverse human rights impacts, and by providing effective training to employees. These actions should be regularly evaluated and reflected upon, using appropriate qualitative and quantitative metrics, and with input from stakeholders to ensure that they are working effectively.¹⁴⁸ Also, the banks must make these action plans, processes, and results public and accessible to all stakeholders.

Finally, the two banks and their parent companies must provide effective remedy to victims of their predatory lending practices. According to the UNGPs, remedy may include compensation to victims,

142 UNGP Article 18 commentary.

143 See supra Chapter 2 Field Investigations, C. Meetings with NGOs and Relevant Authorities.

144 Shaun Turton and Bopha Phorn, Cambodia's "reckless" microfinance industry puts economy at risk, Nikkei Asia, <https://asia.nikkei.com/Business/Business-trends/Cambodia-s-reckless-microfinance-industry-puts-economy-at-risk> (Aug. 6, 2019).

145 UNGP Article 18.

146 UNGP Article 21.

147 UNGP Article 19.

148 UNGP Article 20.

restitution, rehabilitation, apologies, and promises to prevent recurrence. At a minimum, the two banks must acknowledge that there was a problem, apologize to the victims, take measures to prevent it from recurring, and provide effective remedies tailored to each victim's individual circumstances, including reduced or waived interest rates and administrative fees, debt restructuring, loan forgiveness, and the return of collateralized land and homes, depending on the bank's level of responsibility.

In addition, the two banks, and their parent companies, investors, and suppliers, including Korean National Pension Service, should use all available leverage to seek remedy for any negative human rights impacts inflicted on borrowers in Cambodia. This could range from asking the Cambodian subsidiaries to explain what measures they are taking to address this issue, to demanding independent investigations and remedial action. If these actions do not improve the harmful practices, they should consider divesting or ending the business relationship with the two banks.¹⁴⁹

3) United Nations Principles for Responsible Banking

While there are international standards for responsible business conduct that apply to companies in all sectors, such as the UNGPs and the OECD guidelines, standards specific to each industry are also evolving. This is because the specific ways business should respect human rights may differ depending on the corporate structures, business methods, and potential risks associated with each industry.

The UN Principles for Responsible Banking (PRB) is an international standard on responsible banking. Launched by the UN Environment Programme (UNEP) at the UN General Assembly in 2019, the PRB sets out six principles and a set of indicators for banks to align with for the international community's goals and efforts for a sustainable future, including the UN's Sustainable Development Goals (SDGs) and the Paris Agreement reached at the UN Climate Change Conference (COP 21).¹⁵⁰

¹⁴⁹ UNGP Article 19.

¹⁵⁰ UN Environment Programme Finance Initiative (UNEP FI), "Principles for Responsible Banking: Shaping the future of banking", <https://www.unepfi.org/banking/bankingprinciples/> (accessed March 20, 2025).

<Photo 16> Logo of the UN Principles for Responsible Banking (Source: UNEP Finance Initiative)



KB Financial Group and Woori Financial Group have signed the PRB. KB Financial Group joined the PRB in September 2019 and the Woori Financial Group in January 2020, and they report annually on the implementation of the PRB principles.¹⁵¹

Signatories are committed to the PRB's six principles to (1) align their business strategies with to be consistent with and contribute to individual and societal goals, including the SDG and Paris Climate Agreement; (2) increase positive impacts and decrease the negative impacts of their activities, products, and services on people and the environment, and set targets for doing so; (3) work responsibly with their clients and customers to encourage sustainable practices for the common good of current and future generations; (4) consult, engage, and collaborate responsibly with relevant stakeholders to achieve society's goals; (5) effectively implement the Principles through effective governance and a culture of responsible banking; and (6) regularly review the implementation of the Principles and be transparent and accountable for the positive and negative impacts of their contributions to society.¹⁵²

However, the lending practices of KB Financial Group's and Woori Financial Group's local subsidiaries in Cambodia are not in line with the principles in the PRB. The SDGs that banks are working with the international community to realize through participation in the PRB consist of 16 goals, including

¹⁵¹ UNEP FI, "Signatories," <https://www.unepfi.org/banking/prbsignatories/> (last visited Mar. 20, 2025).

¹⁵² UNEP FI, "About the Principles," <https://www.unepfi.org/banking/more-about-the-principles/> (last visited Mar. 20, 2025).

ending poverty, ending hunger, health and well-being, and quality education.¹⁵³ However, as we have seen, KB Prasac and Woori Cambodia’s lending practices have resulted in deepening poverty, deteriorating food security, poor physical and mental health, and violations of children's right to education.¹⁵⁴

Principle 2 of the PRB also requires signatories to reduce their negative impacts on people and the environment and set targets for how they plan to achieve these goals. However, as shown above, both banks deny any negative impacts on people and have not taken any steps to address them. Nor do they appear to be working responsibly with their customers to promote the common good for future generations, as required by the Principle 3. Rather, they are causing overindebtedness, leading their victims to economic ruin and also accumulating the risk of non-performing loans on themselves. Furthermore, there is a complete absence of active and responsible engagement and cooperation with stakeholders in accordance with the Principle 4.

Despite this, KB Financial Group and Woori Financial Group claimed to be in compliance with all of the PRB Principles in their reports to the UNEP. In its 2023 report, Woori Financial Group selected 'human rights' as one of its key management issues and gave itself a 'positive' indicator for 'strengthening financial consumer protection'.¹⁵⁵ KB Financial Group also reported in its 2023 report that it is operating in accordance with the PRB principles, including providing inclusive services for financially marginalized groups through the KB microfinance (“Miso”) foundation.¹⁵⁶

To fulfill their responsibilities as PRB signatories, KB Financial Group and Woori Financial Group must immediately take responsible action by conducting a comprehensive human rights impact assessment using independent investigators into the lending practices of their Cambodian subsidiaries, and address any adverse human rights impacts identified and provide effective remedies to victims.

4) Cerise+SPTF Client Protection Standards

In the private sector, comprehensive international standards on industry-specific responsible business conduct, client protection standards, and ESG¹⁵⁷ management are also emerging. Among these, the Universal Standards for Social and Environmental Performance Management (USSEPM) was developed by the nonprofit organization Cerise+SPTF in collaboration with financial institutions, investors, rating agencies, associations, and regulators around the world. USSEPM is considered the leading international standard for social and environmental responsibility management in financial institutions.¹⁵⁸ USSEPM includes "client protection" as one of its seven principles, especially the Client Protection Standards ("CPS"), which set out Standards and indicators for financial institutions to “do no harm” to clients.

While the PRB provides an overall principle and framework for banks to engage with the international community's goals and efforts for a sustainable future, the CPS sets out principles for respecting and protecting the rights of customers, including financial consumers. Specifically, the CPS provides standards for responsible lending policies and practices, including for sales of financial products, loan approval, debt collection, collateralization, and pricing.

The CPS is comprised of eight overarching Standards and indicators. They are: (1) The provider's products, services and channels benefit customers; (2) The provider does not overindebt customers; (3) The provider gives clients clear and timely information to support client decision-making; (4) The provider sets prices responsibly; (5) The provider enforces fair and respectful treatment of clients; (6) The provider secures client data and informs clients about their data rights; (7) the provider receives and resolves client complaints; and (8) the governance and management are committed to client protection and internal audit and human resources systems support its implementation.¹⁵⁹

153 UNDP Seoul Policy Center, "Sustainable Development Goals," <https://www.undp.org/ko/policy-centre/seoul/sustainable-development-goals> (last visited Mar. 20, 2025).

154 See the analysis in Chapter 3 above.

155 Woori Financial Group, "Reporting and Self-Assessment Template," <https://www.woorifg.com/common/file/2023%20PRB%20Reporting%20and%20Self%20Assessment%20WFG.pdf> (Aug. 2023), 11.

156 KB Financial Group, "Principles for Responsible Banking: 2023 Self-Assessment Report," https://www.kbfg.com/common/jsp/fileDownUtil.jsp?filepath=/data/esg/initiative/KBFG_PRB.pdf (Aug. 2023), 20.

157 "ESG" refers to environmental, social, and governance-related factors that are the basis for non-financial evaluation of a company.

158 Cerise+SPTF, Universal Standards for Social and Environmental Performance Management, <https://cerise-sptf.org/download-the-manual/> (Feb. 2022).

159 Cerise+SPTF, Annex: Client Protection Standards, <https://cerise-sptf.org/about-client-protection/#downloadmanual> (Feb. 2022), 2.

<Photo 17> The eight principles of the Cerise+SPTF Customer Protection Standard (CPS) (Source: Cerise+SPTF)



Upon returning from Cambodia, on August 23, 2024, the team held a video conference call with a Cerise+SPTF representative who support the implementation of USSEPM and CPS by financial institutions in Cambodia to discuss the CPS and the lending practices of KB Prasac and Woori Cambodia. The team also asked for and received written responses to assess the specific practices of the two subsidiaries of Korean banks and what steps they and their parent company could take to improve them. These responses are used to examine whether the lending practices of the two banks are consistent with the CPS.

a) Overindebtedness

The CPS requires financial institutions not to “over-indebt” their customers and to make lending decisions based on a customer's actual ability to repay.¹⁶⁰ Specifically, the amount needed to service the debt should be no more than 70% of the borrower's actual disposable income, excluding essential

160 See above, CP 2.

expenses, payments on existing debt, etc.¹⁶¹ In addition, financial institutions should analyze the comprehensive cash flow of the borrower’s household to assess their ability to repay the debt,¹⁶² and should not use guarantors or collateral as the primary basis for assessing ability to repay or for approving a loan.¹⁶³

During the interviews, both banks said that they screen and evaluate a borrower’s repayment capacity and willingness to repay in accordance with relevant internal regulation and guidelines. KB Prasac said its lending policy requires bank staffers to consider the applicant's background, past record, repayment capacity, and the need for collateral when reviewing loans under the "3Rs" principle (willingness to repay, repayment capacity, and repayment security).¹⁶⁴ Woori Cambodia's loan application and underwriting process guidelines also stipulates that the 5Cs (Character, Capacity, Capital, Collateral, Condition) and 4Rs (Right Time, Right Amount, Right Business, Right Person) must be used to assess the status of the family or business requesting a loan, their cash flow, and the collateral offered.¹⁶⁵

However, based on the team’s fieldwork, it appears that no real assessment of repayment capacity was conducted during the two banks’ lending process. KB Prasac and Woori Cambodia approved loans that far exceeded the customers' ability to repay if one looked at their actual cash flow and disposable income, leading to excessive debt. Many of the victims we met applied for and were granted additional loans by KB Prasac and Woori Cambodia using their land titles as collateral, even though they had existing debts that they were struggling to repay (Cases 1, 2, 5, 10, 11, and 14). One Indigenous victim was recognized by the Cambodian government as IDPoor and but still received a loan for US\$10,000 from Woori Cambodia despite having little disposable income (Case 9). Previous research have also identified a number of cases where banks have "deliberately disregarded" the borrowers' ability to repay their monthly payments.¹⁶⁶

As such, KB Prasac and Woori Cambodia have approved large loans to households with little disposable income, experiencing poverty and having existing debt. The decision to approve these loans is difficult to explain unless one considers that the underlying value of the land pledged as collateral

161 See above, CP 2.1.1.1.

162 See above, CP 2.1.2.1.

163 See above, CP 2.1.2.2.

164 KB PRASAC Bank, "Credit Policy", KB PRASAC Bank, (Jan. 2024), 18.

165 WOORI BANK (CAMBODIA) PLC., "Loan Application and Assessment Process Guideline ", WOORI BANK (CAMBODIA) PLC., (Dec. 22, 2023), 8-12.

166 Frank Bliss, *supra* note 26, at 89.

was used as the main basis for approving the loan. This is a clear violation of CPS standards and has resulted in overindebtedness of numerous borrowers.

b) Aggressive sales and inadequate explanation of loan terms

In addition to approving loans without considering the borrower’s cash flow, credit officers at both banks have used aggressive sales tactics. Also credit officer did not provide sufficient explanation about the important loan terms despite the victims' lack of financial literacy and encouraged them to take on excessive debt. According to the CPS, financial institutions must provide customers with timely and transparent information about the terms and pricing of their products, including interest rates, administrative fees, and need for collateral, to help them make informed decisions.¹⁶⁷ In addition, loan agreements should be available in the commonly used local languages,¹⁶⁸ institutional and public communications should be in local languages,¹⁶⁹ and marketing materials should not deceive or mislead customers.¹⁷⁰

However, we found that these principles were not followed. Victims with low levels of education and financial literacy were promised “easy money” at low interest rates without explaining the specific terms and conditions of the loans. In many cases, they gave Khmer-language loan agreements to Indigenous Peoples who did not speak Khmer nor were they given proper explanations about the contents. As a result, some Indigenous victims never understood the specific terms of their loans, even when they were interviewed by the KTNC Watch team.

As discussed above, Cambodia's financial illiteracy rate is among the highest in the world at 82%, meaning that most people are unable to fully understand financial products and make rational financial decisions.¹⁷¹ One Indigenous victim said they still do not fully understand the concept of "interest rate" on a loan (Case 3). The loan agreement simply set out the total amount of money he had to repay each month, which included the principal, interest, and administrative fees, and he made the payments without understanding how the amount was calculated. Credit officers also took advantage of low financial literacy by telling victims that the interest rate was, for instance, 1.5% per month instead of 18% per annum to make the interest rates seem low. They also failed to disclose any administrative and other one-time fees, which can range from 1-2% of the total loan amount, making it difficult for

¹⁶⁷ CPS, CP 3.1.
¹⁶⁸ Id., CP 3.1.3.
¹⁶⁹ Id., CP 3.1.4.3.
¹⁷⁰ Id., CP 3.1.4.4.
¹⁷¹ Leora Klapper, *supra* note 37.

customers to accurately estimate how much they actually owed the bank and the total financial burden they were agreeing to by signing loan agreements.

c) Use of coercive collection tactics

The CPS requires financial institutions to treat customers with respect, avoid aggressive sales tactics, and protect their rights during the collection process.¹⁷² Specifically, financial institutions must ensure that employees do not engage in any coercive behavior with customers, such as using profanity and physical force, restricting the customer’s physical freedom, sexually harassing them, yelling, entering their homes without consent, publicly humiliating them, or intimidating the customer.¹⁷³

KB Prasac and Woori Cambodia employees routinely used coercive behavior prohibited by the CPS when collecting payments from clients, in breach of their duty of respect for customers.¹⁷⁴ Credit officers from the banks entered victims' homes without their consent and stayed for as long as two to three hours, pressured them and photographed their families and homes without their consent. They also made threats, including threats to call the police and threats to send the victims to jail. A particularly common tactic was to publicly humiliate the victims by shouting at them in front of their families, neighbors, and customers, if they ran a small shop or business. This severely damaged the victim’s reputation in the village, where reputation is crucial to living in a rural community.

A Cerise+SPTF representative who spoke to KTNC Watch said that "all of these practices are not permitted under the CPS" and "constitute a clear violation of the CPS." Additionally, while the CPS is silent on collection methods that use local authorities to pressure victims, the representative noted that "pressure in any form or from any source is inconsistent with the CPS."

d) Incentive structures that lead to aggressive sales and collection

The salary and incentive structure offered to credit officers also did not comply with the CPS and encouraged aggressive sales and collection behaviors. According to the CPS, financial institutions should ensure that the incentives provided to frontline employees does not encourage aggressive sales behavior, specifically noting that the fixed salary of frontline employees should account for at least

¹⁷² CPS, CP 5.3, 5.4.
¹⁷³ Id., CP 5.2.2.
¹⁷⁴ Local survey results from Chapter 2 above b. Interview with victims 5) Collection process Note.

50% of the total compensation.¹⁷⁵ In other words, incentives should not be more than 50% of total compensation.

However, KB Prasac executives revealed that credit officers are paid a base salary of \$250 per month plus 15% of the amount they collect as an incentive, with an upper limit of \$1,000. The incentive is zero if the non-performing loan ratio in the credit officer’s portfolio exceeds 3%.¹⁷⁶ In other words, the incentive can be up to 75% of the total salary at KB Prasac, and if the NPL ratio exceeds 3%, the employee receives no incentive at all. This incentive structure puts huge pressure on employees to push victims to make their payments at all costs.

According to Cerise + SPTF representative, such an incentive structure is "inappropriate and does not meet our standards," and "such a structure is likely to actually lead to aggressive sales and collection behavior."

e) High interest rates and non-interest fees

Standard 4 of the CPS states that financial institutions should set responsible prices.¹⁷⁷ The term "price" refers to how much an institution receives for the products and services it provides, including interest rates, fees, and other charges. Specifically, the CPS principles and indicators require financial institutions to set fair prices and reasonable fees, and not pass on costs to customers unnecessarily.¹⁷⁸ In addition, return on assets should be within an appropriate performance range.¹⁷⁹

KB Prasac and Woori Cambodia charged people in vulnerable economic situations high interest rates, normally between 15 to 18%, administrative fees ranging from 1 to 2% of the total loan amount, in addition to late fees and various one-time fees demanded by credit officers. As a result, both banks have made significant profits from their lending business despite the economic crisis in Cambodia caused by COVID-19 over the past several years.

175 CPS, cp 5.3.2.1.
176 See supra Chapter 2 Field Investigations, A. Interviews with KB Prasac and Woori Cambodia.
177 CPS, CP 4.
178 Id., CP 4.1, 4.2, 4.3.
179 Id., CP 4.3.3.

<Table 2>Recent Returns of KB Prasac Bank

	2020	2021	2022	2023
Return on assets (ROA)	3.24	3.92	3.98	1.66
Return on equity (ROE)	23.43	26.07	23.70	9.10
Net income	108,828,987	155,500,964	181,275,345	86,920,584

<Table 3>Recent Returns of Woori Cambodia

	2020	2021	2022	2023
Return on assets (ROA)	0.42	0.66	0.70	1.09
Return on equity (ROE)	5.87	10.58	11.54	4.80
Net income			45,729,367	15,872,486

KB Prasac, in particular, has posted impressive returns in recent years. In the three years since 2020, when KB Kookmin Bank began its acquisition of PRASAC shares, it has posted a return on assets of nearly 3% and return on equity of over 20%.¹⁸⁰ In comparison, Korean domestic banks had an average return on assets over the past decade of 0.1 to 0.6%.¹⁸¹ The average return on equity of domestic Korean banks over the past 10 years was only 5.2%.¹⁸²

In addition, KB Prasac recorded a average net profit of 141.2 million USD per year from 2021 to 2023. It's difficult to understand how a business that primarily targets farmers, women, and low-income individuals in one of the poorest countries in the region could post such profits. Thanks to these high returns, KB Prasac executives told the KTNC Watch team that in just three years, KB Kookmin Bank had already recovered more than half of the KRW 1 trillion it invested during the PRASAC acquisition.

180 KB PRASAC Bank, "Annual Report 2023", KB PRASAC Bank (2024).
181 Indicator Nuri e-National Indicators, Bank Return on Assets (ROA), https://www.index.go.kr/unity/potal/main/EachDtlPageDetail.do?idx_cd=1093 (last visited Mar. 20, 2025).
182 Eunseon Oh, "[Banks Without Innovation]© U.S. Bank Doubles Profitability of Korean Banks... "Asset Management Fee"", Chosun Biz, <https://biz.chosun.com/stock/finance/2024/12/18/Y4UTQNST7FDQHB7QJSNDOXTSGM/> (Dec. 18, 2024).

KB Prasac’s interest income per borrower was approximately \$1,216 and Woori Cambodia’s was approximately \$1,020 in 2023.¹⁸³ Comparing this to Cambodia's 2023 gross national income per capita of \$1,810, the average borrower at both banks was spending 60 to 70% of their annual income on interest alone. With most borrowers' incomes barely enough to cover their families' basic needs, the fact that the banks were able to earn this much interest income means that customers likely resorted to selling their assets, like their land and homes, or taking on additional loans to make the payments.

<Table 4> Interest income of KB Prasac and Woori Cambodia (2023)

	KB Prasac	Woori Cambodia
Total number of active borrowers	548,810	176,130
Total interest income	667,712,623	179,685,683
Average interest income per borrower	1,216.66	1,020.18
Average interest income per borrower as a percentage of Cambodia's GNI per capita in 2023 ¹⁸⁴	76.52%	64.16%

However, despite these high profits, the two banks, especially KB Prasac, continued to charge high interest rates and fees, rejected victims' requests for debt restructuring, and maintained aggressive collection policies. This is inconsistent with the principle of responsible pricing under the CPS.

f) Predatory collateral policies

According to the CPS, a financial institution's products and services should not harm customers and the use of collateral and guarantees should not result in "severe hardship" for customers.¹⁸⁵ Specifically, with respect to collateral, the CPS states that an institution should not accept certain assets as collateral if the loss of those assets would result in severe hardship for the customer or significantly impair the

183 Statistics extracted from KB Prasac Bank and Bank of Cambodia 2023 Annual Report.

184 Asian Development Bank, "Key Indicators Database, Gross National Income per Capita, Atlas Method," https://kidb.adb.org/explore?filter%5Bindicator_id%5D=2200006&filter%5Beconomy_code%5D=CAM&filter%5Byear%5D=2023&grouping=indicators&showRegions=false (accessed March 20, 2025). 1,810 per year.

185 CPS, CP 1.4.2.

customer's ability to earn an income, and that the institution should develop a list of assets they will not accept as collateral.¹⁸⁶

As mentioned above, KB Prasac and Woori Cambodia customers are low-income farmers, mostly women, living in rural areas.¹⁸⁷ Land is often their only major asset and as farmers the loss of land leads to them losing their ability to generate an income, causing severe financial crisis. This is why the microcredit, which was designed to alleviate rural poverty, used guarantees from the community or a group of people to manage the risk associated with the loan instead of requiring a collateral.

However, KB Prasac and Woori Cambodia both require land or real estate as collateral for almost all loans, apparently without adequate consideration as to how the loss of the collateral would affect the customer and their ability to repay the loan. In fact, both banks have policies that encourage customers to pledge assets that they cannot afford to lose. For example, Woori Cambodia 's Guidelines for Loan Application and Appraisal Procedures instructs staff to prioritize "the residential house where the customer lives" as collateral to "strengthen the security” of the loan.¹⁸⁸ In this way, the two banks sought to ensure debt repayment by prioritizing collateralization of assets that, if lost, could cause severe hardship for the customer.

The banks didn't stop there. They also forced customers to sell the collateral themselves to pay off their debts if they could not make payments.¹⁸⁹ Even when it was clear that the loss of collateral would lead to the financial ruin of the victims' family and hinder their ability to generate an income to repay the remaining debt, the bank employees continued to force borrowers to sell the collateral. Credit officer pressured victims to sell the collateralized land quickly at a low price to make the payments, rather than going through the judicial process, as their incentives were at stake. The banks did not even inform the victims, who had low financial literacy, that a legal process existed to enforce sale of the collateral. Some credit officers pressured borrowers by suggesting that the bank could sell the collateralized asset for less if the borrower did not sell the asset themselves. The resulting loss of the land resulted in the loss of livelihoods and income-generating capabilities of the victims' families.

186 Id., CP 1.4.2.1.

187 See supra Chapter 2 Field Investigations, B. Interviews with Victims, subsection (1).

188 Woori Cambodia, Loan Application and Assessment Process Guideline (Dec. 20, 2023).

189 See supra Chapter 2 Field Investigations, B. Interviews with Victims, subsection (5).

g) Conclusion

As discussed above, the lending practices of KB Prasac and Woori Cambodia did not meet the CPS's customer protection standards in many aspects. Standard 1 of the CPS, which states that financial institutions should not cause harm to customers through their activities, was not followed, and the grievance redressal mechanism was not set up and operated in a manner that is "easily accessible and responsive to customer needs" as required by Standard 7.¹⁹¹

5) Parent organization's human rights policy

The lending practices of KB Prasac and Woori Cambodia also violated the human rights policies of their parent companies, KB Financial Group and Woori Financial Group.

KB Financial Group states in its Human Rights Policy that it respects and supports international standards on human rights, including the Universal Declaration of Human Rights and the UNGPs.¹⁹² In addition, KB Financial Group pledges not to engage in any unethical behavior that violates the rights and interests of its customers through its Code of Ethics.¹⁹³ KB Financial Group has also joined the Equator Principles, pledging not to finance large-scale development projects that may cause environmental destruction or human rights violations.¹⁹⁴

Woori Financial Group has also stated through its Human Rights Principles that it respects and supports international standards on human rights, including the Universal Declaration of Human Rights and the UNGPs.¹⁹⁵ In addition, through its Human Rights Management Policy, Woori Financial Group publicly declares that it "shall not cause or contribute to negative human rights impacts and shall endeavor to prevent or reduce negative human rights impacts directly related to its operations, products and services."¹⁹⁶

190 CPS, CP 1.

191 Id., CP 7.1.

192 KB Financial Group, "KB Financial Group Human Rights Policy," <https://www.kbfg.com/eng/esg/strategy/policy/environment/list.jsp> (last visited Mar. 20, 2025).

193 KB Kookmin Bank, "Code of Ethics," <https://omoney.kbstar.com/quics?page=C017601> (last visited Mar. 20, 2025).

194 The Equator Principles are a voluntary agreement by financial institutions around the world to refrain from financing large-scale development projects that destroy the environment or violate human rights. Equator Principles, "About the Equator Principles," <https://equator-principles.com/about-the-equator-principles/> (last visited Mar. 20, 2025).

195 Woori Bank, "Woori Financial Group Human Rights Principles," <https://spot.wooribank.com/pot/Dream?withyou=BPPCT0056> (last visited Mar. 20, 2025).

196 Woori Bank, "Woori Bank Human Rights Management Policy," <https://spot.wooribank.com/pot/Dream?withyou=BPBK10037> (last visited Mar. 20, 2025).



<Photo 18> Woori Financial Group Human Rights Principles (Source: Woori Financial Group website)

However, as illustrated in this report, the lending practices of KB Prasac and Woori Cambodia have resulted in overindebtedness and loss of livelihood, including land, and have negatively impacted victims' human rights guaranteed by international human rights norms. Furthermore, despite years of reporting and evidence from local human rights organizations, international researchers, and foreign media, the banks and their parent companies have continued to deny the existence of negative human rights impacts of their microfinance operations, failed to take any measures to reduce the harm, failed to provide remedies to victims, and refused to communicate with stakeholders. This violates international standards on the corporate responsibility to respect human rights, including the UNGPs.

KB Financial Group, Woori Financial Group should identify and take responsible action to address the actual and potential adverse human rights impacts of their lending practices in Cambodia, in accordance with their human rights policies, human rights principles, and codes of ethics.

D. The Korean government's obligation to protect human rights

1) Extraterritorial obligations of State parties to international human rights treaties

The Republic of Korea, where KB Financial Group and Woori Financial are headquartered, also has to duty to ensure that the overseas operations of companies within its jurisdiction do not violate human rights as guaranteed by international human rights law.

Korea is a party to eight core international human rights treaties, including the ICCPR and the ICESCR, and as a signatory to these treaties it is obligated to respect, protect, and realize the rights guaranteed by the treaties.¹⁹⁷ The "duty to respect" refers to the obligation of states not to violate human rights guaranteed by international human rights law through direct acts or omissions of its agents, and the "duty to protect" refers to the obligation to protect everyone's human rights from violations by third parties, including business enterprises. The scope of these duties under international human rights law applies to a state party's territory and jurisdiction, as well as extraterritorially, where the state exercises effective control over the individual, entity, or territory.¹⁹⁸

Of course, KB Prasac and Woori Cambodia are Cambodian entities and the negative human rights impacts of their lending practices occurred in Cambodia. However, because their parent companies are domiciled in South Korea and controlled by the South Korean government, the South Korean government also has a duty to prevent and remedy human rights violations resulting from their overseas operations. In its General Comment No. 24, the Committee explains that "States parties should take the necessary measures to prevent human rights violations abroad by enterprises located within their territory or jurisdiction [...] without prejudice to the sovereignty of the State party or derogating from the State party's obligations under the Covenant" and that "the extraterritorial obligation to protect requires States parties to take measures to prevent and remedy violations of Covenant rights caused by the activities of enterprises outside their territory over which they exercise control."¹⁹⁹ In its Concluding Observations on the fourth periodic report of the Republic of Korea in 2017, the CESCR recommended that the state party "take action on allegations of human rights violations arising from the domestic and international activities of Korean companies and ensure that victims can seek

197 Ministry of Foreign Affairs, "International Human Rights Norms," https://www.mofa.go.kr/www/wpge/m_3996/contents.do/ (last visited Mar. 20, 2025).

198 Yoonjin Shin, "Extraterritorial Human Rights Obligations of States Parties to International Human Rights Treaties: Focusing on the Meaning of 'Jurisdiction' and Transnational Human Rights Issues." *Human Rights Studies*, Vol. 4, No. 1 (2021), 101-176.

199 UN Committee on Social Rights, General Comment No. 24 (2017): State obligations under the International Covenant on Economic, Social and Cultural Rights in relation to business activities, paragraphs 26 and 30.

reparation through the State party's judicial and non-judicial mechanisms."²⁰⁰

CESCR General Comment No. 24:

" The extraterritorial obligation to protect requires States Parties to take steps to prevent and redress infringements of Covenant rights that occur outside their territories due to the activities of business entities over which they can exercise control [...]."

Therefore, in order to fulfill its obligation to protect under international human rights treaties, the Korean government must take affirmative steps to prevent and remedy violations of international human rights law rights resulting from the overseas operations of KB Financial Group and Woori Financial Group. The UNGPs provide specific guidance on how to do so.

2) State duty to protect human rights

The UNGPs, which are based on existing international human rights norms, also establish the "duty of States to protect human rights" as one of its three pillars. Essentially, states are required to take appropriate steps to prevent, investigate, punish and remedy human rights violations arising from business activities through effective policies, laws, regulations and judgments.²⁰¹

To fulfill their obligation to protect human rights against corporate harm, states must adopt a legal framework to ensure corporate accountability. Specifically, states should "enforce laws that require businesses to respect human rights and aim to bring about such results, and regularly assesses the adequacy of such laws to remedy any deficiencies" and "provide effective guidance to businesses on how to respect human rights in their business activities."²⁰² They should also take "appropriate measures to ensure that victims have access to an effective remedy, whether judicial, administrative, legislative, or other appropriate means."²⁰³

200 Committee on Economic, Social and Cultural Rights, Concluding observations on the fourth periodic report of the Republic of Korea, E/C.12/KOR/CO/4 (Oct. 19, 2017), para.

201 UNGP Article 1.

202 UNGP Article 3.

203 UNGP Article 25.

UNGP Article 1 Commentary

"The State duty to protect is a standard of conduct. Therefore, States are not per se responsible for human rights abuse by private actors. However, States may breach their international human rights law obligations where such abuse can be attributed to them, or where they fail to take appropriate steps to prevent, investigate, punish and redress private actors' abuse."

Therefore, the Korean government has an international legal obligation to take appropriate "investigative, punitive, and remedial" measures against KB Financial Group Woori Financial Group, and their subsidiaries for their alleged human rights violations in Cambodia.²⁰⁴ Furthermore, the government must urgently establish a legal framework to prevent human rights violations by Korean companies' overseas operations and ensure corporate responsibility and respect for human rights. The European Union recently adopted the Corporate Sustainability Due Diligence Directive, which requires human rights due diligence for companies over a certain size, establishes grounds for punishment for violations, and specifies the obligation of governments to ensure that companies are responsible for respecting human rights.

Also, public authorities and public enterprises owned or controlled by the state are held to a higher standard of care in respecting human rights.²⁰⁵ According to the UNGPs, violations of human rights by business enterprises controlled by the State, or by business enterprises in so far as their activities contribute to the State, may constitute a violation of the State's international legal obligations.²⁰⁶ The Korean National Pension Service (NPS) is a public institution under Korea's Ministry of Health and Welfare that manages the national public pension fund. The NPS is also the largest shareholder of KB Financial Group and Woori Financial Group.²⁰⁷ Because the NPS has a higher duty of care for human rights than an ordinary investor, it has a responsibility to use its leverage as the largest shareholder to ensure that allegations of human rights abuses arising from the overseas operations of KB Financial Group and Woori Financial Group are addressed, and, at a minimum, must demand that the companies investigate the allegations and take appropriate action.

204 UNGP Article 1 commentary.

205 UNGP Article 4.

206 UNGP Article 4 commentary.

207 In the case of Woori Financial Group, the Korean National Pension Service largest shareholder excluding employee-owned shares.

D. Conclusion

The lending practices of KB Prasac and Woori Cambodia have pushed victims who were already in a socioeconomically vulnerable position into deeper poverty and have resulted in serious violations of their fundamental human rights guaranteed by international human rights law, including the rights to food, housing, health, and education.

The lending practices of the two Cambodian subsidiaries of Korean banks seriously violated international standards on the corporate responsibility to respect human rights, including the UNGPs, as well as international standards on the responsible business conduct of financial institutions, including the UN PRB and the CPS. The responsibility lies not only with the two subsidiaries but also with their parent companies headquartered in Korea, KB Financial Group and Woori Financial Group. To remedy these violations, the companies must (1) conduct comprehensive and independent human rights impact assessments to identify and address the adverse human rights impacts of their lending operations in Cambodia; (2) take steps to prevent, mitigate, eliminate, and minimize potential or actual adverse human rights impacts identified in the human rights impact assessments; and (3) provide effective remedies to victims.

The South Korean government also has a duty under international human rights law to ensure that the overseas operations of KB Financial Group and Woori Financial Group, business enterprises within its jurisdiction, do not violate human rights. The government should take appropriate investigative,

punitive, and remedial measures and ensure victims have access to a remedy. Furthermore, the legal framework for preventing human rights violations by Korean companies' overseas operations and ensuring corporate responsibility to respect human rights should be urgently established.

Recommendations

1) KB Kookmin Bank (KB Financial Group) and Woori Bank (Woori Financial Group)

- Conduct human rights due diligence on the lending operations of their Cambodian subsidiaries without delay. Human rights due diligence should include the following steps:
 - Conduct a comprehensive and independent human rights impact assessment to identify potential and actual negative human rights impacts of the lending operations of the two Cambodian subsidiaries
 - Establish an independent investigative body, which includes external human rights experts, to ensure the objectivity and effectiveness of the human rights impact assessments
 - Develop and implement measures to eliminate or minimize adverse human rights impacts identified through the human rights impact assessment

- Provide effective remedies for victims affected by the operations of the Cambodian subsidiaries
- Ensure meaningful engagement with stakeholders, including Cambodian victims and supporting organizations, at all stages of the human rights due diligence process
- Transparently disclose information about the human rights due diligence process in a way that is accessible to all stakeholders
- Examine the operations of other foreign subsidiaries engaging in similar business practices and take appropriate action
- Review the internal human rights management system and strengthen human rights due diligence procedures, especially regarding overseas operations
- Enhance training for all employees, especially those working at overseas subsidiaries, about the parent group's human rights principles and the corporate responsibility to respect human rights
- Diligently communicate and collaborate with domestic and international stakeholders on this issue

2) KB Prasac and Woori Cambodia

- Bank employees selling financial products must provide detailed information about the products in a language and manner that customers with low financial literacy can understand easily to help them make an informed decision. This must include explanations and information on:
 - Basic financial concepts like "interest rates" and "collateral"
 - Amount of interest rate charged and other non-interest fees
 - Consequences for late or missed payments
 - Collateral handling processes in case of loan default
 - Grievance procedures and mechanisms for redress
- Ensure that bank policies do not encourage aggressive sales and collection tactics by bank employees The following steps should be taken:

- Improve pay structures for bank employees to ensure they are not incentivized to use aggressive sales and collections, and limit that share of incentives credit officers earn to less than 50% of their total pay
- Strengthen internal controls and management oversight to prevent aggressive sales and collection behaviors by bank employees
- Upon receiving reports of unethical sales and collection practices, including threats, insults, and extrajudicial land sales through coercion, conduct independent investigations and take appropriate action without delay
- Take steps to ensure that customers are not overindebted.
 - Reform credit policies and practices to ensure the approval of a loan does not solely consider the value of collateral, but instead factors the borrower's household cash flow and actual ability to repay the loan
 - Reform loan approval standards to ensure that the amount needed to service the debt is no more than 70 percent of the borrower's actual disposable income, excluding essential expenses, payments on existing debt, etc.
 - Prohibit soliciting or the approving of large loans, especially to people recognized as IDPoor by the Cambodian government or people who already heavily indebted
 - Prohibit coercion or soliciting customers who are struggling to repay their existing debts and allowing them to take out new loans to pay their existing debts
- Prevent the loss of borrower's collateral that can cause a livelihood crisis for the customer and loss of their ability to generate income. The following measures should be taken:
 - Prohibit collateralizing assets which, if lost, would cause severe hardship for borrowers or reduce their ability to earn an income.
 - Establish criteria for accepting collateral from customers and a list of assets that cannot be pledged as collateral
 - Prohibit employees from pressuring customers to sell their collateral extrajudicially
 - Explain lien enforcement procedures and rights in a way borrowers can understand

- Take steps to ensure responsible pricing.
 - Reduce excessive fees, such as administrative fees and other one-time fees, that can amount to 1 to 2% of the total loan amount
 - Set responsible pricing that maintains an appropriate level of profitability
- Take steps to ensure that internal grievance mechanisms are effective, independent and accessible to all victims.
 - Provide sufficient information about the grievance system in a language and manner that all customers can understand
 - Ensure access to grievance mechanisms to customers who live in rural areas, far from bank branches or don't speak Khmer
 - Create an independent body with relevant expertise and authority to run the grievance mechanism
 - Prohibit and sanction retaliation against customers who file complaints
- Provide appropriate remedies to victims whose rights have been negatively affected due to the unethical lending practices. The form of remedy may vary depending on the victim's circumstances and taking into account the nature and extent of the bank's culpability.
 - Acknowledge the problem and apologize to victims
 - Immediately stop all unethical lending and collection practices
 - Provide effective debt restructuring, such as extending the repayment period, reducing or waiving interest and late fees, and waiving administrative fees, taking into account the victim's actual ability to repay the debt
 - Pay compensation or damages for land, housing, etc. that were wrongfully lost due to coercion by the employee rather than using proper lien execution judicial processes
 - Provide partial or full debt forgiveness if the bank is clearly at fault, or if the borrower's ability to earn income has been significantly reduced due to loss of land, death of a family member, etc.

- Cooperate fully with investigations and human rights due diligence related to this matter, including the ongoing investigation by the World Bank Group's Office of the Compliance Officer/Ombudsman.
- Engage and cooperate in good faith with domestic and international stakeholders on this issue.

3) Korean government (Financial Services Commission, Ministry of Justice, Ministry of Trade, Industry and Energy, National Assembly)

- Investigate the alleged human rights violations of the Cambodian subsidiaries of KB Kookmin Bank, Woori Bank, KB Financial Group, Woori Financial Group and take appropriate measures, including punitive measures and corrective orders
- Strengthen oversight of financial institutions' overseas operations to prevent negative human rights and environmental impacts
- Enact legislation requiring mandatory human rights and environmental due diligence assessments, to prevent human rights violations and environmental degradation caused by Korean companies' overseas operations and ensure that companies are held accountable for such harm
- Engage and cooperate in good faith with domestic and international stakeholders on this issue

4) National Pension Service and other institutional investors and partners

- Use available leverage to address these abuses, including demanding an explanation and appropriate action from KB Financial Group and Woori Financial Group on this matter
- If negative human rights impacts persist despite using all leverage, consider suspending business relationships or divesting from the two businesses to avoid further association with rights violations
- Review responsible investment principles and strengthen human rights due diligence requirements
- Engage and cooperate in good faith with domestic and international stakeholders on this issue

Appendices

: Interviews with Victims - Case Summary

Case 1

The victim is a indigenous man in his 40s who supports his wife and three children. He earns a living from farming and as day laborer. The victim took out a loan of 60 million riel (around US\$15,000) from Prasac (now KB Prasac) in 2019, pledging his communal land title as collateral. When he had difficulty repaying the loan due to the COVID-19 pandemic, climate change, and falling agricultural prices, credit officers came to his home to pressure him to repay the loan, and the bank even filed a complaint with local authorities. He sold his land and partially repaid the loan, but the loan still remains outstanding. The victim now lives with overwhelming anxiety and a persistent, though irrational, fear that the credit officer will resort to violence or even kill him.

Case 2

The victim is an indigenous man in his 30s who took out a loan of 20 million riel (US\$5,000) from Woori Cambodia in 2020, pledging the communal land title as collateral. Since then, the deteriorating economic situation caused by the COVID-19 pandemic and poor crop harvest have made it difficult for him to repay the loan. The credit officer's pressure to repay the loan intensified day by day, and the bank's lawyer told him that even though he had pledged a communal land title, the court could demarcate the land and sell it. The lawyer continued to call him several times over the next month, leaving the victim with a sense of economic helplessness and fear of being summoned to court.

Case 3

The victim is an indigenous man in his 40s who works as a farmer and lives with his wife and four children. He borrowed US\$10,000 from KB Prasac without being fully informed of the terms of the contract by the credit officer and without a clear understanding of the concepts of principal, interest,



<Photo 19> Woori Bank Cambodia advertisement © Son Go-woon (Hankyoreh 21)

and collateral. Due to additional expenses for his children's education, medical bills, and reduced profits from the farm, he has been unable to repay the loan and has rented out the cashew nut farm to someone else to earn some rent. The 17-year-old son has been helping at the farm after school, but the situation is not improving due to lower than expected profits.

Case 4

The victim is an indigenous man in his 50s who lives with his wife and daughter. He is a farmer and community leader. The victim took out a small loan from AMK Bank in 2011 to purchase agricultural inputs, but due to the deteriorating economic situation and his family health costs, he took out additional loans from several other banks, including Vision Fund Cambodia (now Woori Cambodia), which became unmanageable. As he struggled to pay back the loans due to the cost of his children's education, medical expenses, soil degradation and falling crop prices, credit officers pressured him to sell their farm equipment and household items to repay the loans. In the last few days, the victim has had a hard time thinking about how he will find the money to repay the loan and worrying about his family and community.

Case 5

The victims are an Indigenous married couple in their 30s living with five children. They borrowed US\$3,000 in 2018 and US\$5,000 in 2022 from Prasac (now KB Prasac), but due to the suicide of their father (in-law), funeral expenses and poor crop yields, they found it difficult to repay the loans and resorted to borrowing more money. In 2022, they took out a larger loan of US\$8,000 from KB Prasac to pay off the previous loans, but their financial situation had not improved. Credit officers came to their homes and farm and pressured them to sell their motorcycles and other belongings to repay the loan. The credit officer said that he would file a complaint with the district office if they did not pay. In addition to farming, the victims collected and sold berries they foraged in the forest or worked as day laborers at a rubber plantation. Their two children have now dropped out of school to help them farm the family's land.

Case 6

The victims are an Indigenous married couple in their 60s (male) and 40s (female). They pledged their land as collateral for a US\$3,000 loan from Prasac (now KB Prasac Bank) in 2013, but the bank did not return their collateral after the loan was repaid in full. Therefore, the victims were forced to take out a second loan for US\$8,000 from the same bank (KB Prasac) in 2022. The victims said they were finding it difficult to repay the loan because they are older, farming had become more difficult for them, and climate change had reduced harvests. Their family is under great stress due to pressure from credit officers and their standard of living had decreased, forcing them to cut back on food expenses and school fees for their children.

Case 7

The victims are an Indigenous married couple in their 40s who have seven children and are engaged in farming. They took out a loan of 18 million riel (US\$4,500) from KB Prasac in 2022 and are still repaying it, paying more than 800,000 riel per month (US\$200) in principal and interest. The victims took out the loan for agriculture costs and home construction, but due to reduced yields and climate change, they were having difficulty repaying the loan. Their credit officer pressured them to repay the loan, suggesting they take out a private loan. The credit officer even threatened to blacklist them if they did not repay the loan. The anxiety and stress from the credit officer's repeated pressure tactics caused them to lose sleep and their health deteriorated. Eventually, the victims decided to sell their land, but no buyers showed up and they were forced to drop the price to sell the land

Case 8

The victims are an Indigenous married couple in their 30s (male) and 20s (female) who have two daughters and are engaged in farming. They took out three loans from KB Prasac starting around 2021 (US\$3,000, US\$6,000 and US\$5,000). Their economic situation deteriorated due to reduced crop yields caused by climate change and sudden medical expenses, making it hard for them to repay the loans. Credit officers visited their home on several occasions, forcing them to sell their home and land and warning them that they would be reported to the village or local authorities. The victims were so stressed and anxious that they were forced to sell their land for \$10,000 in a rush even though they could have waited for the right buyer and earned at least \$17,500 for the land.

Case 9

The victim is an Indigenous woman in her 60s, who is divorced from her husband and living with her three children. She received an US\$8,000 loan from Cambodia Vision Fund (now Woori Cambodia) in 2011 and a US\$10,000 loan from Woori Cambodia in 2020. In 2019, a Chinese mining company grabbed 12 hectares of her farmland without compensation, cutting off her stable income. Additionally, environmental pollution from the mining development made it difficult to farm the remaining land. The credit officer pressured the victim to sell her house to repay the loan and threatened to arrest and imprison her if she did not repay the loan. To repay the loan, the victim took out a private loan with 10% interest per month. Unable to pay this private loan, she took out another bank loan, starting a vicious cycle. The woman had osteoporosis and high blood pressure making it difficult for her to work and forcing her children to stop their studies and start working. Their 16-year-old daughter was hospitalized due to overwork, their son was unable to get paid for his construction work, and they had to sell off their farm equipment and furniture at a loss to make their loan payments, causing the entire family to suffer.

Case 10

The victim is a man in his 40s with a wife and three children. He works as a farmer and collects sap at a rubber plantation. He took out a US\$35,000 loan from KB Prasac in 2022, but due to the effects of climate change and the pandemic, his profits declined and he struggled to repay the loan. Credit officers would shout at him so that his neighbors could hear them or they would come to his home in groups of two or three and stay there for two to three hours to pressure him to repay. The bank also reported the victim to the commune police station and a meeting was held at the commune police station. Recently, the victim felt that their neighbors laughed at them and despised them. There were frequent family conflicts too. Given the family's financial difficulties, two of their children dropped out of school to help support the family, and only the second daughter (16 years old) remains in school.

Case 11

The victim is a 35-year-old woman who lives with her 65-year-old mother. She borrowed US\$12,000 from Prasac in 2017 and US\$21,000 from KB Prasac in 2020 to repair her home and expand her business. In late 2022, the victim was fired from her job for union activities and lost her income, making it difficult for her to repay the loans. She is currently working as a hairdresser and seamstress

in Phnom Penh. Her credit officer came to the shop she works at and yelled at her in front of her customers. They also threatened her to sell the land or that they would take her to court. The victim has put her land up for sale to repay the loan.

Case 12

The victims are a married couple in their 40s with six children who do farming to earn an income. They borrowed US\$5,000 in 2020 and US\$10,000 in 2021 from Woori Cambodia to pay for farming costs, house construction, and the family's living expenses. But as their income decreased due to the pandemic, they struggled to repay the loans. They even took out private loans to repay the loans, but the high interest rates associated with the private loans made it more expensive and hard to pay off. Their children are also helping the family by operating excavators and driving trucks, but their income is unstable. They are also considering selling their land as a last resort.

Case 13

The victims are a married couple in their 50s with four children who do farming to earn an income. In February 2023, they borrowed US\$18,000 from KB Prasac, using their home and farmland as collateral, to pay off an existing loan. However, their incomes dropped due to a drought and they had difficulty repaying the loan. The credit officer told the couple to borrow money from their relatives, neighbors, and friends and even threatened to file a police and court complaint if they did not make the monthly payments. The financial hardship forced two of their children to drop out of school and start work at an online gambling operation and corn farm. The husband said he wants to sell the land to repay the loan, but the wife is against it because she is worried about losing the family home and farmland. This has led to frequent disagreements between the couple.

Case 14

The victim is a woman in her 40s, widowed with six children. She borrowed US\$30,000 and US\$7,000 in two separate loans from KB Prasac in 2020 to build a house. After the first loan, she had difficulty making the monthly payments due to the pandemic, and the death of her husband only made matters worse. Credit officers came to her home multiple times, pressured her, entered her home to confirm that her husband was dead even though she had showed them his death certificate. She struggles to make ends meet and sells pork and rice on the street in the morning and washes her neighbors' laundry to earn an income.

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