

បច្ចុប្បន្នភាពនៃបច្ចេកវិទ្យាហិរញ្ញវត្ថុ
និងការប្រើប្រាស់បច្ចេកវិទ្យា
របស់សហគ្រាសធុនតូច និងមធ្យម
នៅកម្ពុជា

**Current Status of Cambodian
Financial Technology (FinTech)
and MSMEs digital adoption**

Sim Chankiroth
FCCA, CPA, CGMA, ACMA

1

បច្ចេកវិទ្យាហិរញ្ញវត្ថុ
នៅកម្ពុជា ២០១៩
Financial Technology
(FinTech) in Cambodia

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ការប្រើប្រាស់បច្ចេកវិទ្យា
របស់សហគ្រាសនៅកម្ពុជា
២០១៩
Cambodian MSMEs
Digital Adoption

3

Implications for
Accounting
Profession in
Cambodia

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Some background information

1. Membership of Professional Bodies

FCCA, CPA, CGMA, ACMA

2. Roles in Professional Bodies

**Governing
Council
Member of**



វិទ្យាស្ថានគណនេយ្យកម្ពុជា
ដំណាក់កាលនីតិសាសន៍កម្ពុជា
Kampuchea Institute of Certified
Public Accountants and Auditors

**Member of The
ACCA Global Forum
for SMEs**



Think Ahead

3. Regional Speaker/
panelist in the leading
FinTech conference

11
15
NOV
2019

**SINGAPORE
FINTECH
FESTIVAL**

13-15 MARCH 2018
Money ASIA
20/20

34TH ABA GENERAL MEETING
& CONFERENCE
**ASIA'S TURN
TO TRANSFORM**

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Top 10 FinTech in
Asia 2016



The Best Startup -
Cambodian ICT Awards
2018



Selected as one of the
leading Startups in
ASEAN by



One of the 10 Winners of
UNCDF/UNESCAP Women
MSME FinTech Innovation
Fund 2019



UNITED NATIONS
ESCAP
Economic and Social Commission for Asia and the Pacific

One of the **37** Asian
startups selected in
2018 for



eFounders Fellowship

Shaping Champions of the New Economy

An initiative of Jack Ma



One of the **7** Cambodian
in technology sector
selected for the program
in 2017



**International Visitor
Leadership Program**
U.S. Department of State

1

បច្ចេកវិទ្យាហិរញ្ញវត្ថុ នៅកម្ពុជា ២០១៩

Financial Technology
(FinTech) in Cambodia

> **50**
**ACTIVE FINTECH
PLAYERS**

Reported in Cambodia
Vibrant Tech Startup
Ecosystem in 2018
report.

It is important to note that the verticals' list in this presentation are not exhaustive. The functions of the financial service industry will be the main focus.

PAYMENT &
REMITTANCE

LENDING &
CROWDFUNDING

SAVING & INVESTING

VALUE-ADDED
SERVICES &
ENABLERS

INSURANCE

This section is an update from the original report in 2017 by: Chankiroth Sim. (2017). "FinTech In Cambodia 2017". Available at <http://www.mekongbiz.org/wp-content/uploads/2017/08/FinTech-in-Cambodia-by-MBI-published-Aug2017.pdf> on 16 December 2019

DIGITAL READINESS

12.5M

INTERNET SUBSCRIBERS

+56% from 2018 (+5million)
with **76%** penetration rate.

12.05M mobile internet
connections, 74% penetration

16.52 million

POPULATION (1.236 million migrants
working abroad)
24% urban

53%

under the age of 25
with high adoption
rate of technology

**14.34
MBPS**

Average Speed of Mobile
Internet Connections

FINANCIAL PARAMETERS

(% age 15+. The Global
Findex Database 2017 Data)

78%

UNBANKED

17.8% with
Financial
Institution
Account. 5.7%
with Mobile
Money Account

Mobile money
account **5.7%**

Digital Payments
in the past year **15.6%**

Credit in the
past year **26.7%**



2018 Mobile
Banking Registered
users (thousands)

Based on
Acleda & ABA
Bank 2018
Annual Report



757 (3x
growth
from 2017)



240 (2.4x
growth from
2017)

153%
**MOBILE
PRENTRATION**
25.04 MILLION

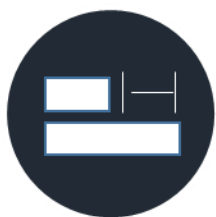
8.8M
**ACTIVE SOCIAL
MEDIA USERS**
51% Penetration. 8.1
MILLION mobile social
media users

% of commercial bank,
specialized banks and deposit
taking MFIs have

47%
Internet
Banking

23%
Mobile
Banking

9%
Gateway,
wallet and
remittance



>\$24 Billion Gap

between financial services
needs & formal supply

Customer Needs
(Products)

The potential impact of **Digital
Finance Applications**



PAYMENTS/
TRANSFERS

>\$2B

Additional electronic
payment flows



SAVINGS

>\$3B

Additional Saving
Mobilization



CREDITS

>\$1B

Additional credit
uptake



INSURANCE

Formal Supply

0.001

Needs

0.04–0.06



Support Infrastructure in National Strategy for Financial Inclusiveness 2019-2025 (implication for FinTech):

1. Encourage **savings** in financial institutions
2. Promote **innovative credit products** for consumers & MSMEs
3. Enable the expansion of **payment system capabilities**
4. Increase consumer empowerment and sector transparency

Note: The National Strategy for Financial Inclusiveness 2019 -2025 is approved by the Council of Ministers on 12 July 2019

Source: ADB. (2017). *Accelerating Financial Inclusion in South-East Asia with Digital Finance*. It is important to note that this research focuses on financial exclusion in three segments: base of pyramid (BoP); women; and micro, small, and medium enterprises (MSMEs). Hence, the gap and impact might be bigger if all constituents are included

PAYMENT, DISBURSEMENT & REMITTANCE



>30

It is important to note that not all of these companies have the payment service institutions license from the National Bank of Cambodia at the time of this report (as of 24 October 2019). Based on NBC, in 2018, there are 16 licensed PSPs.

International
Players' Presence
in Cambodia



Invoice/ Bills
Aggregators



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LENDING & CROWDFUNDING



It is importance to note that we have not obtained the information regarding their licenses from respective regulators

SAVING

This is mainly covered with mobile wallets and mobile bank

INVESTING CSX – Mobile Trading System (MTS)

INSURING



VALUE-ADDED SERVICES & ENABLERS

Credit Information Sharing



Alternative Credit Decision & MSMEs Solutions



Local Innovative Core banking for MFIs & Operators



Analytics/ Identity (AML/KYC)/ Risk

0

Blockchain *cryptoasia*



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Reflection

1. Inclusive FinTech dominates the Cambodian FinTech scene

Payment and Mobile wallet lead fintech offerings in emerging ASEAN. This will remain the same for Cambodia in a foreseeable future.

Drivers of Financial Access

Expanding
Digital Payment
Instruments

Diversifying
Access Points

Achieving Scale
through Social
Transfers

C2B

Dominate the payment transactions in Cambodia. B2B & B2C are gaining momentum.

Reflection

2. Digitizing the banking services vs Providing Digital Banking Experience

% of Commercial Bank, Specialized banks, and Deposit-taking MFIs have

47%

internet
banking

23%

mobile
banking

9%

Gateway, wallet
or remittance

2018 Mobile
Banking
Registered
users
(thousands)



757 (3x
growth
from 2017)



240 (2.4x
growth
from 2017)

The Trends

3. Collaborative Partnership between incumbent and FinTech have become crucial

>50

collaborative partnerships among incumbent financial institutions, fintech and merchants/acquiring partners to co-create innovative solutions.

A more strategically innovative partnership between FinTech and Bank will be forged.

Based on the CFA Institution regarding the roadmap for FinTech development, The Cambodian FinTech is now entering its the third stage of development, which is the Power of Collaboration.

The Trends

4. Emergence of key technology and business model

Open Banking Platform

Banking As A Service with an open API to connect bank physical and digital channels and FinTech to Bank Core Banking.

Consolidation of QR Payment

The possible introduction the standardized QR Code for Payment in Cambodia

2

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របស់សហគ្រាស
នៅកម្ពុជា ២០១៩

Cambodian MSMEs
Digital Adoption



CAMBODIA MSMEs DATA

513,759
ENTERPRISES (NIS, 2015)

11.62% employed more
than 5 person and over



42,068

registered entity (8.19% of total enterprises) as of 17 Dec 2019 (Opencorporates.com) 437 business registered in the last 30 days. Active company is 41,700.

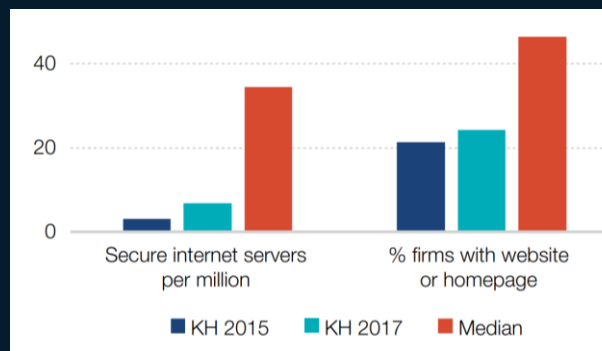
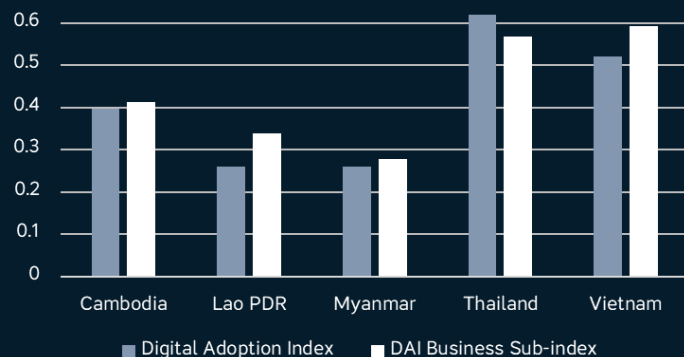
~300+
STARTUP

Technology startups
in 2018

USD 7.7B

MSME FINANCING GAP (IFC, 2019)
(60.329% SMEs, 39.68% Micro Entities)

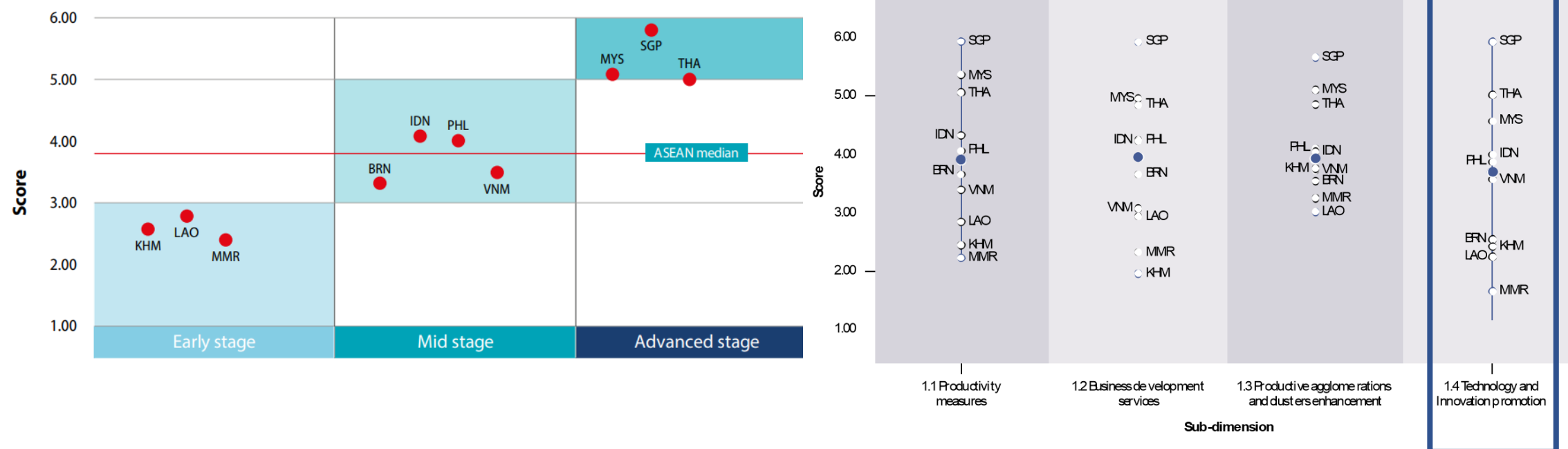
Digital Adoption index - firm subcomponents (World Bank, 2018)



- IFC. (2019). "Exploring the Opportunities for Women-owned SMEs in Cambodia", International Finance Corporation, Washington, DC.
- IFC. (2017). "MSME Finance Gap: Assessment of the Shortfalls and Opportunities in Financing Micro, Small and Medium Enterprise in Emerging Markets", International Finance Corporation, Washington, DC.
- NIS. (2015). "Cambodia Inter-censal Economic Survey 2014". National Institute of Statistics, Ministry of Planning
- Open Corproates. (2019). "Company in Cambodia Jurisdiction" available at <https://opencorporates.com/companies/kh?q=&utf8=%E2%9C%93> (accessed on 23 Nov 2019)

ASEAN SME POLICY INDEX 2018

Weighted score of Dimension1: Productivity, Technology & Innovation
(On of the eight Dimension)

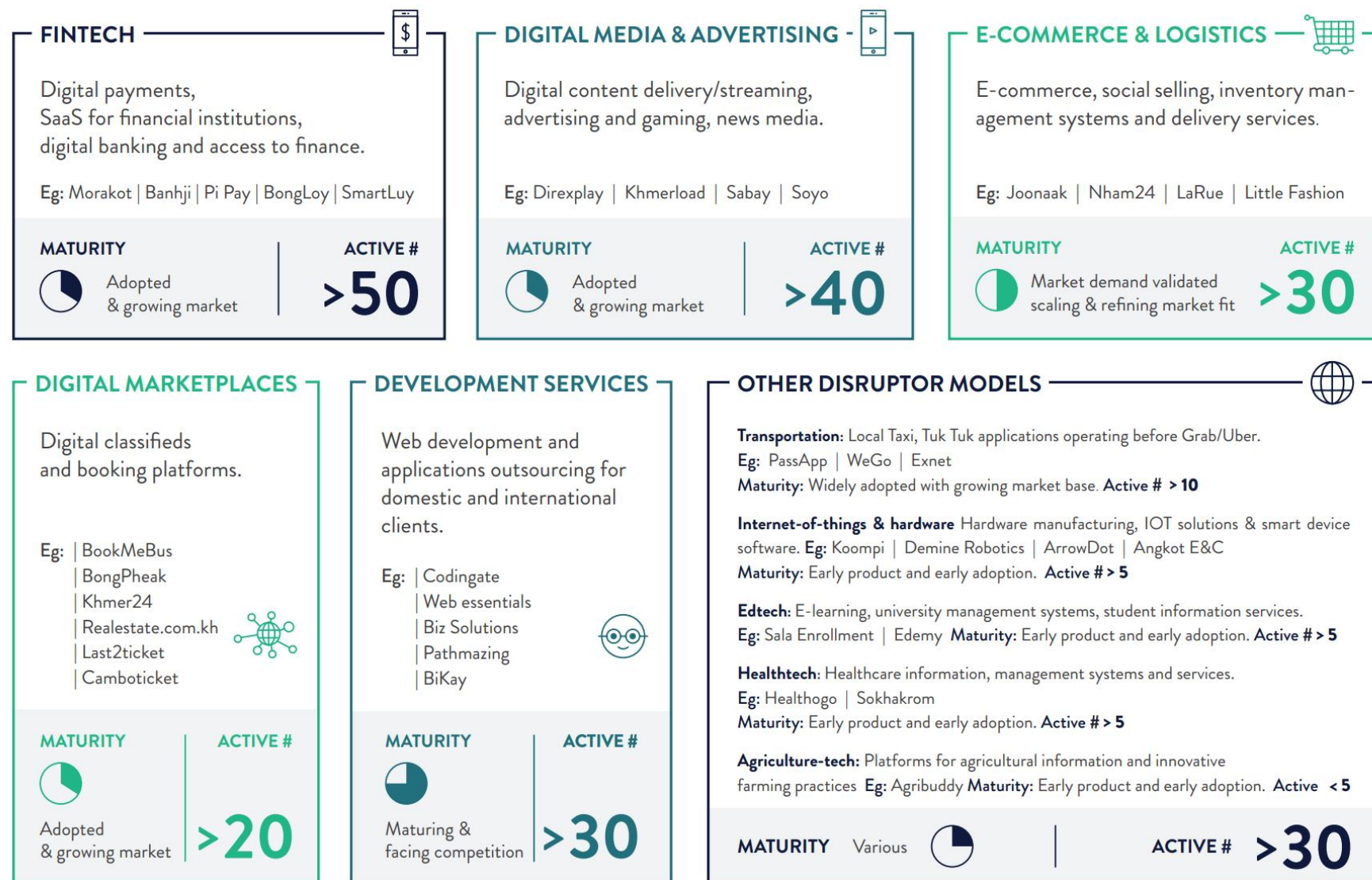


OECD/ERIA, (2018), "SME Policy Index: ASEAN 2018: Boosting Competitiveness and Inclusive Growth", OECD Publishing, Paris/Economic Research Institute for ASEAN and East Asia, Jakarta.

~300+ STARTUP

Technology startups
in 2018

MSP, Raintree. (2018). "Startup Kingdom: Cambodia's Vibrant Tech Startup Ecosystem in 2018" Phnom Penh. Cambodia



*Note this is not exhaustive of all unregistered 'long-tail' startups emerging from academic courses, hackathons and other similar programs.
Source: MSP & Raintree estimates.



សហគមន៍សហគ្រិនវ័យក្មេងកម្ពុជា
YOUNG ENTREPRENEURS ASSOCIATION OF CAMBODIA



មគ្គុទេសក៍វិនិយោគក្រុងសៀមរាប
**SIEM REAP'S
INVESTMENT GUIDE**
Opportunity . Innovation . Growth



មគ្គុទេសក៍វិនិយោគខេត្តកំពង់ចាម
**KAMPONG CHAM'S
INVESTMENT GUIDE**
Sustainability . Opportunity . Growth

With Funding Support from



Empowered lives.
Resilient nations.



SWEDEN



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Agency for Development
and Cooperation SDC

Digital Adoption Survey 2018

618 Business Establishment Survey in Siem Reap (69% with less than five employee)

16%

Technology
Adoption

3.23%

Usage of Point of Sale and/or
Accounting Software

553 Business Establishment Survey in Kampong Cham (69.8% with less than five employee)

27.8%

Technology
Adoption

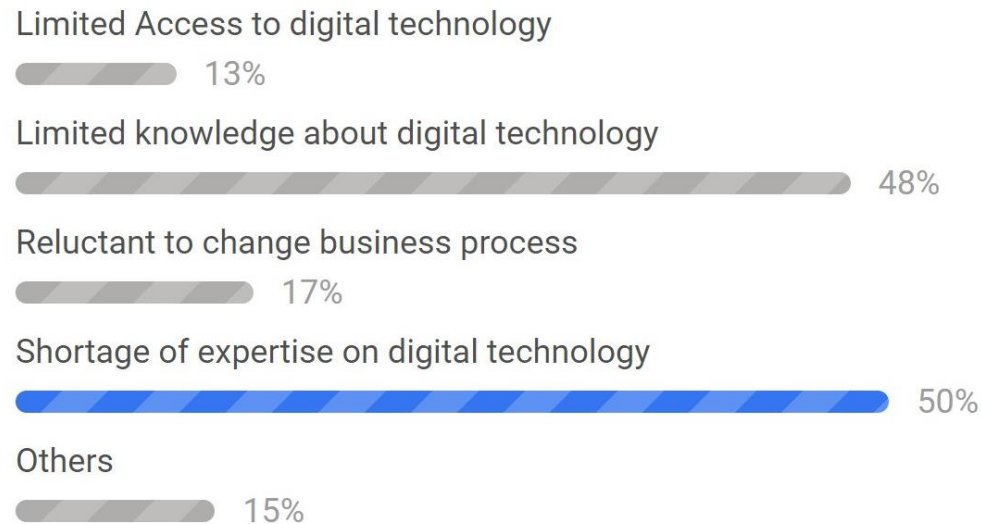
8.5%

Usage of Point of Sale and/or
Accounting Software

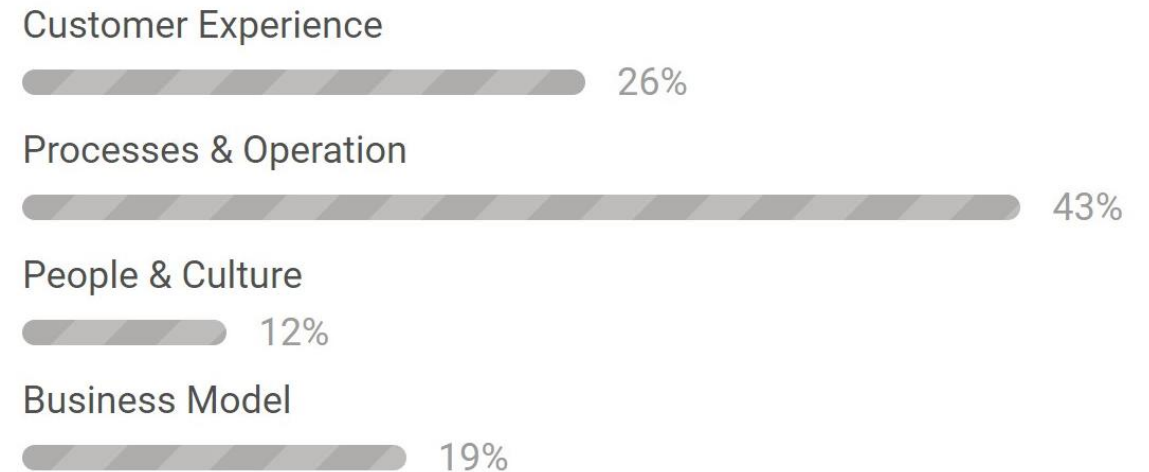
Mainly Customer Touchpoint
related technology

Some key finding of Nov 2019 Pilot Study on the Digital Adoption among members*

What are your challenges in digitizing your business?



Which aspects of your business have you digitized?

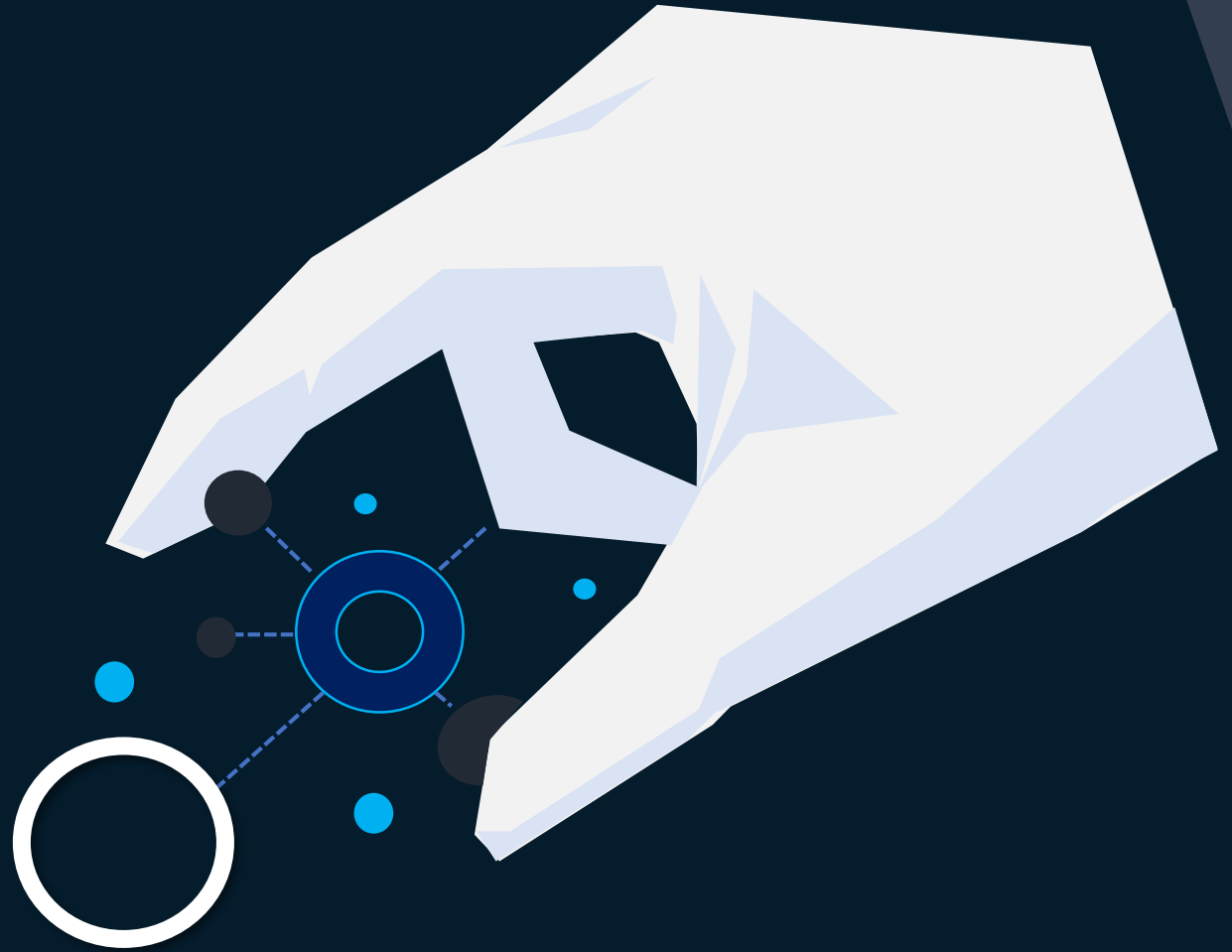


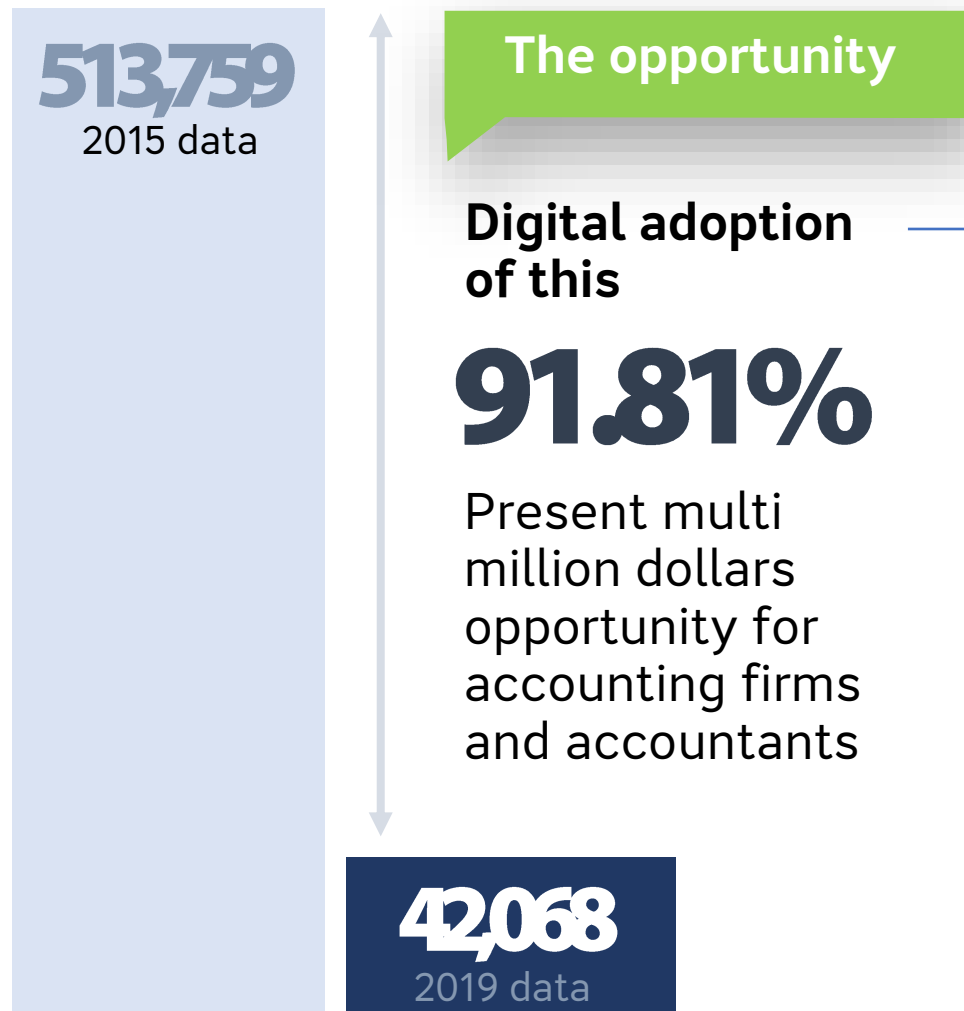
This pilot study will be used to inform the design of a comprehensive MSMEs' Digital Maturity study in 2020

3

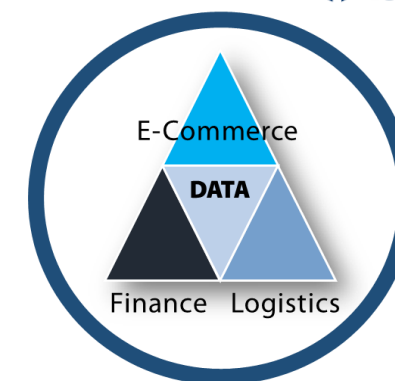
Implications for Accounting Profession in Cambodia

None of us knows for certain what the future will hold, but we all have a responsibility to be thinking about what's likely to happen, and to prepare for it.





Opportunity to substantially contribute to MSMEs Financial Inclusion and Digital Economy



The Iron Triangle of Alibaba

Business Model Innovations of the accountancy in serving Micro and Small entities, such as:

- Shared Economy: BanhJi Accountant (uber for accountant)
- Access to Digital Lending via (but not limited to) alternative credit scoring using financial data, smart contract, and triple entry accounting record (blockchain)
- Integration between ERP and MSMEs accounting software along the value chain

Limitation: The quality of this analysis would be more reliable, should 2019 Total Business Establishment data

The opportunity

The convergence of Accounting, Tax, and Finance with technology will bring about billions dollar opportunities in the three core aspects (saving, payment and credit)

Potential impacts:

- **Affordable audit and Continuous Audit & Assurance:** integration between audit software with accounting software
- **Accounting Automation:** In-depth, Seamless and real-time integration between financial institutions and accounting software
- **Compliance:** Connection between Tax and Accounting software

Business model and technology innovation impact on accountancy

Implication

The Finance Automation

Transactions will be touchless as automation and machine learning reach deeper into finance operations.

The Changing focus Finance Function

With finance automation, the role of finance will need to fundamentally shift to value-added service, rather than transactional based service.

Finance goes real time

Period reporting will no longer drive operations & decision. When both actuals and forecasts can be produced instantly on demand, traditional cycles become less relevant.

Finance Self-service for non-finance

Less need for hand-holding for business people when it comes to basic finance.

Some of the consulted document:

ACCA. (2016). "Professional Accountants – the future: Drivers of change and future skills". Available at <https://www.accaglobal.com/content/dam/members-beta/docs/ea-patf-drivers-of-change-and-future-skills.pdf> accessed on 17/12/2019

IFAC. (2019). "Future-Fit Accountants: CFO & Finance Function Roles for the Next Decade". Available at <https://www.ifac.org/publications-resources/future-fit-accountants-roles-next-decade> accessed on 17/12/2019

UNCTAD. (2019). "Digital Economy Report 2019 - Value Creation and Capture: Implications for Developing Countries". Available at: https://unctad.org/en/PublicationsLibrary/der2019_overview_en.pdf accessed on 17/12/2019

1

The Finance Automation

Transactions will be touchless as automation and machine learning reach deeper into finance operations.

WORK

Automated convergence of business & finance process (rule-based work)

WORKFORCE

Premium on talent that understand technology, business and finance. The rise of hybrid workforce.

WORKPLACE

Finance Function will become a command center, where small groups of professionals can monitor the full array of processes.

2

The Changing focus Finance Function

With finance automation, the role of finance will need to fundamentally shift to value-added service, rather than transactional based service.

WORK

Working in close partnership between finance and business partners

WORKFORCE

The ability to answer the following questions “What does this tell me about the business? And How can the business close gaps in performance expectation?”

WORKPLACE

Agility will become a prized quality as finance organizations.

3

Finance goes real time

Period reporting will no longer drive operations & decision. When both actuals and forecasts can be produced instantly on demand, traditional cycles become less relevant.

WORK

Users' expectation for information and insight will demand continuous and real time report.

WORKFORCE

Financial data scientists and design professional will be in demand to automated reporting, forecasting, and end to end process,

WORKPLACE

Finance Function will be flatter and more distributed.

4

Finance Self-service for non-finance

Less need for hand-holding for business people when it comes to basic finance.

WORK

Finance transaction are embedded and automated in most of the business process. Strong collaboration among business people, technology teams and finance.

WORKFORCE

The customer experience, cross functional teams and constant collaboration are the key competency

WORKPLACE

Exposure of finance data lake to new business users.

“The best way
to predict the
future is to
create it.”

- Peter Drucker