

# Cambodia Ready to Skip a Technology

## Indochina Research

Making mobile money work for the poor has proven to be one of the great ideas of the early Twenty-First Century.

Embracing mobile money has been a game changing model for the world's unbanked. It serves as a tool for encouraging financial inclusion, and helps address the challenges of persistent poverty and underdevelopment.

In Cambodia, the leader in the market for mobile money is a company called WING.

A few years ago WING looked as though it was dead in the water when the initial model failed to transfer well to Cambodia. Originally it had been developed in Africa, and later crash-tested in the Philippines, and was aimed at helping workers remit money from the city to their families in the countryside. In Cambodia there were problems with the fact that its communication platform (SMS) was in English rather than Khmer (combined with high levels of illiteracy) and the upfront cost of establishing a network of agents throughout the country looked prohibitive.

However, WING did have a couple of significant advantages that would eventually prove to be its key to success.

Association with a well-established commercial bank brought with it a mindset to operations and risk, in addition to encouraging trust. The International Finance Corporation was vital in helping to educate the regulator on mobile money. Then, in 2009, WING was awarded an Enterprise Challenge Fund (ECF) grant of AUD \$1.5 million (approximately 25% of overall project costs) to fund the cost of



roll-out to urban areas, as well as expand its services to rural Cambodia, including training for agents and promoting financial awareness.

It also helped that WING teamed up early with a marketing and advertising agency, which ran a high profile campaign successfully establishing it in the public consciousness.

At the start of 2013 WING had estimated to clear \$1 billion in money transfers that year; ultimately they cleared \$1.5 billion. Remarkably, profitability before taxes had been achieved in 2013, just 4 years after their launch, and net profitability is expected to have been achieved in 2014, however, the exact results will likely not be announced for a time. In a country with a population of approximately fourteen million and in an industry where profitability is rare, these numbers indicate widespread use.

A Wing account is attractive because it can be opened for as little as \$2.50 and have the same security as if the money was in a bank, but charges zero monthly fees and tolerates a zero balance without incurring a penalty.

Nevertheless, to date WING has yet to reach down to the bottom of the pyramid, mainly successful at enrolling middle class customers in its program rather than the poor.

This, however, is changing.

### **The Clearing System for All Financial Transactions.**

Since WING was relinquished by ANZ, its dynamic young CEO teamed up with others in the industry to help turn it into one of the major players in Cambodia's finance industry.

The chief innovation has been to focus on developing mobile phones as mobile wallets by connecting them to point-of-sale (POS) systems, of which WING has over 7000 outlets (and counting) – as many as all the banks in the nation put together – for printing pre-paid phone top up vouchers.



WING is currently working with multiple banks on becoming the clearing system for any card payment through a POS terminal. When combined with the payment of payrolls, remittances, cash transfers and virtually any other financial transaction, this scale promises to revolutionize the way people in Cambodia behave.

The next step is integrating the network of POS terminals around the country so people

can use their WING cards and (cheap) smart phones to easily pay for things everywhere using “near field communications” (NFC) technology that allows various devices to communicate with each other wirelessly when they are in close proximity.

The secret is to make the process seamless and the transaction costs so small that users hardly notice them. Once the population has become accustomed to the system and recognize the benefits and convenience of this payment type, there is every chance – as long promised – that paper money will largely disappear.

People in poor countries are rarely noted as early adopters and this scenario may even sound utopian, but as mobile phones have demonstrated, if new technology confers tangible and immediate benefits, even poor people will embrace it.