



ASEAN

Cambodia ICO Market

Created By

CYBERIUS

A digital marketing company who specializes in content creation, online community management, and crowdfunding.

Table of Contents

Title Page 01

Table of Contents 02

The Digital Ecosystem 03

Fintech: The Rising Storm 05

Financial Inclusion	06
Constraint & Initiatives	07
The Problems	07
Paving The Way	13
Contact Us	14



Cambodia, a neighbor to Thailand and Vietnam, is one Southeast Asian country that has yet to make its significant mark amongst the emerging markets, yet is on a slow and steady rise to get there. **With a population** of 16 million people, only 3.5 million (21.7%) of those individuals are said to live in an urban area.

The Digital Ecosystem



Compared to its neighboring countries of Vietnam and Thailand, Cambodia remains rather low on the spectrum of internet users and penetration. Out of a population of approximately 16 million people, only 4 million individuals have been recorded to be internet users. That means only **a quarter (25.6%) of the country's population** have accessed the Internet. Compared to the rest of the world, this puts them at 87th rank, which is not too far down, yet it is quite low when looking at the rest of their Southeast Asian counterparts. Indonesia, for example, **ranks at about 10th for the highest number of Internet users** amongst the population, Philippines at 13th, Vietnam one below that, Thailand placed at 22nd, and Malaysia ranked 30th.

While the amount of Internet users may remain rather small in comparison, Cambodia has a surprising amount of mobile phone subscribers, with about **12 million mobile users (78% penetration**

Cambodia has a surprising amount of mobile phone subscribers,

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..... **12 M** mobile users

and about **27 M**  
mobile connections in total.

rate) and about 27 million mobile connections in total. In fact, the Khmer Kingdom actually rated as **15th out of the countries with the highest shares of mobile traffic**, averaging at around 22.7%. Among the top 10, six of the countries were from Africa and four from Asia. This is most likely due to 50% of the population being in their 20's or lower, so adapting these technologies has become straight-forward and easy.



Fintech: The Rising Storm

The potential of financial technology has only just begun to become clear in the eyes of the Kingdom of Khmer. While 80% of the population may still be living in rural areas, the country is fairly young, with the median age sitting at about 24-26 years old. According to statistics, roughly 64% of the population is under the age of 30 and 32% under the age of 15. This essentially means the rate of digital connectivity and penetration has room to skyrocket over the next coming years.

With come-up countries like Cambodia, the emergence of digital technologies and innovations can mean a whole lot for underserved BoP (Base of Pyramid), MSME (Micro Small Medium Enterprise),

female segments. Currently, 13% of Cambodian adults hold a bank account, with less than about 4% saving their money through a formal institution. Technologies for mobile and digital platforms could cut the need for physical bank branches, and finally include financially excluded people in rural areas. Moreover, the emergence of biometrics data would help with payment authorization and customer identification. Such collection of digital information could provide insights into improving customer targeting and things like credit risk assessment.

“A 2016 report by Oliver Wyman estimates that digital technology could result in \$1 trillion of increased revenue and cost savings, equivalent to about 17% of global financial services industry revenue.”

Financial Inclusion

With Cambodia's young population growing and urbanization rising at a rate of 2.45% annually, it is only a matter of time until the country joins the ranks of its fellow ASEAN neighboring countries. There is a lot of room for digital development in Cambodia, making financial inclusion for the Khmer Kingdom more possible. Recently, the trend for adopting mobile payments for domestic money transfer services has been rising, with records showing that **about 33% of adults receive money through mobile services**. With most of the population (49%) being mobile users instead of desktop users (46%), it provides financial technology services an easier barrier of entry compared to existing developed nations that require a complete 180° change in their existing systems.

As we can see from the Oliver Wyman analysis below, Cambodia has the most potential impact for GDP growth in comparison to Indonesia and the Philippines, two countries that have seen huge upsides to financial inclusion and digitization. While Indonesia, the largest economy of Southeast Asia in terms of size, would only see a 9% increase, the Khmer Kingdom is expected to potentially see a 32% rise. With that, the target segment income level would see a 30% increase, at least 20% more than countries like Indonesia and the Philippines.

“the cumulative effect of digitally driven acceleration in financial inclusion could boost GDP by 2% to 3% in markets like Indonesia and the Philippines, and 6% in Cambodia.”

Exhibit 9: Potential Impact In GDP Growth
Impact of digital applications on GDP Growth and Target Segment Income Level



Source: Oliver Wyman Analysis
Target segment includes individuals with daily income of < \$2

One positive step for Cambodia was seen in January 2015, where the National Bank of Cambodia (NBC) entered as a **99th member of the Alliance for Financial Inclusion (AFI)**, a collective group of 95 countries, with 123 members. For a long time, NBC served as one of the leading institutions that helped provide regulation, which in turn increased greater access to financial services. This move allowed non-deposit microfinance institutions to ultimately “*transition to specialized banks, and ultimately become some [of] the largest banks in the country serving millions of customers, especially low income households.*”

Constraints & Initiatives

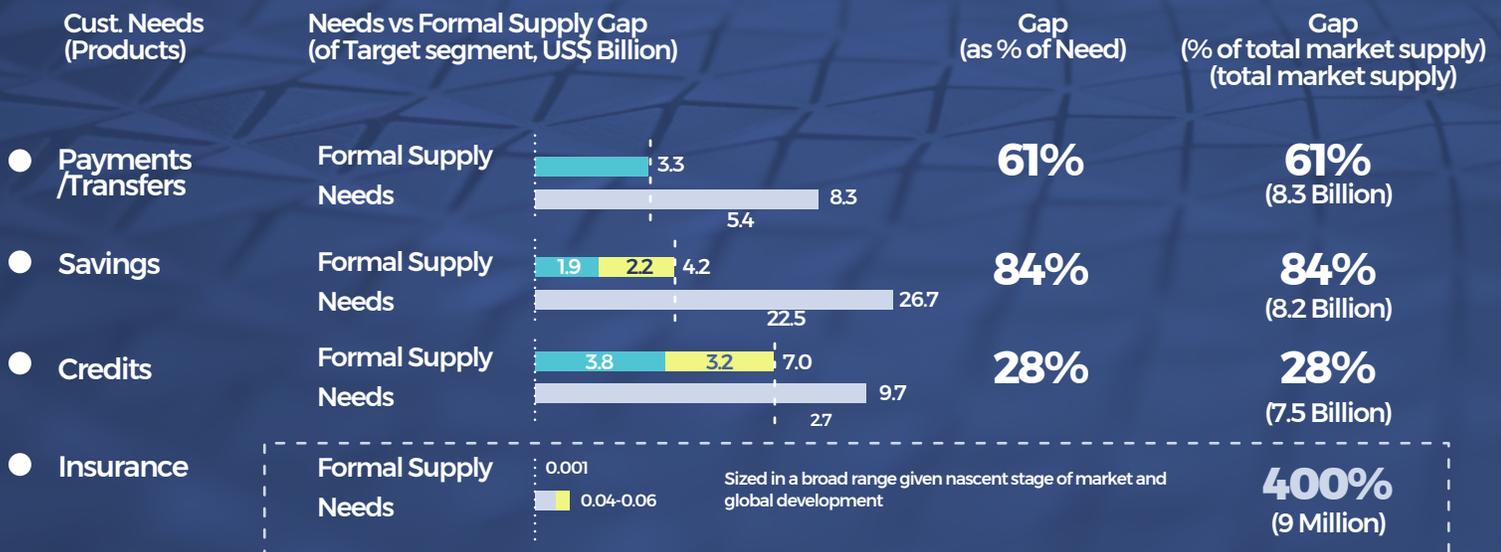
In a country where 70% of the population have a national ID, financial inclusion should not be too difficult. Yet, even with this, there are still constraints the country has in terms of development and the state of infrastructure that prevent absolute ease in financial inclusion.

The Problems

For one, even though the country has a unique national ID, it is lacking a e-KYC (Know Your Customer) infrastructure. What this means is that, currently, whenever a customer wants to open an account, he/she needs to be physically present at the bank. Not only does this create a lot of limitations for transactions to be made, but wastes a lot of time. Additionally, banks are missing real-time KYC public records, making verification of a customer long and tedious. They also are required to have physical copies of KYC documents.

In the current digital payment space of Cambodia, ACLEDA, ABA Bank, and FTB are the only ones that offer any form of e-commerce payment services. Outside of those three, P2P payment platforms are severely lacking. Not only that, but since the digital space and e-commerce hardly exist in Cambodia, there are only minimal forms of systematic training and proper network management practices.

Exhibit 15: Gap between financial services needs and formal supply in Cambodia



When looking at the three primary areas that would be affected by the advancement of digital solutions, we can see that there are quite large gaps when comparing the financial services needs and formal supply in the country. With payments/transfers, there is a gap of \$5.4 billion USD, which is subject to change due to the transition from cash to digital money (albeit slow). With savings, there is a huge gap of \$22.5 billion USD between the formal supply and financial services needs. This means that a very small percentage (16%) of needs are being met, implying there is great room for improvement in this area of financial technology. Lastly, with credits, it held the least significant gap of \$2.7 billion USD.

When it comes to savings and credit, a lot of the constraints that are faced are no different than with the payments/transfers - largely a lack of a proper system. For credit, Cambodia still does not have an automated or digitized system for application processing, while also lacking in efficient credit assessment methods. The current steps they do have in order are not set up for proper risk assessment such as the number of loans and how much can be repaid, etc. Finally with savings, Cambodia and Myanmar remain the only two Southeast Asian countries that do not have a deposit insurance program. To make things worse, none of the mobile payment services currently offered in the country provide a savings plan. As noted above, about less than 4% of the population have saved with a formal institution.

Additionally, in terms of the country itself, there are still some major issues that need

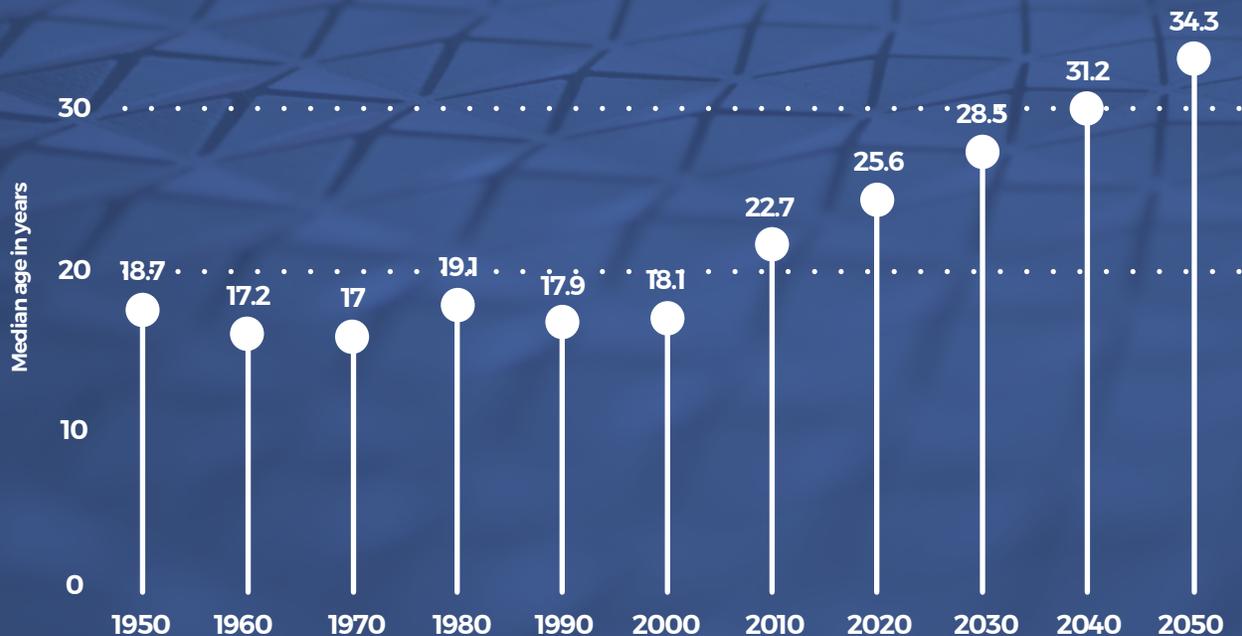
to be taken care of. **One of the primary problems stem from infrastructure**, as the Khmer Kingdom has high energy costs with an insufficient supply of electricity and transportation networks. On top of that, compared to its neighbors in Southeast Asia, Cambodia is not considered a hot spot for doing business, as it ranked quite low when it comes to competitiveness and the flexibility for businesses to run in the country, mainly due to government procedures getting in the way.



Moreover, when it comes to the banking industry, the lack of development in the financial systems is something that can greatly affect future growth in the Khmer Kingdom. In a period where there is rapid and strong change in digital finance, microfinance institutions, and technologies, the issue of this underdeveloped system poses looming issues as things move forward.

Economy	Ease of Doing Business Rank	Filtered Rank	Starting a Bussiness	Dealing with Construction Permits	Getting Electricity
Papua New Guinea	109	15	16	20	15
Philippines	113	16	24	17	7
Solomon Islands	116	17	11	11	17
Palau	130	18	14	15	22
Cambodia	135	19	25	25	20
Laos	141	20	22	8	23
Marshall Islands	149	21	9	12	19
Micronesia, Fed. Sts	155	22	23	21	16
Kirihati	157	23	18	19	25

<http://www.doingbusiness.org/rankings?region=east-asia-and-pacific>



<https://www.statista.com/statistics/438648/average-age-of-the-population-in-cambodia/>

Lastly, while financial inclusion is actively being promoted and pushed by the National Bank of Cambodia, there is still a lot more attention needed to be given to education and health standards. As evident from the graph above, [the average age of the Cambodian population in 2015 was about 24 years old](#), with that number expected to reach 25.6 years old by 2020. This only shows that the youth will run the country in the way it will progress, and so it is important for schools to provide them with training and equipment that will help them obtain the necessary skills needed to improve the country's overall economy.

The Solutions

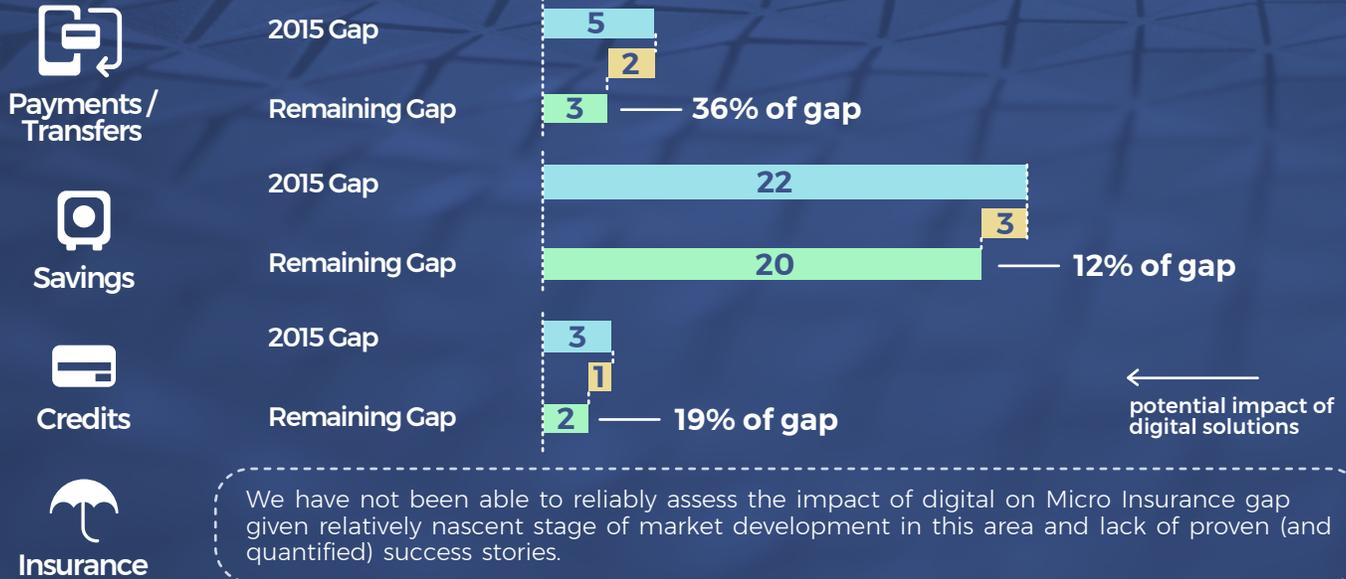
It has been noted that the National Bank of Cambodia (NBC) plans to replace existing license agreements for third party processors through a Payment

Service Provider License, which in turn should push Cambodia forward with their financial inclusion strategies.

One of the biggest ways to change the problems that are listed above is to enable regulations that provide education for digital literacy. Implementing and rolling out financial inclusion and digital education strategies is the first step to getting the people of Cambodia to move forward. Once that has been initiated, to help with payments/transfers and establish a better e-KYC infrastructure, the right guidelines need to be made for setting up a paperless application process. Not only this, but the country must build instructions on how to properly maintain electronic data for the banks and MFIs. Providers also need to be fed the right standards and guidelines to integrate with real-time ID databases,

Exhibit 16: Cambodia - Assessment of the impact of digital solutions

Estimated impact of digital initiatives and supporting regulations on need vs formal supply gap across products (all amounts are in US\$ Billion)



so this can improve the efficiency and current outdated systems that require physical copies, etc.

The country also needs to develop standardized risk assessment policies, advocate the use of automation for application processing, design training materials for the best management practices, and create segment specific products for effective savings plans (farmers, fishermen, etc). Overall, all of the things mentioned above equate to one thing: better digital services education. The major thing that Cambodia is lacking is the right resources and education to work smarter and better. Once that is supplied, with such a large majority of the population being quite young, the country is bound to develop at an unprecedented rate.

It is believed that by acting on these initiatives to resolve the current constraints Cambodia is held down by, there will be a huge upside. Adopting digital applications and technologies will bring great gains to the country. As noted above, it has the potential of having the most upsides compared to the other countries that currently fall under the same spectrum such as the Philippines and Myanmar. According to the ADB report, these digital solutions have the potential to “generate \$2 billion in additional electronic payment flows, more than \$1 billion in additional credit uptake, and more than \$3 billion in savings mobilization.”



“FinTech is not disrupting Cambodia’s financial services, it is facilitating its development.”

<http://www.mekongbiz.org>

In the end, unlike many nations that already have established financial services in place for the people, the Khmer Kingdom is completely ripe and ready to grow. For this reason, the market for Fintech is rather intriguing for many investors and organizations ready to welcome it, since instead of disrupting most of Cambodia’s existing financial services, it would be there to establish the young country’s place in the future. Next-generation technologies give FinTech firms a level playing field to walk and work around, making this sector quite cost advantageous. Furthermore, as quoted above, in countries where many earn about \$2 a day like Cambodia, **financial inclusion would allow for an amazing upside**, with an estimate of roughly 50% increase in income - a huge rise by any measure.



Paving the Way

Although it is still too early to tell how Cambodia will pan out, currently it is on the right track. There is a lot of room to improve and grow, but with the right examples to pave the way, it is only a matter of time until the country reaps the full benefits of all that financial technology can offer. One of the primary leaders in this space is a company called **WING**. Known as Cambodia's leading mobile banking services provider,

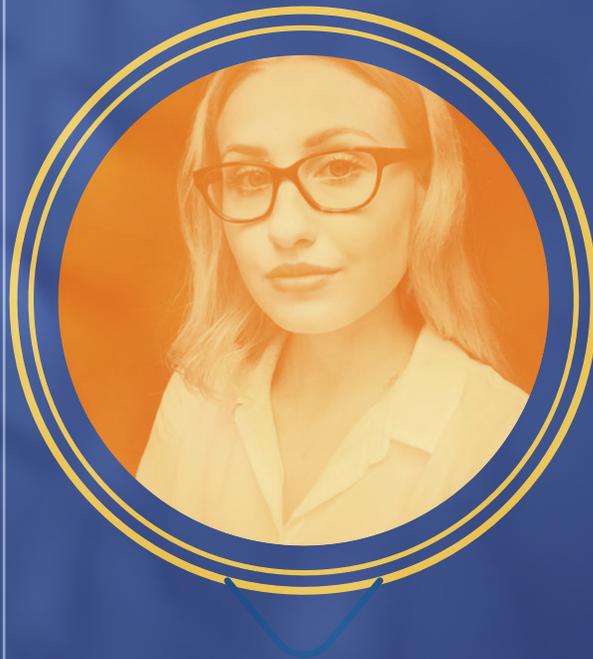
the company has aimed to “provide **financial inclusion via mobile banking services** to the the unbanked and under-banked.” Since 2009, WING's services have allowed Cambodians to send their hard earned money through the connection of a telephone, giving access to financial services, top-ups, and bill and online payments. Through its speed and convenience, thousands of Cambodians do not have to make their way all the way to a bank just to send some money to their loved ones. They can simply use their phone to do all the work with the tap of a few buttons.

While the major constraint they underwent was being unable to process the Khmer language on the major feature phones used in Cambodia, a solution was made in around 2012 where **over-the-counter (OTC)** transactions were offered, with agents completing transactions on behalf of the customers. Upon this change, transaction volumes through WING were said to have gone from **\$65 million in 2011 all the way to a whopping \$1.5 billion by 2013.**

Besides WING however, there are other institutions that are placing their bet on digital finance as a means of helping the people make transactions easier, but also improving the country. **AMK** for example, Cambodia's largest microfinance deposit-taking institution. Much like WING, they aim to serve the unbanked in the country, with aims to “help large numbers of poor people to **improve their livelihood options** through the delivery of appropriate and viable microfinance services.” Since 2012, the company has made efforts to help clients send payments to their loved ones through an agent.

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