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Foreign Currency Usage and Perception: Evidence from a Survey on Households

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The views expressed in this presentation are those of the author and do not necessarily represent the views of the NBC.

Outline

1. Description of Household Survey

2. Survey Results

- Income
- Expenditure
- Savings
- Borrowings
- Direction of Currency Change
- Currency Note Usage
- Perceptions/Opinions

3. Main Findings



Household Survey

- A survey on dollarization of household was conducted from October 2014 to January 2015.
- Households were sampled at random from 25 provinces with reference to General Census 2008.
- Questionnaire covers relevant aspects of activities including income, expenditure, saving, borrowing, currency notes usage, etc.



Sample Distribution

Region	Province	Sample Size		
		Urban	Rural	Total
Phnom Penh		78	72	150
Siem Reap		64	56	120
The North-East Area	Kratie	31	29	60
	Mondul Kiri	31	29	60
	Ratanak Kiri	31	29	60
	Stung Treng	31	29	60
The North-West Area	Banteay Meanchey	59	61	120
	Oddar Meanchey	27	23	50
	Preah Vihear	27	23	50
South-East Area	Kampot	54	45	99
	Kep	31	29	60
	Prey Veng	71	62	133
	Svay Rieng	46	36	82
	Takeo	61	46	107
	Tbong Khmum	55	46	101
South-West Area	Koh Kong	31	29	60
	Preah Sihanouk	31	29	60
	Pursat	37	33	70
	Battambang	76	68	144
	Pailin	29	25	54
Central Area	Kandal	78	74	152
	Kampong Cham	54	46	100
	Kampong Chhnang	52	42	94
	Kampong Speu	65	56	121
	Kampong Thom	56	50	106
Total		1206	1067	2273

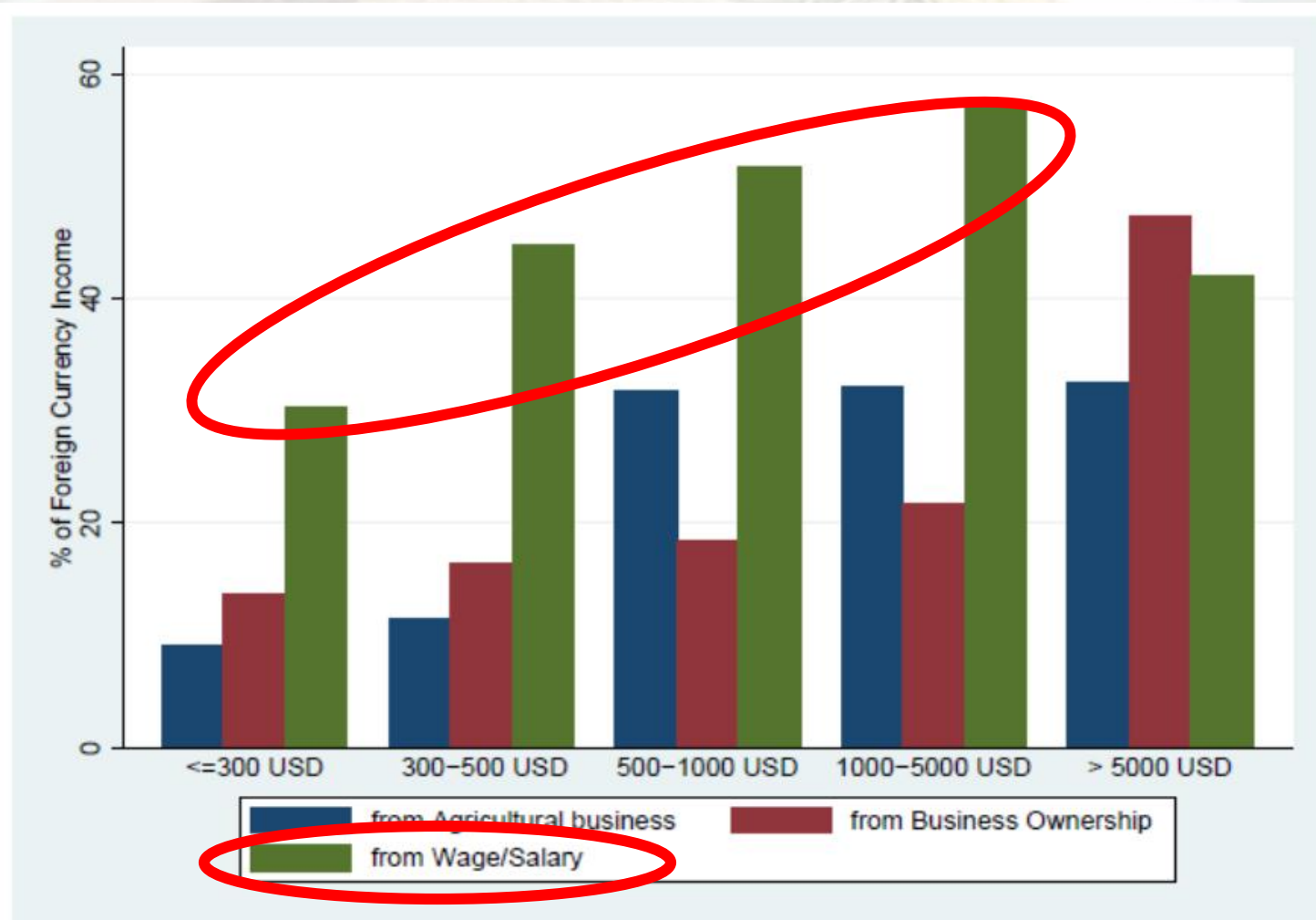


Dollarization of Income

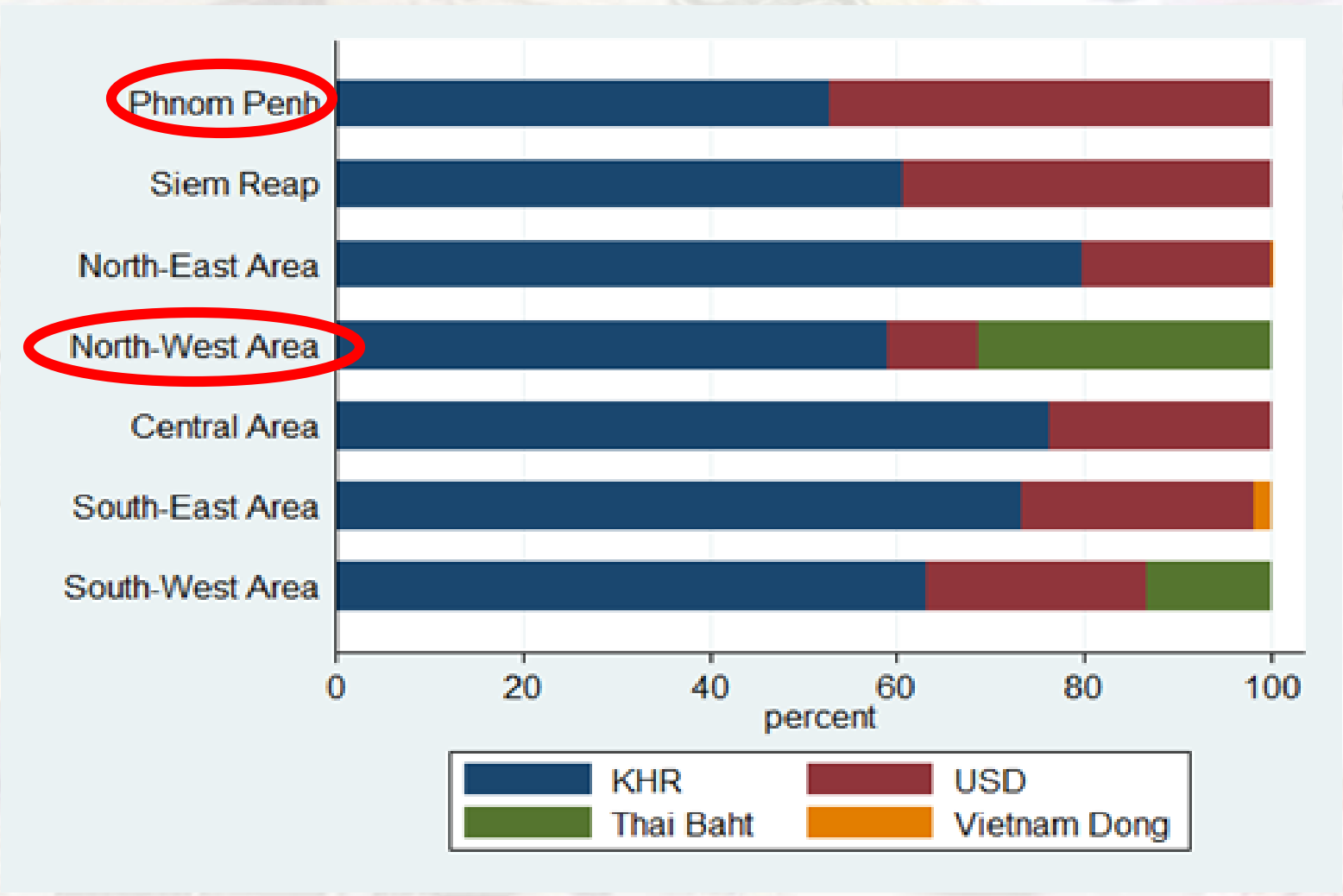
Salary/wage is the most dollarized type of incomes compared to other sources, followed by business activities.



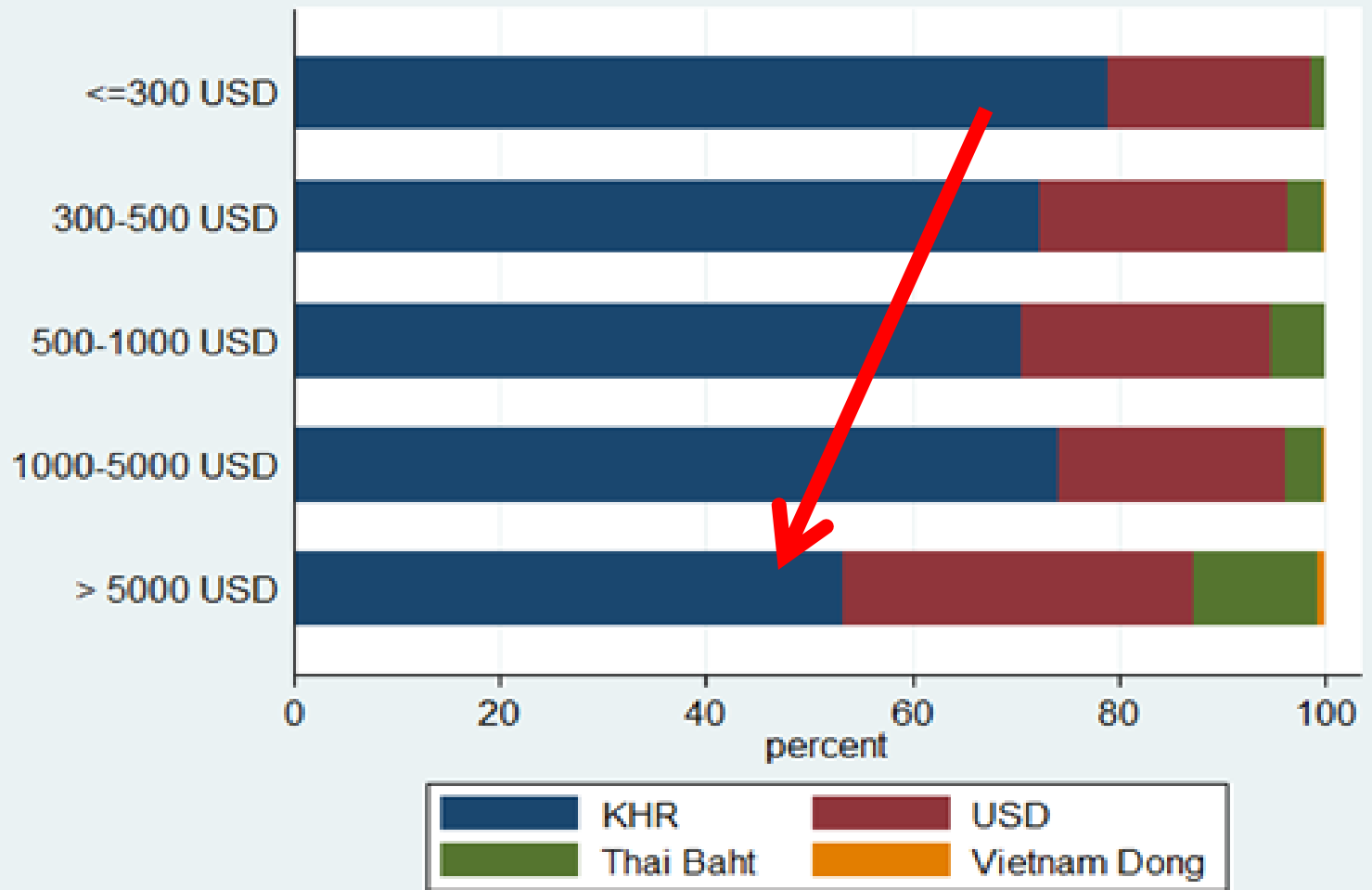
Income Dollarization (by source of income and income level)



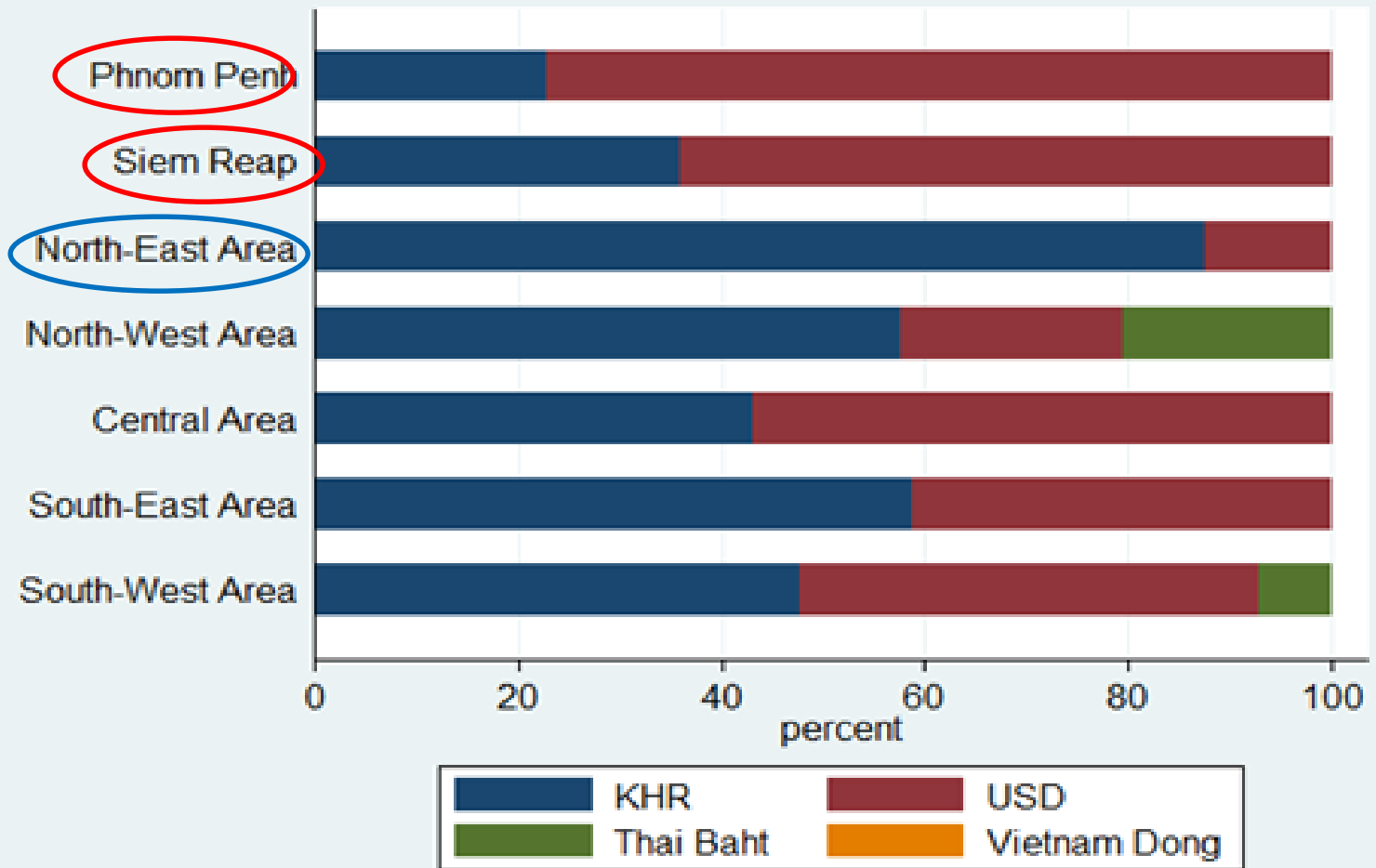
Currency Composition of Income by area



Currency Composition of Income by income level



Currency Composition of Wage/Salary Income by area

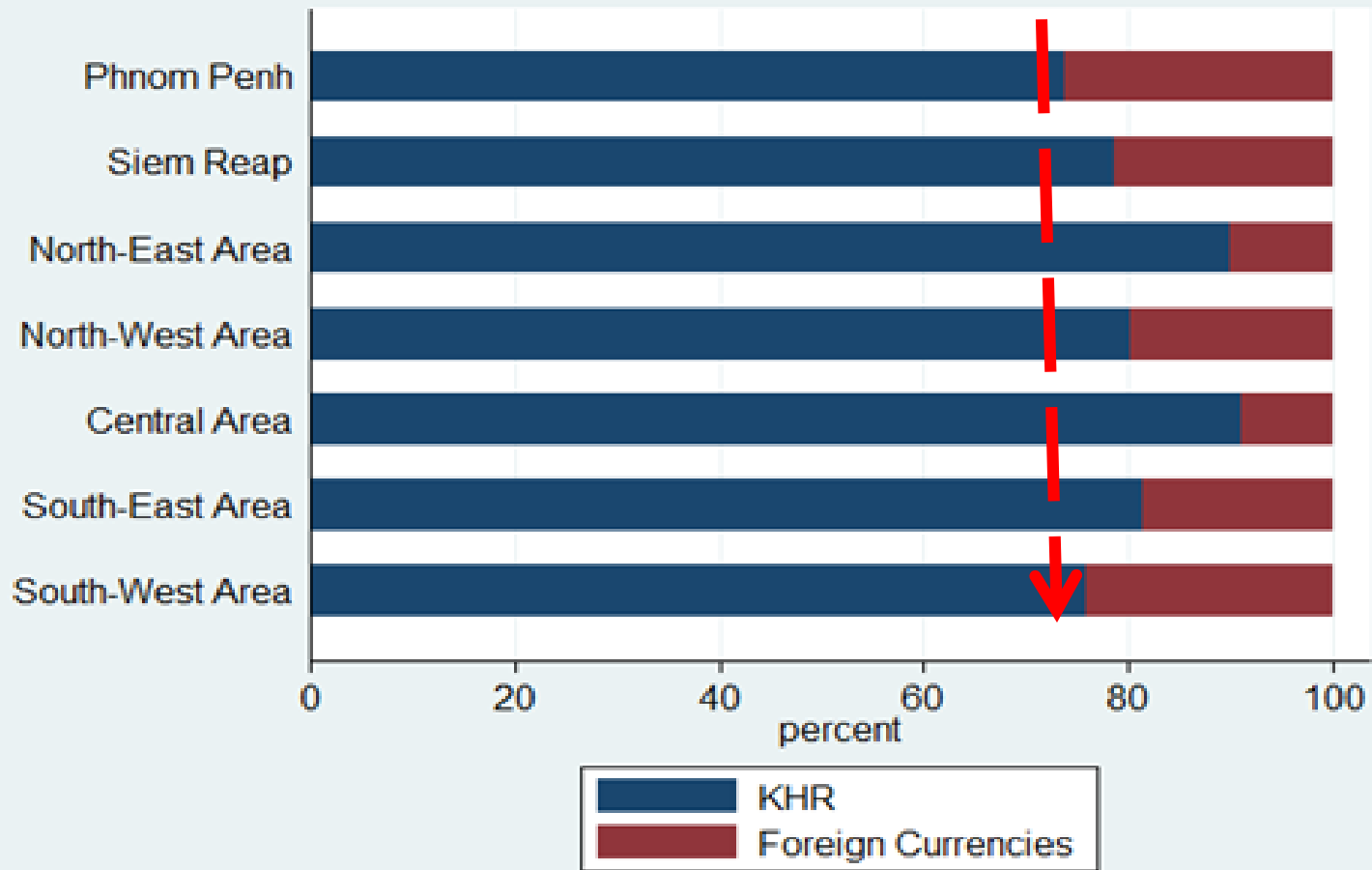


Dollarization of Expenditure

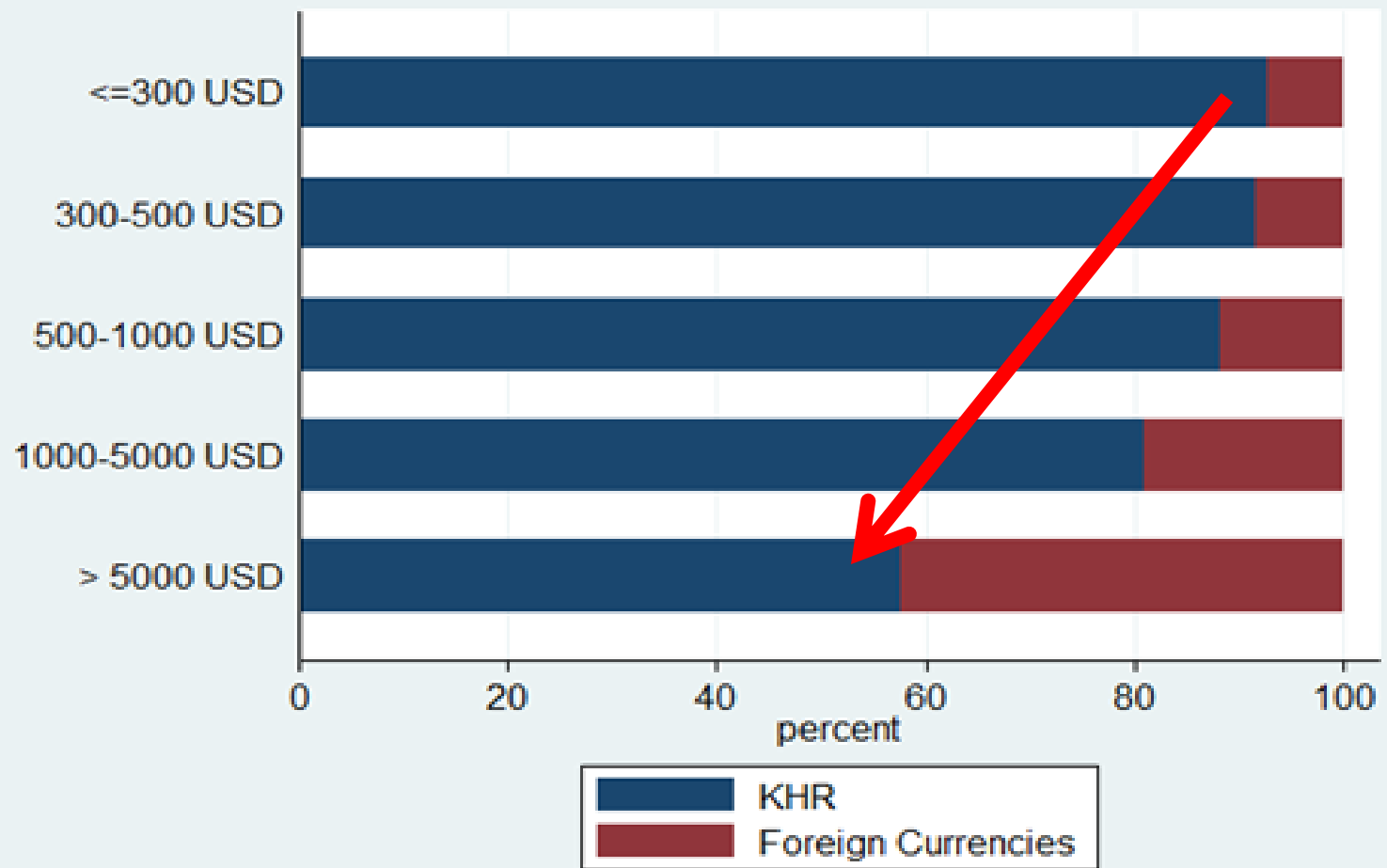
Only a small proportion of their expenditures are in USD in particular on telephone service and house renting.



Currency Composition of Total Expenditure

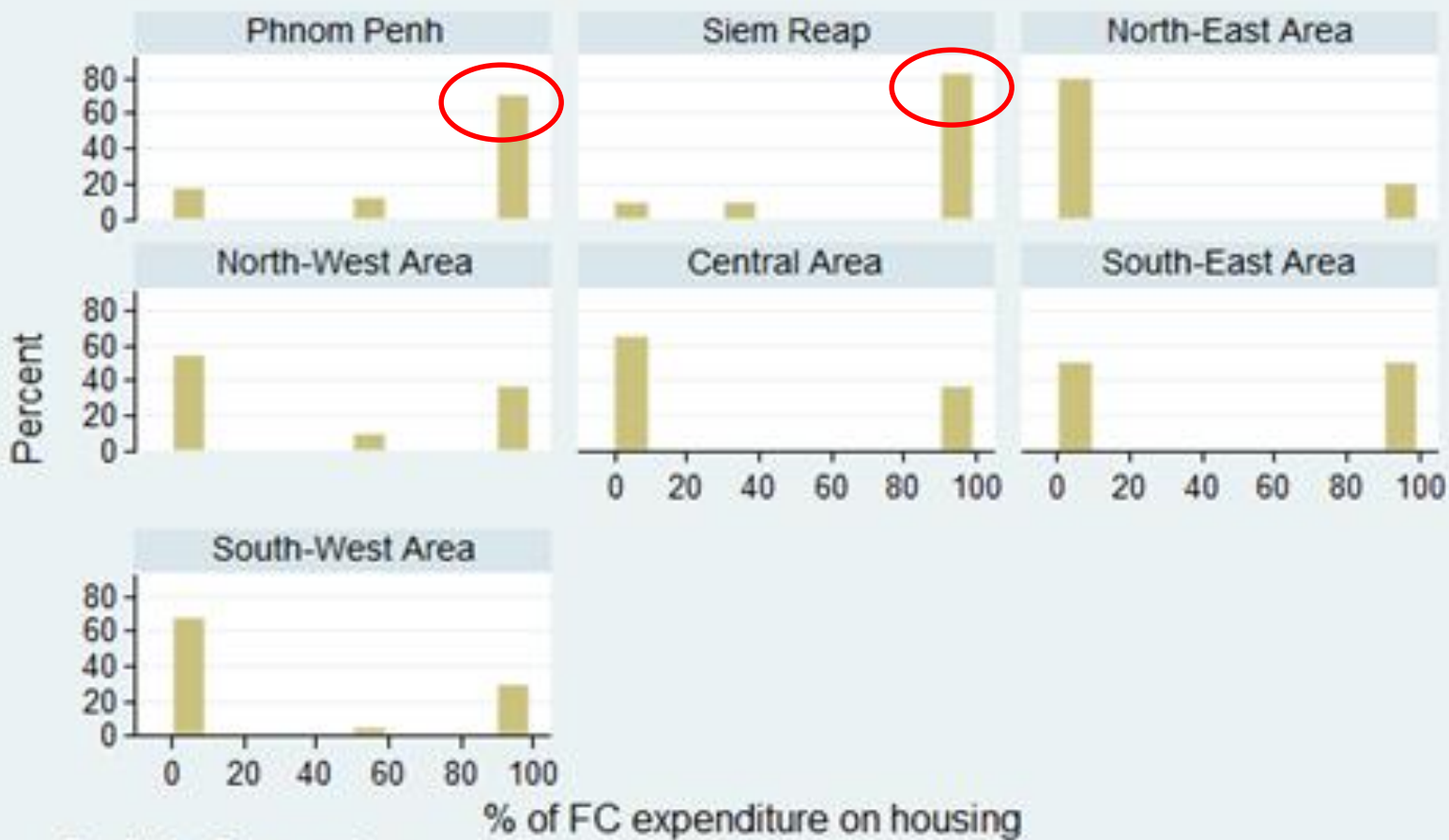


Currency Composition of Total Expenditure by income level



Foreign Currency Usage in Expenditure

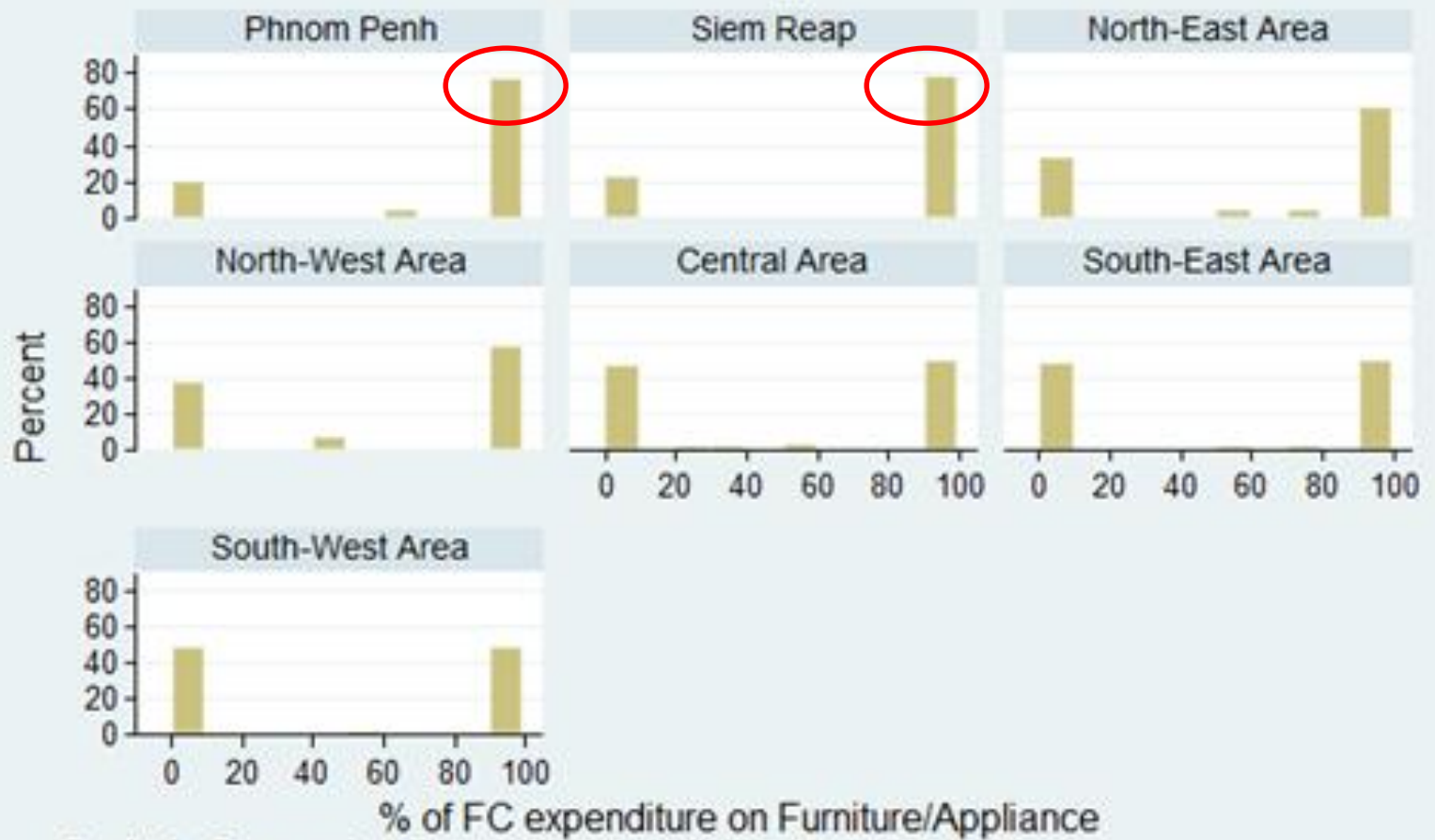
House Rent



Graphs by 7 new regions



Foreign Currency Usage in Expenditure Furniture & Appliance

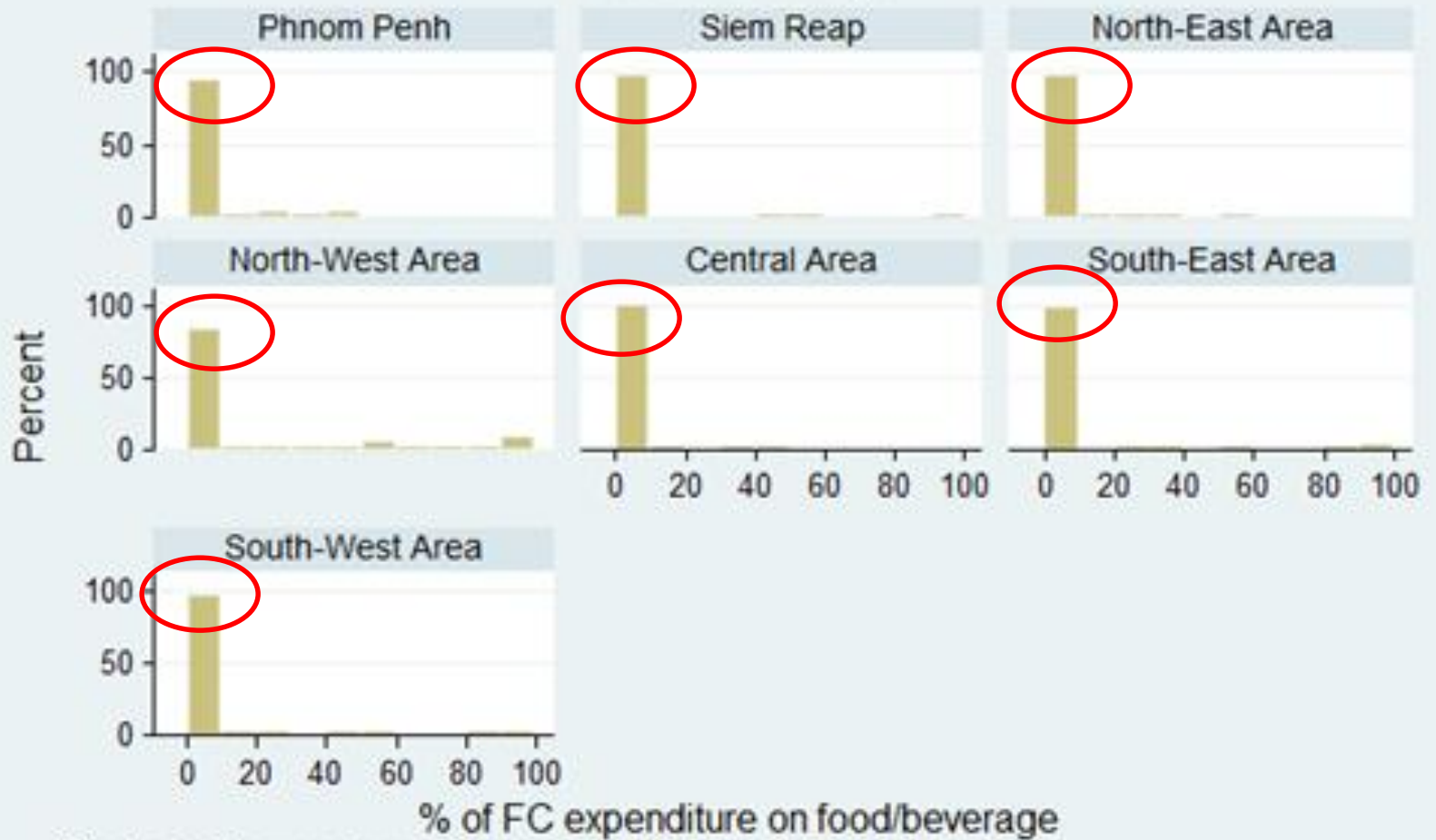


Graphs by 7 new regions



Foreign Currency Usage in Expenditure

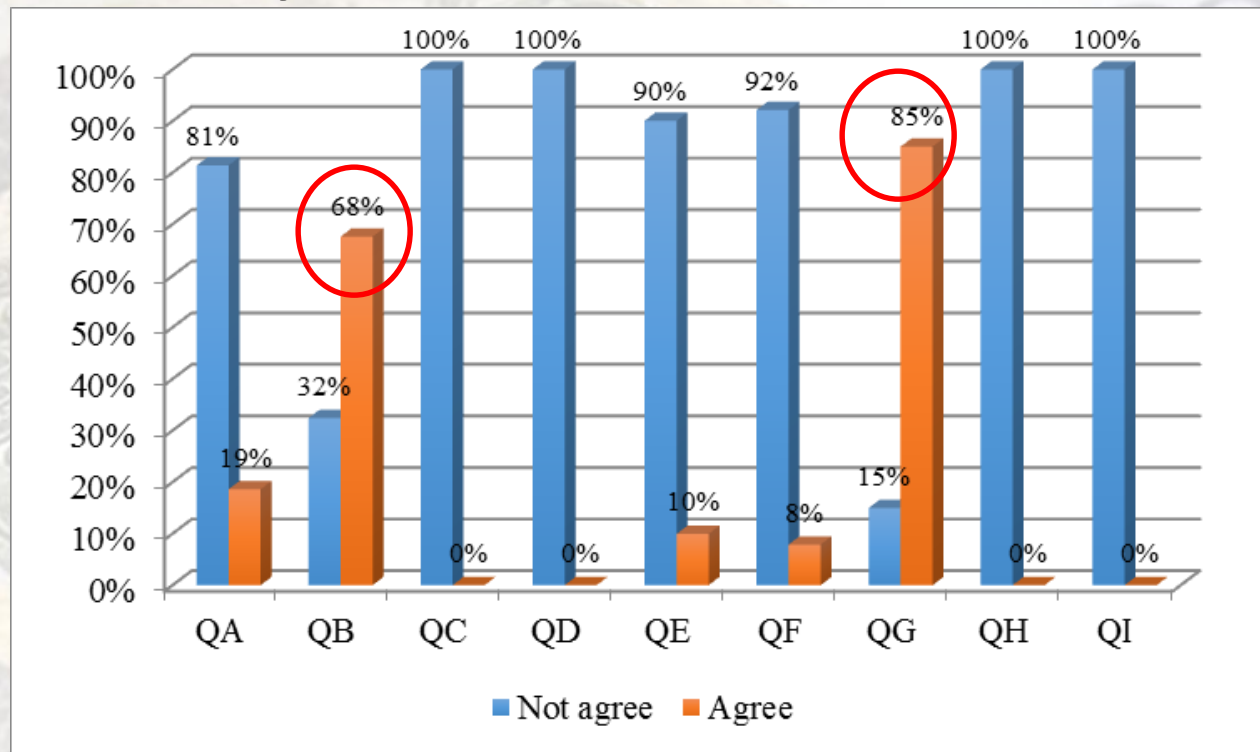
Food & Beverage



Graphs by 7 new regions



Do you ever pay goods and services in different currency from the seller's request?



QA: Yes, I do and I can negotiate the exchange rate or have an arrangement on the exchange rate.

QB: Yes, I do but I cannot negotiate the exchange rate. The seller fixes it.

QC: Yes, I pay by ATM transfer from my bank account and the bank does the currency exchange.

QD: Yes, I pay by transferring from a Mobile account and the bank does the currency exchange.

QE: No, I always pay in the currency of the bill or request.

QF: No, I change the currency at the market/bank/MFI and then pay seller in currency of the bill.

QG: No, I generally have sufficient currencies needed for payments and pay in the currency they request.

QH: No I pay by doing ATM transfer from my bank account to seller in the currency they request.

QI: No, I pay by doing transferring from a mobile account to seller in the currency they request.

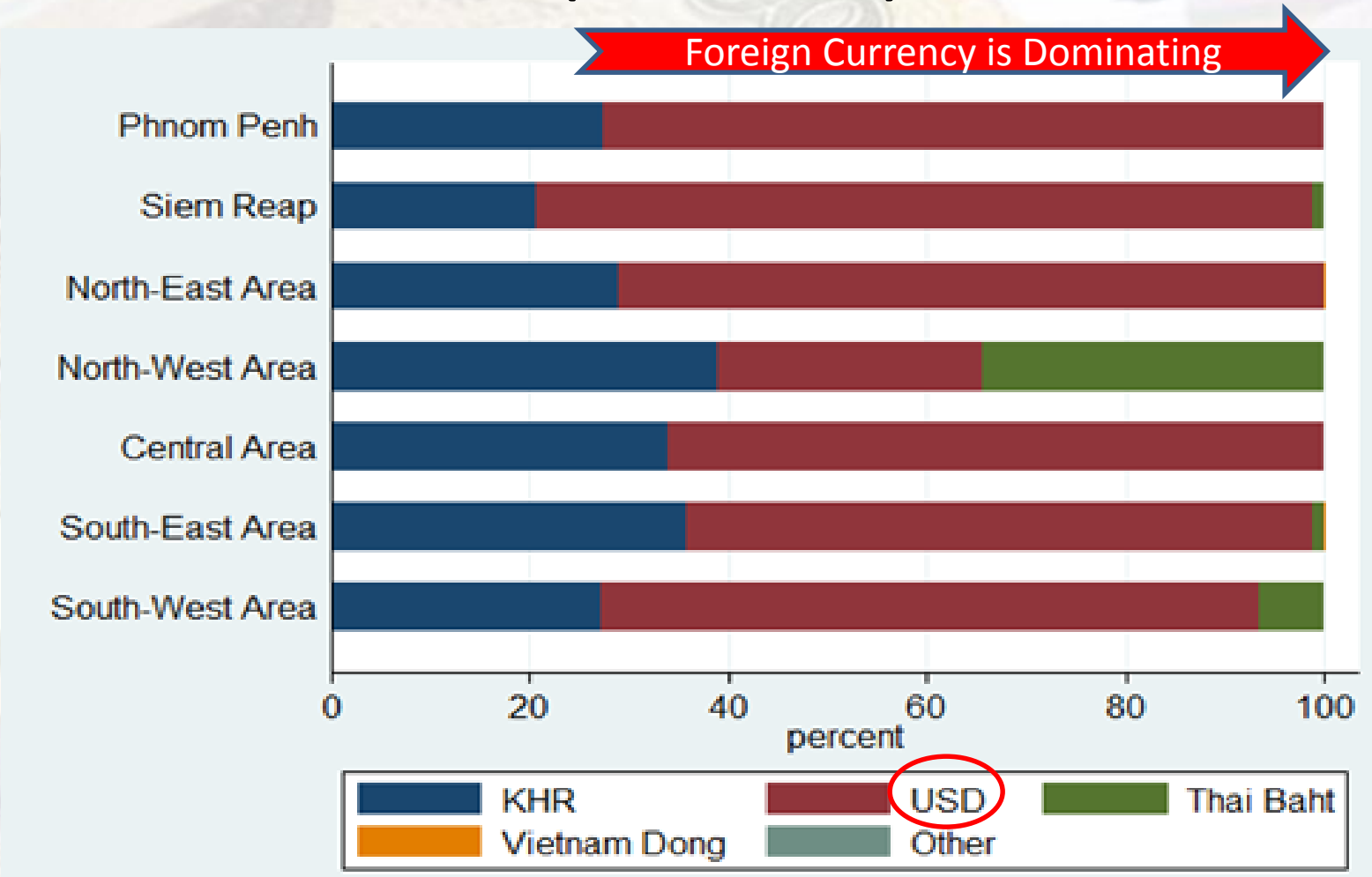


Dollarization of Savings

Though financial inclusion has been increased during the last two decades, the majority of Cambodian adult population has not had bank account yet and even less for bank account in KHR.



Currency Composition of Savings by area (amount)



Currency for Savings

Number of HH

Saving in USD	Saving in KHR		Total
	Yes	No	
Yes	431	153	584
No	726	19	745
Total	1,157	172	1,329



Currency Choice for Accounts in Financial Institution

Currency Type	Total
KHR account only	151
USD account only	120
Other Currency only	1
KHR & USD	53
KHR & Other Currency	0
USD & Other Currency	1
KHR, USD and Other Currency	0

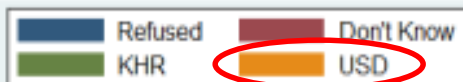
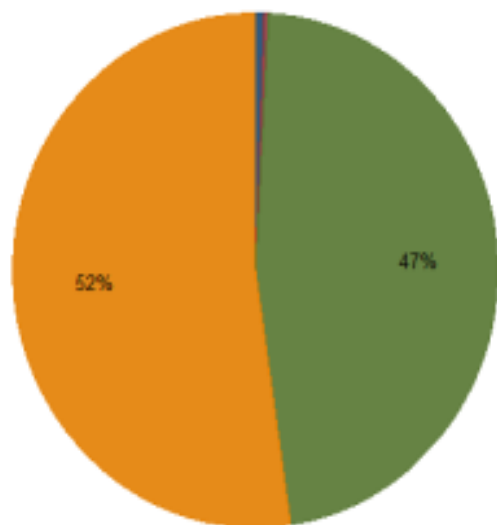


Currency Choice for Accounts by area

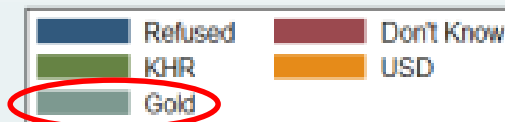
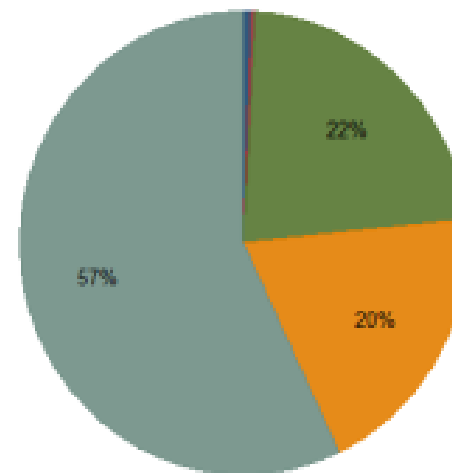
		KHR account		USD account		Having account	All
Phnom Penh		17	58.6%	16	55.2%	29	150
SiemReap		5	33.3%	12	80.0%	15	120
North-East	Area	29	70.7%	23	56.1%	41	240
North-West	Area	19	61.3%	13	41.9%	31	220
Central	Area	44	57.9%	44	57.9%	76	573
South-East	Area	57	67.1%	38	44.7%	85	582
South-West	Area	33	68.8%	27	56.3%	48	388
Total		204		173		325	2273



Q64.1 Preference for Future Saving: Khmer Riel or US Dollar



Q65.4 Preference for Future Saving: Khmer Riel or US Dollar or Gold

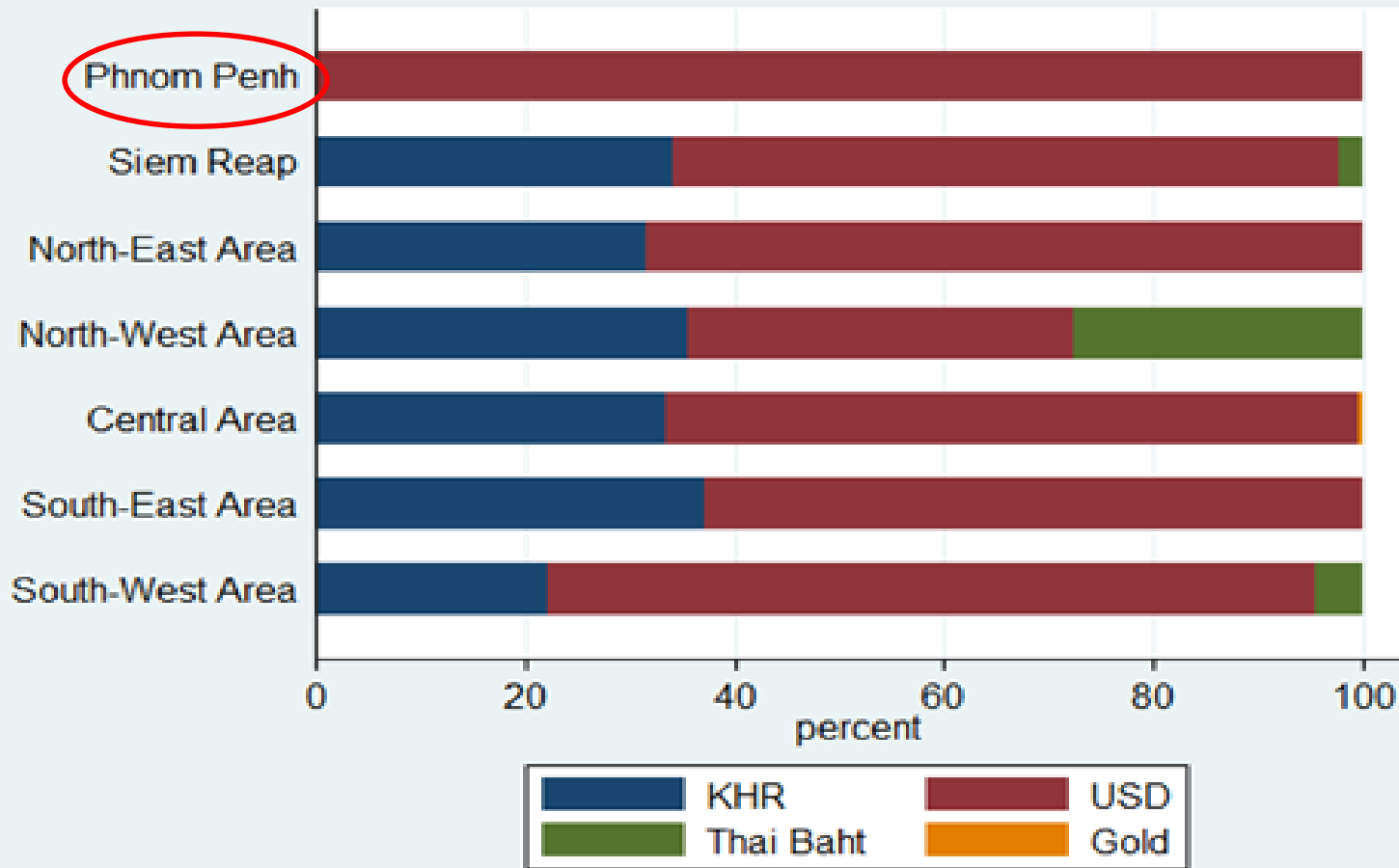


Dollarization of Borrowings

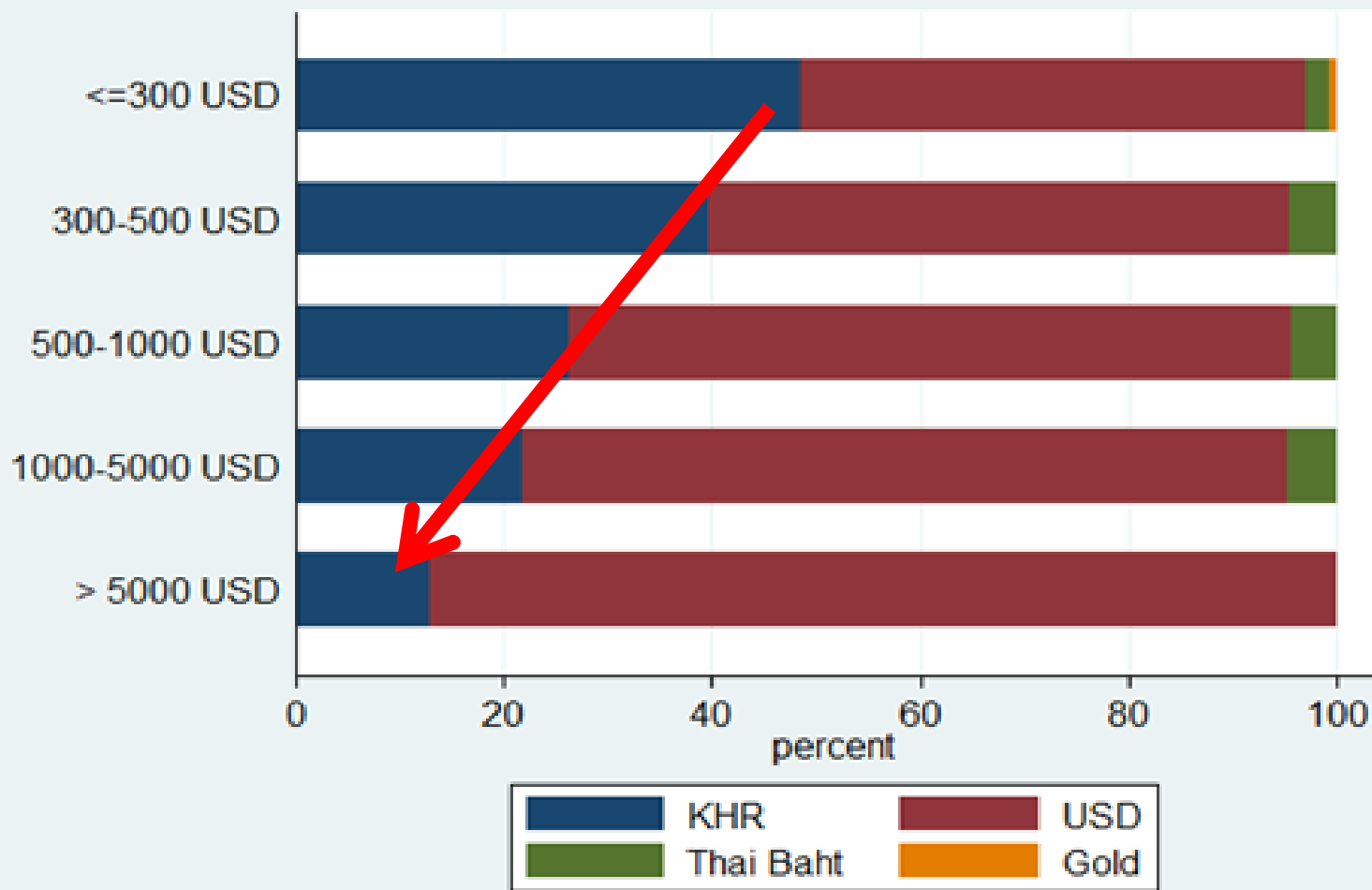
Majority of people borrowed in USD since the purpose of loan or transaction involved requires foreign currency.



Currency Composition of Loans by area



Currency Composition of Loans by income level



Reasons for the Loan Currency Choice

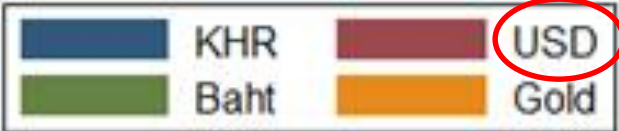
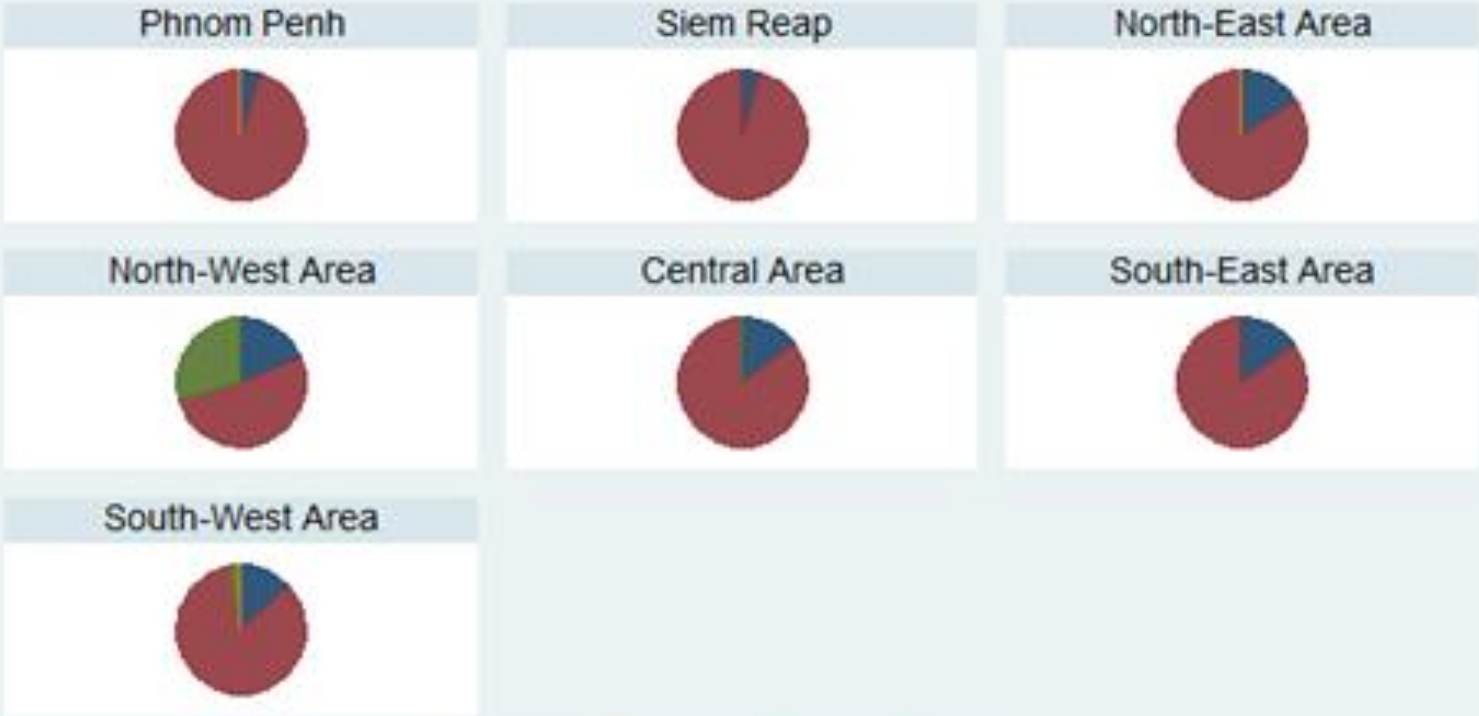
<i>I borrowed in foreign currency because... (782 respondents)</i>	Yes
It is easier to borrow large amounts of money in FX	146
<u>The purpose of my loan requires FX currency amount</u>	<u>537</u>
I cannot find a loan in KHR for the amount I need	33
The interest rate of foreign currency is better	34
<u>The transactions I am involved in require that I pay in foreign currency</u>	<u>211</u>
Don't want to risk exchange rate losses	15
Others	21

<i>I borrowed in KHR because... (476 respondents)</i>	Yes
I would borrow KHR if the amount was less than 1,000 dollars	57
Interest rates are better than USD	5
<u>Transactions are in KHR</u>	<u>216</u>
Don't want to risk exchange rate losses	40
Others	232



Preferred Currency for Transaction

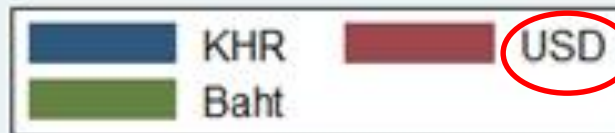
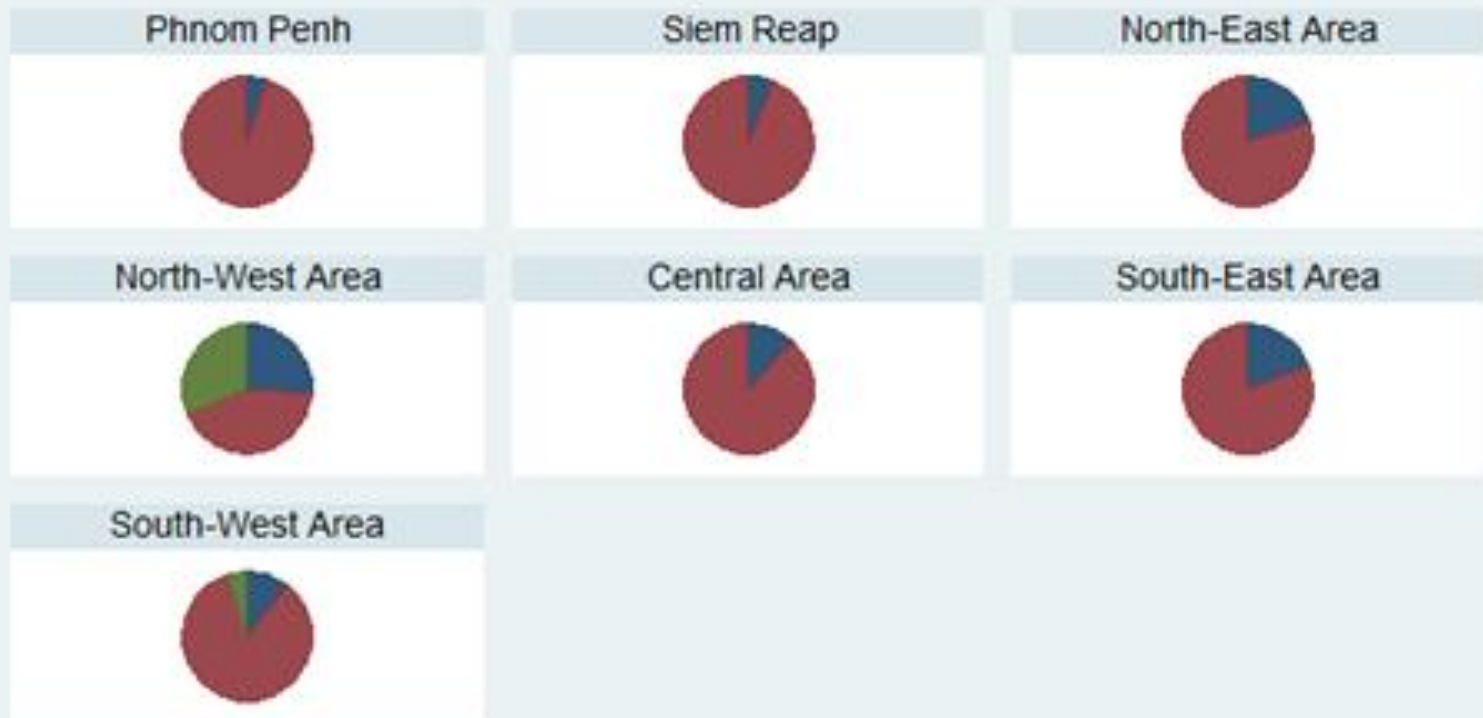
Preferred Currencies to Receive for Sales of Assets Real Estate



Graphs by 7 new regions



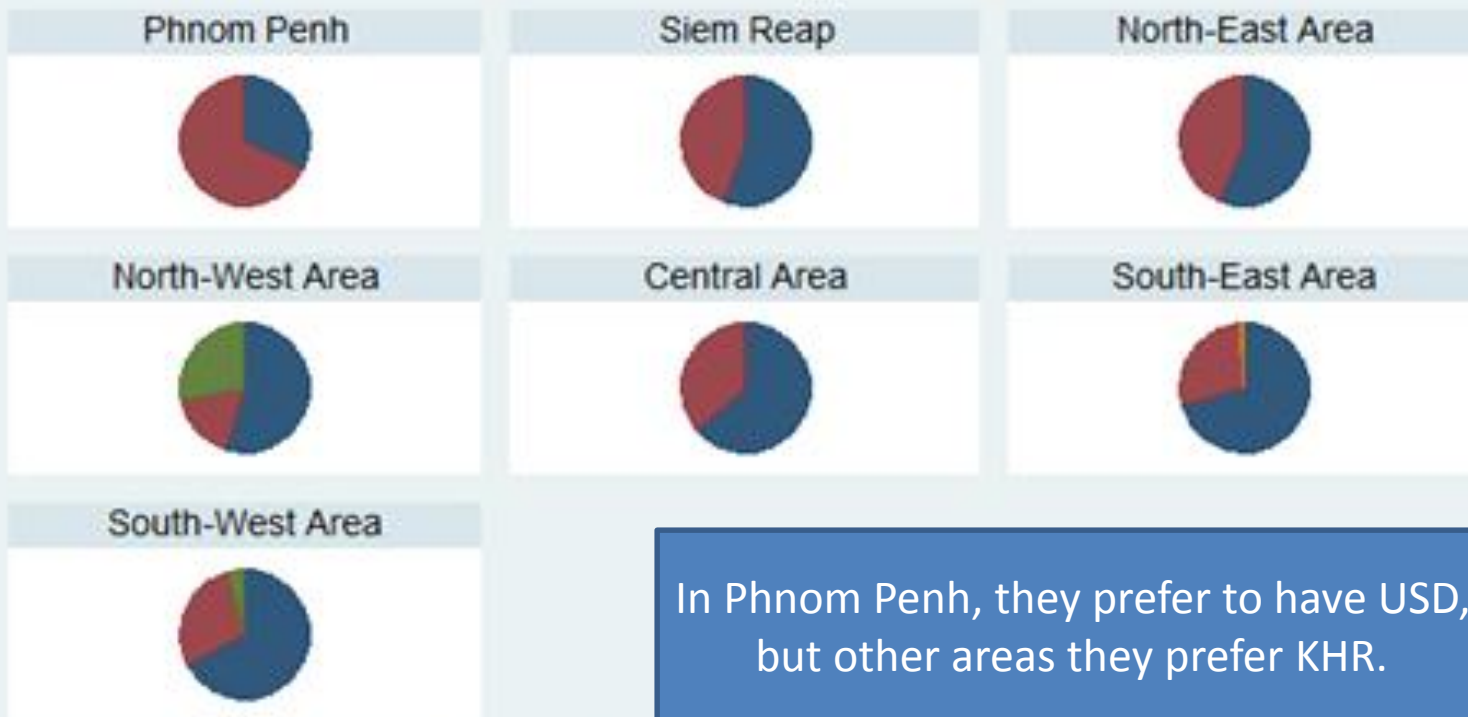
Preferred Currencies to Receive for Sales of Assets Motorcycles & Cars



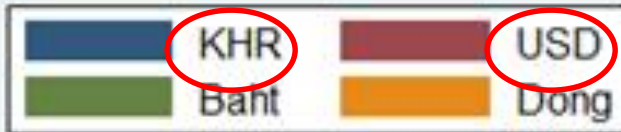
Graphs by 7 new regions



Preferred Currencies to Receive for Sales of Assets Furniture and Appliances



In Phnom Penh, they prefer to have USD, but other areas they prefer KHR.



Graphs by 7 new regions



Level of Foreign Currency Income

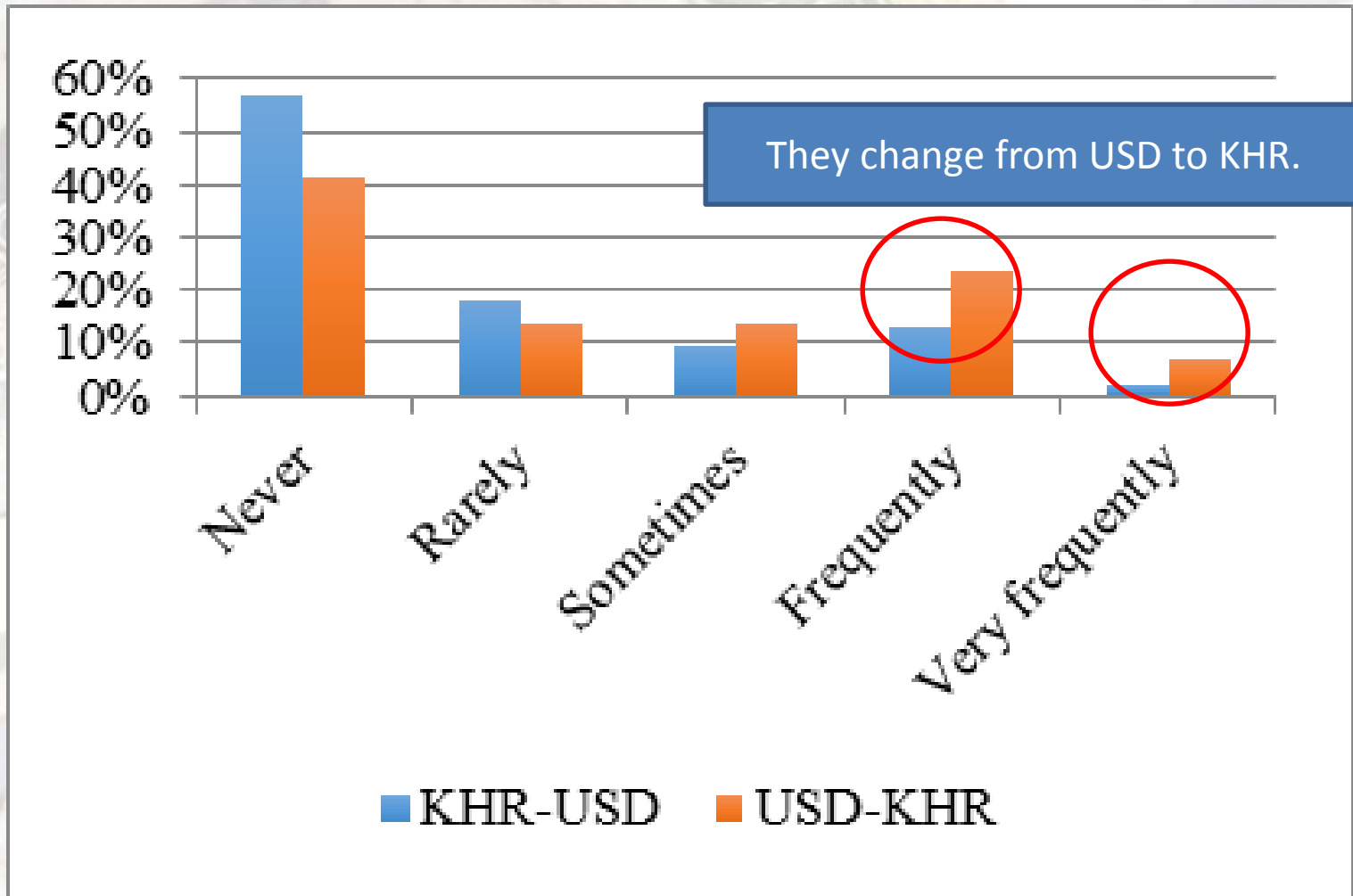


Direction of Currency Change

Our survey also reaffirmed that households exchange quite frequently from USD to KHR because they need KHR for their spending.



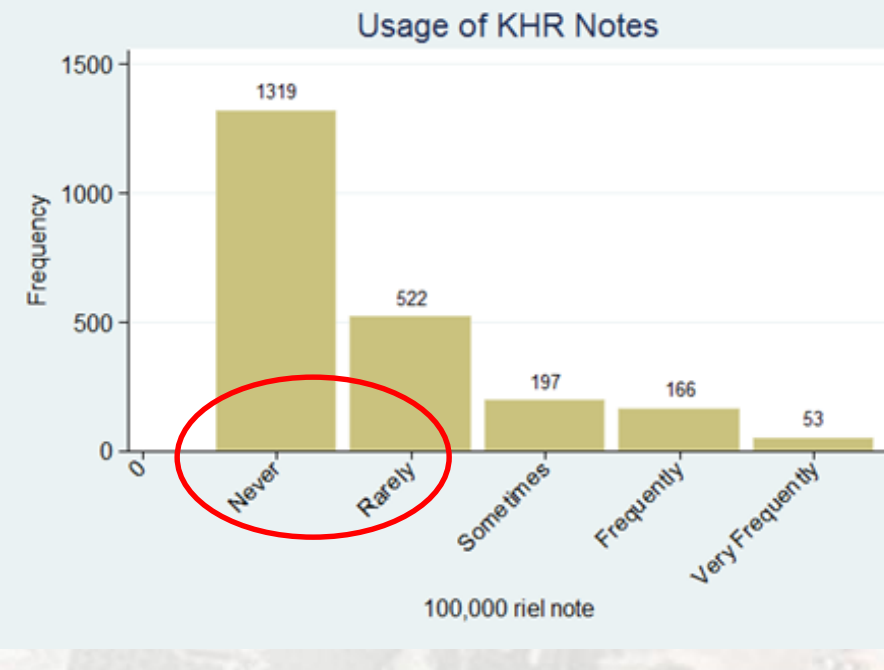
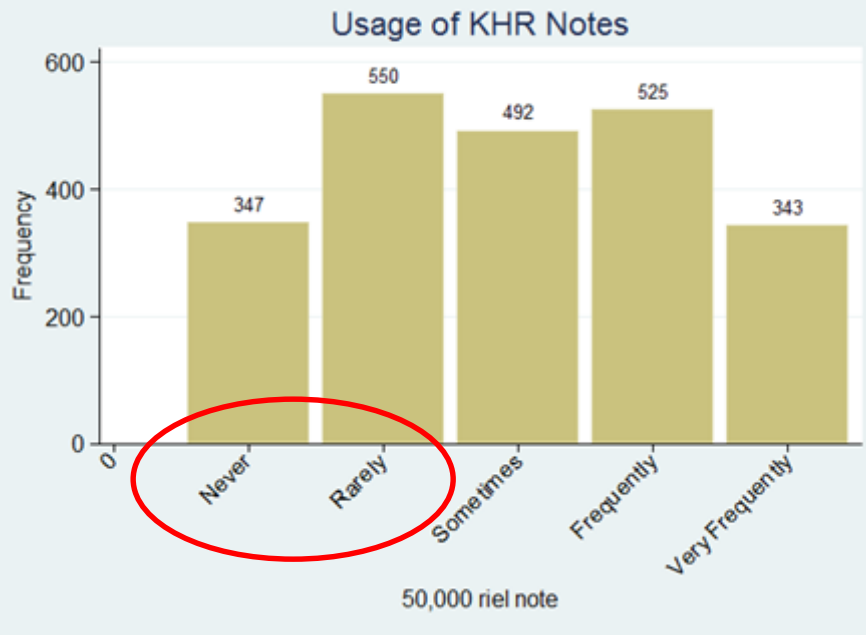
Direction of Currency Change and Frequency



Currency Notes Usage

Only a small number of population uses two largest KHR denomination notes and among them very few used the largest.



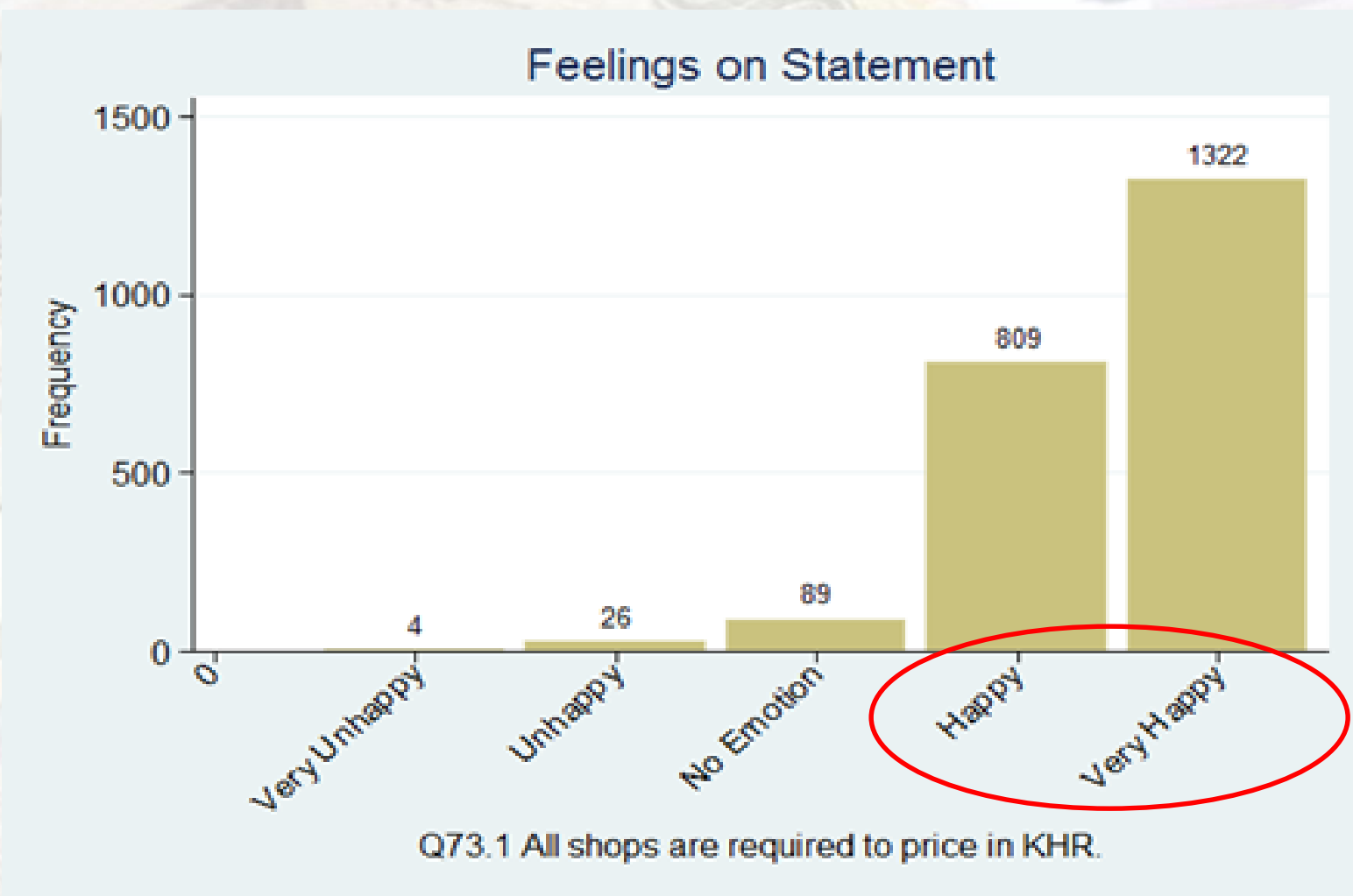


Opinions & Perceptions

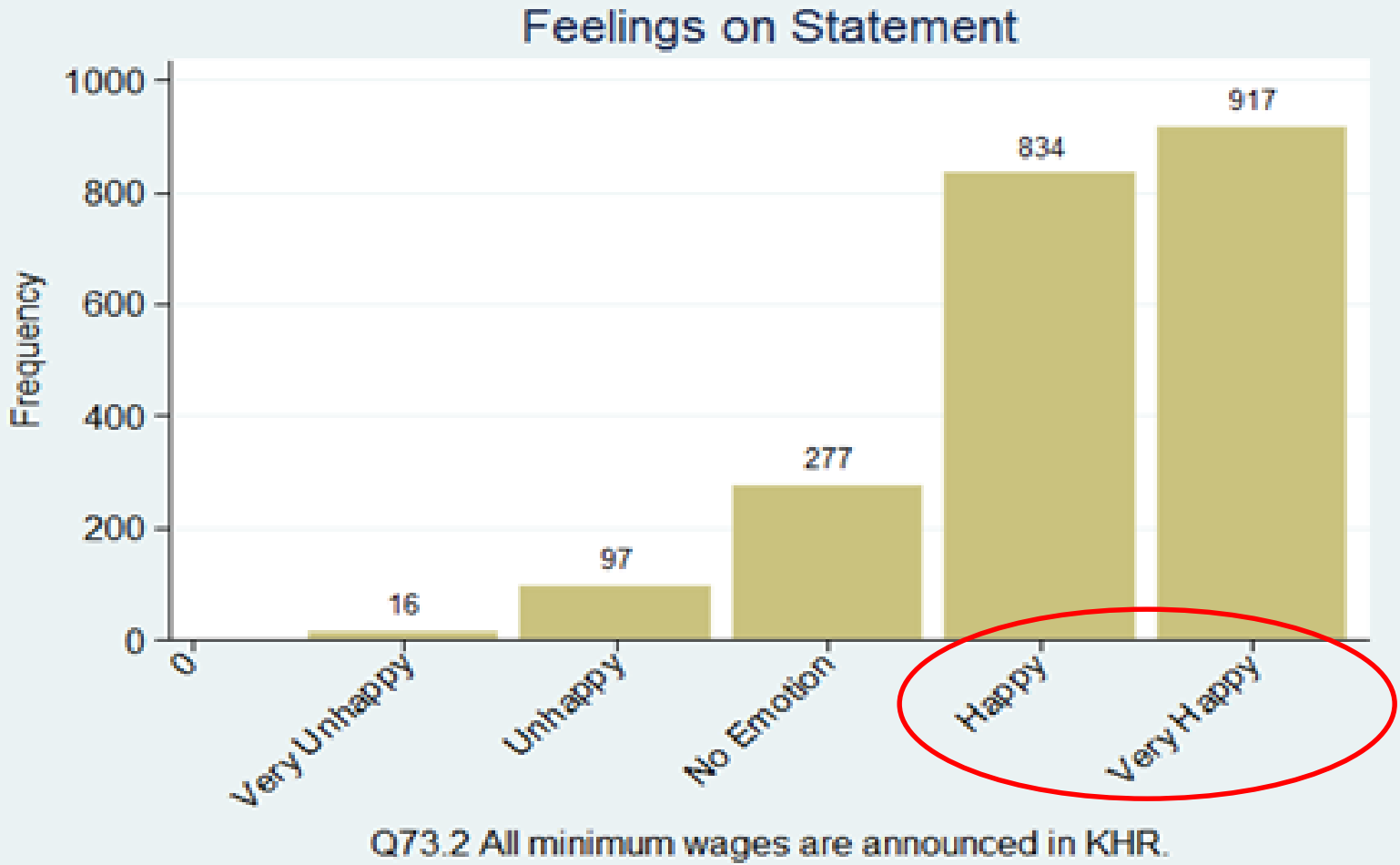
In general peoples are quite supportive for promotion of usage of KHR.



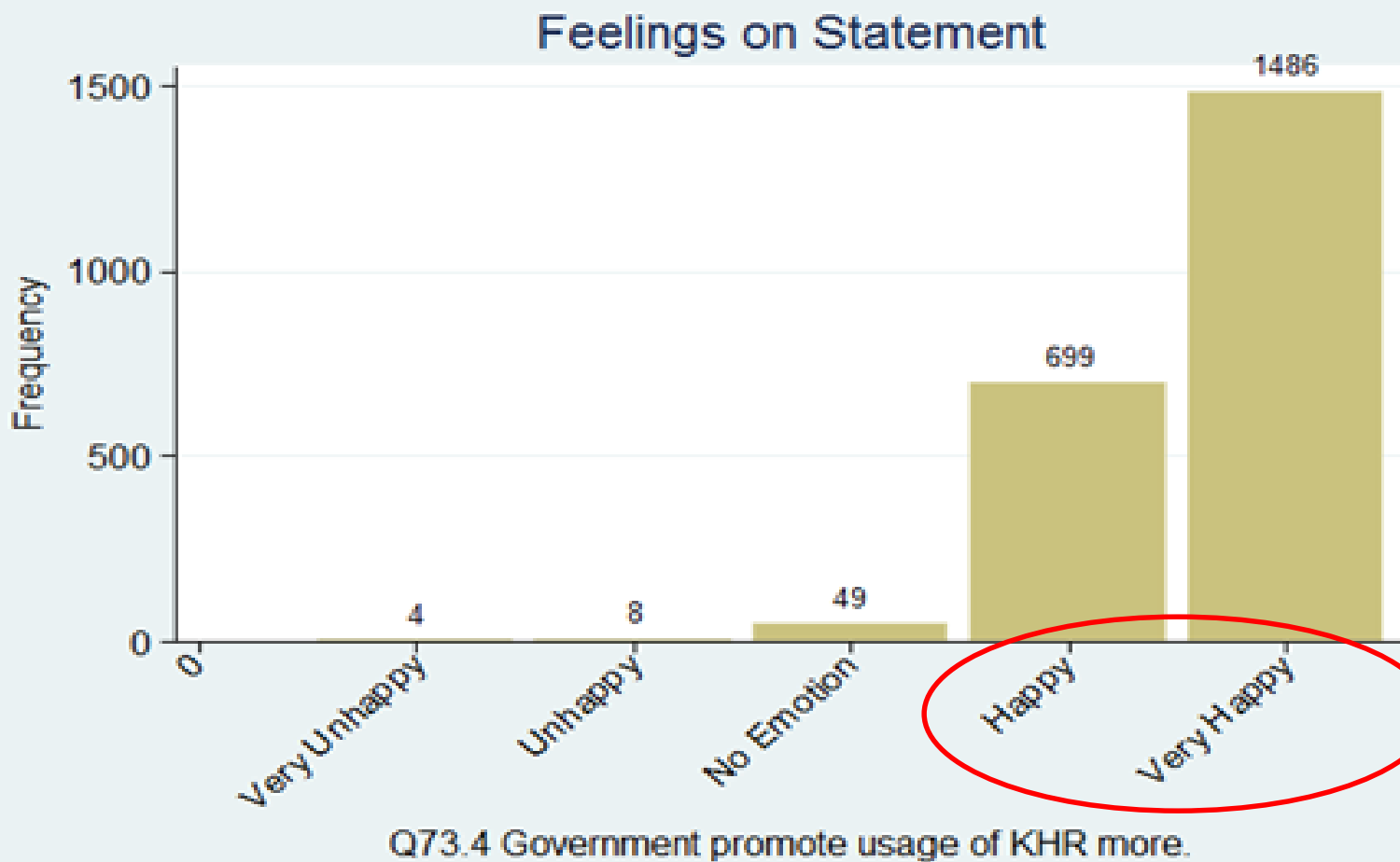
Perceptions



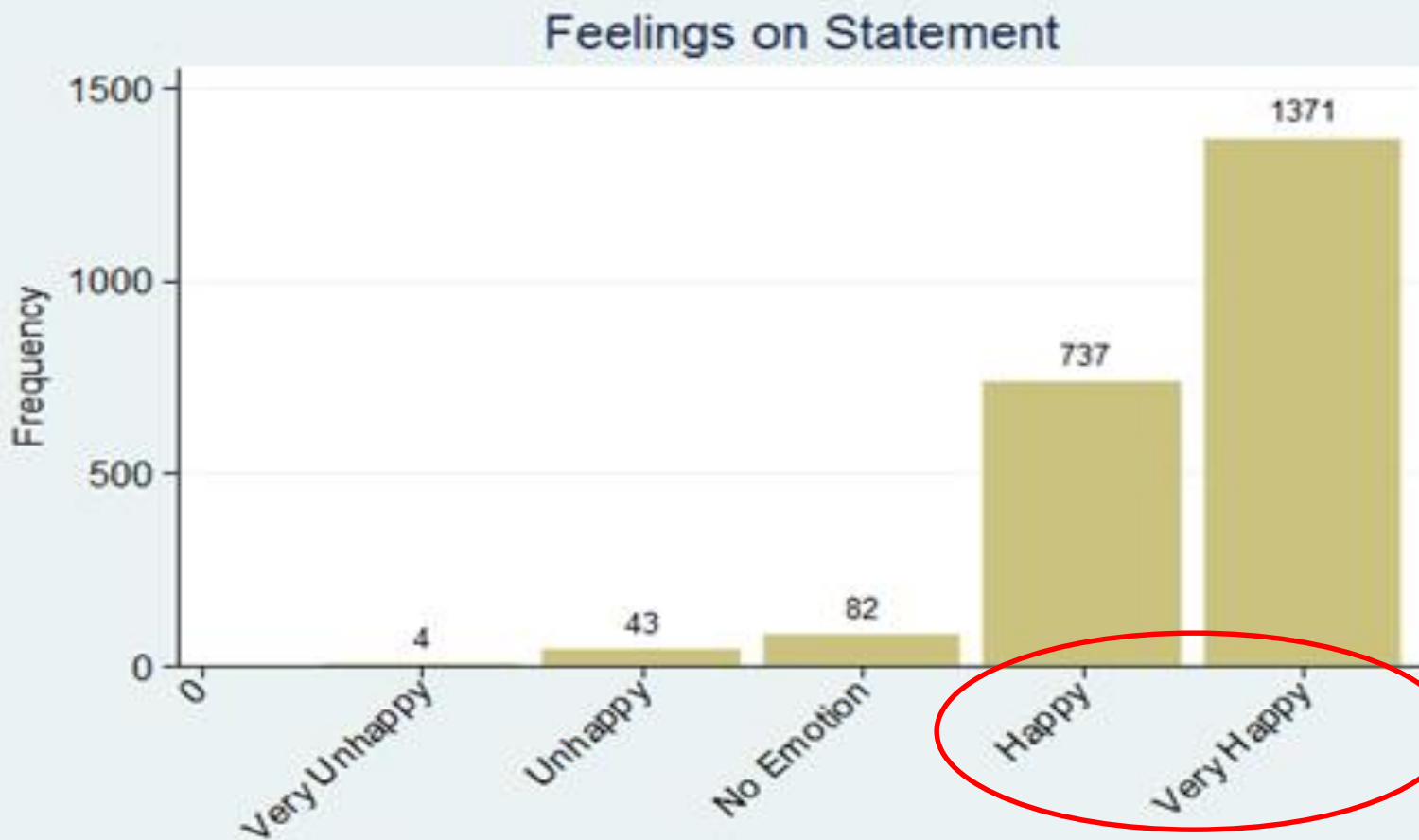
Perceptions



Perceptions



Perceptions



Q73.5 All business transactions in Cambodia are required to do in KHR.



Main Findings

- Salary/wage is the most dollarized type of incomes compared to other sources of income.
- Only a small proportion of their expenditures are in USD; in particular on telephone service and house renting.
- Survey also reaffirmed that households exchange quite frequently from USD to KHR because they need KHR for their spending.



- Though financial inclusion has been increased during the last two decades, the majority of Cambodian adult population has not had bank account yet and even less for bank account in KHR.
- Only a small number of population uses two largest KHR denomination notes and among them very few used the largest.



- Majority of people borrowed in USD since the purpose of loan or transaction involved requires foreign currency.
- Only a small number of population uses two largest KHR denomination notes and among them very few used the largest.
- In general household respondents are quite supportive for promotion of usage of KHR



Thank you for your attention

