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Cashless Tourism in Laos: QR Payments for Growth and Inclusion

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Cashless Tourism in Laos: The Role of QR Payment Systems in Advancing Economic Growth and Financial Inclusion

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Executive Summary

- Tourism is one of the largest global service industries, fueling economic growth and job creation. Before COVID-19, Chinese outbound tourism was a major global revenue source (\$253B from 170 million trips).
- Convenient, secure payment systems are key to increasing tourism flow and spending. In the context of Southeast Asia, digital payment systems have emerged as a transformative force in enhancing financial connectivity and travel convenience.
- Several countries, including Vietnam and Thailand, have already integrated cross-border QR payment systems with China, streamlining transactions for Chinese tourists—one of the world’s largest outbound travel markets.
- At a regional level, collaboration among ASEAN nations could strengthen the overall effectiveness of the QR payment system by making it interoperable across borders, enhancing trade, and fostering deeper cultural exchange.

Introduction

Tourism is a vital driver of economic growth and a key source of job creation, establishing itself as one of the largest and most impactful service industries worldwide. However, the industry faces significant challenges stemming from the constraints of traditional financial systems. These limitations, such as high transaction fees, currency exchange complexities, and delays in cross-border payments, can deter potential travelers and burden businesses. Overcoming these obstacles is essential to unlocking the full potential of the tourism sector, enabling it to grow sustainably and inclusively while fostering global connectivity and economic development. Before the COVID-19 pandemic, China was the leading contributor to outbound tourism, accounting for 170 million trips and generating \$253 billion in revenue for the global economy.¹ Chinese tourists are renowned for

¹ Pershikov, Alexander. “Preparing for a Rise of Chinese Tourists and Their Global Impact.” Forbes, 12 Aug. 2024, www.forbes.com/councils/forbesbusinesscouncil/2023/03/24/preparing-for-a-rise-of-chinese-tourists-and-their-global-impact/.

their high spending, and their return is expected to boost the economies of destinations that rely on them.² Therefore, convenient and secure payment options play a crucial role in boosting tourism, as they make travel easier and more appealing for visitors.

In the context of Southeast Asia, digital payment systems have emerged as a transformative force in enhancing financial connectivity and travel convenience. Several countries, including Vietnam and Thailand, have already integrated cross-border QR payment systems with China, streamlining transactions for Chinese tourists—one of the world’s largest outbound travel markets.³ Laos, a country where tourism plays a key economic role, is now following suit. The implementation of a QR-based payment system between Laos and China marks a significant step toward modernizing the country’s financial landscape and strengthening its tourism sector.

Laos’ tourism industry faces several structural challenges that hinder its potential for sustainable economic growth. One significant issue is the country's heavy reliance on cash transactions, which limits financial transparency, increases the risk of fraud, and creates inefficiencies for both businesses and tourists.⁴ Many international visitors prefer digital payments; however, Laos' underdeveloped financial infrastructure often forces them to rely on cash, which reduces overall spending and discourages longer stays.⁵ Another critical challenge is the economic leakage caused by ‘zero-dollar tourists,’ which are organized tour groups, primarily from neighboring countries, that spend little within the local economy.⁶ These tourists typically use foreign-owned travel agencies, accommodations, and restaurants, ensuring that much of the revenue generated bypasses local businesses and flows back to external operators. For instance, Chinese tourists travel to a

² He, Laura, et al. “What the Return of Chinese Tourists Means for the Global Economy | CNN Business.” CNN, 7 Jan. 2023, edition.cnn.com/2023/01/06/economy/china-tourist-boom-post-covid-impact-intl-hnk/index.html.

³ CardInfoLink. 2024. “CardInfoLink | Payment Drives Digital Life | 支付驱动数字生活.” CardinfoLink.com. 2024. <https://cardinfoLink.com/en-US/newsroom/article/12>.

⁴ The World Bank. 2024. “Lao PDR Access to Finance for Micro, Small, and Medium-Sized Enterprises in Lao PDR.” <https://documents1.worldbank.org/curated/en/099091724044517537/pdf/P1803541015b2203a1bc881d7d21d9fd460.pdf>.

⁵ The World Bank. 2022. “Positioning the Laos PDR for a Digital Future.” <https://documents1.worldbank.org/curated/en/099445010192229771/pdf/P177067071faad02c0b7ec0ec39157cfae9.pdf>.

⁶ Yang, Yating. 2024. “How to Understand and Avoid Pitfalls of China’s So-Called Zero-Dollar Tourism.” South China Morning Post. March 9, 2024. <https://www.scmp.com/news/people-culture/trending-china/article/3254052/zero-dollar-tourism-scurge-china-travel-industry-what-it-and-how-can-people-avoid-its-many-traps>.

destination on group tours, primarily organized by Chinese tour operators. These tourists often spend very little money in the local economy because most of their expenditure is directed toward services and products from Chinese-owned businesses, and their transactions often bypass local financial systems. In the case of Laos, this creates several significant implications for the country's tourism sector and broader economic health.⁷ This phenomenon significantly weakens the economic benefits that tourism could otherwise provide to Laos.

Given the potential benefits of QR payment adoption, further research is necessary to assess its practical impact on Laos' tourism industry. *A key question to explore is: "How can the adoption of QR payment systems in Lao PDR's tourism industry address key challenges and unlock opportunities for economic growth and financial inclusion?"*

Tourism industry in Laos

According to the United Nations' World Tourism Organization (UNWTO)⁸, tourism is defined as *"a social, cultural and economic phenomenon which entails the movement of people to countries or places outside their usual environment for personal or business/professional purposes."*

With the rise of globalization and technological advancements, international tourism is often touted as a key driver of economic growth, owing to several potential benefits. It can generate valuable foreign exchange, improving a nation's balance of payments and bolstering its currency reserves.⁹ Unlike many sectors, tourism is relatively resilient to trade restrictions, offering a more stable income stream. As a labor-intensive industry, tourism can create numerous jobs and help reduce unemployment. Furthermore, it can stimulate regional development by generating income and employment in less developed areas, with spillover effects that benefit related sectors, such as

⁷ Ibid. see 6.

⁸ UNWTO. 2024. "Glossary of Tourism Terms." [Www.unwto.org](https://www.unwto.org/glossary-tourism-terms). United Nations World Tourism Organization. 2024. <https://www.unwto.org/glossary-tourism-terms>.

⁹ Chheang, Vannarith. 2013 May. "Tourism and Regional integration in Southeast Asia". <https://www.ide.go.jp/library/English/Publish/Reports/Vrf/pdf/481.pdf>

transportation and hospitality. Tourism also contributes to government revenues through taxes and can enhance a nation's image, potentially attracting foreign direct investment.¹⁰

Concurring the above statements, tourism has become a crucial pillar of the Lao economy, generating revenue, creating jobs, and fostering development. To broaden the market, the government focused on increasing awareness of tourism's importance and diversifying the types of visitors, moving beyond high-end tourists to include a more diverse range of demographics.¹¹ This approach has not only contributed to economic growth but also helped preserve and showcase Laos' rich cultural heritage. While Laos relies on hydroelectric power and mineral extraction as key economic drivers, these sectors generate relatively few employment opportunities. In contrast, tourism, fueled by Laos's rich cultural heritage, has emerged as a significant source of revenue and job creation. In 2017, international tourism contributed over 4% to the nation's GDP, generating an estimated \$700 million.¹² In 2019, tourism constitutes the third largest contributor to the local economy, accounting for 13.7 percent of GDP. The sector employs 54,400 individuals, with women constituting 62.5 percent, primarily among micro, small, and medium companies (MSMEs).¹³

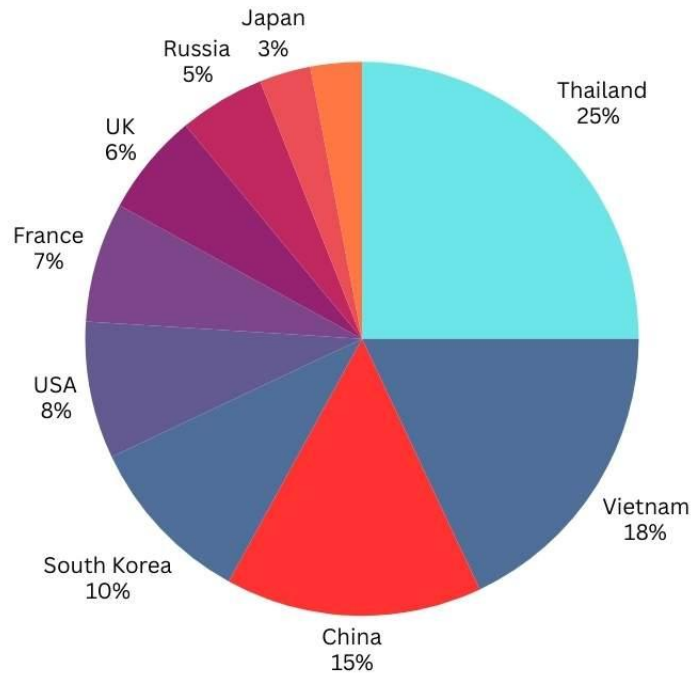
¹⁰ Pulido-Fernández, J. I., & Cárdenas-García, P. J. (2021). Analyzing the Bidirectional Relationship between Tourism Growth and Economic Development. *Journal of Travel Research*, 60(3), 583-602. <https://doi.org/10.1177/0047287520922316>

¹¹ Ibid. see 9.

¹² The World Bank Group, and The Asian Development Bank. 2021. "Climate Risk Country Profile - Lao PDR - Lao People's Democratic Republic (The)." ReliefWeb. June 16, 2021. <https://reliefweb.int/report/lao-peoples-democratic-republic/climate-risk-country-profile-lao-pdr>.

¹³ UNCDF. 2019. "First Awareness Event on International Cashless Payments Acceptance for Lao PDR Tourism MSMEs - UN Capital Development Fund (UNCDF)." *Uncdf.org*. October 25, 2019. <https://www.uncdf.org/article/5087/first-awareness-event-on-international-cashless-payments-acceptance-for-lao-pdr-tourism-msmes>.

Top 10 Tourist Origins (Sep 2024)



Data: Ministry of Information, Culture, and Tourism, Laos

Disclaimer: Country rankings are based on available information as of September 2024. Percentages shown are *illustrative and not based on exact figures*.

Since the country reopened its borders to international tourists in April 2022, the sector has been gradually recovering, supported by the launch of new passenger routes on the Lao-China Railway, linking Kunming in China to Vientiane in Laos.¹⁴ In 2019, Laos welcomed 1,022,727 Chinese tourists, accounting for 21% of all visitors. However, the COVID-19 pandemic significantly reduced these numbers, with only 45,249 Chinese visitors recorded in 2022. As of October 2024, Laos had welcomed 3.3 million international visitors, a 19% increase from the same period in the previous year. According to the Tourism Development Department under the Ministry of

¹⁴ Falak Medina, Ayman. "Boosting Tourism in Laos: New Visa Policies, Railway Routes, and Service Enhancements." ASEAN Business News, August 25, 2024. <https://www.aseanbriefing.com/news/boosting-tourism-in-laos-new-visa-policies-railway-routes-and-service-enhancements/>.

Information, Culture, and Tourism, by September 2024 the number of Thai international tourists stood top in the list, with Vietnam and China occupying the second and third positions, respectively. Additional significant sources of international tourists include South Korea, the United States, France, the United Kingdom, Russia, Japan, and Germany.¹⁵

Building on its promotional brand, “Simply Beautiful,” Laos has launched an awareness-raising program aimed at preserving its cultural and natural resources. This initiative underscores the country's commitment to sustainable tourism development. The Lao PDR government has strategically developed and promoted tourism as a key sector of the economy, evolving its focus over time.¹⁶ The first National Tourism Plan, published in 1989, initially targeted a small group of upper-market package tourists. By 1998, the second plan expanded this focus to include four major types of tourism, reflecting a broader approach. This shift led to the successful launch of the “Visit Lao Year” promotion in 1999, which rapidly elevated tourism to become one of the country’s most important export industries.¹⁷ In 2001, the third tourism plan emphasized promoting traditional culture, including archaeological and religious sites, as a means to reduce poverty and foster national development.¹⁸ Building on these foundations, the Lao PDR Tourism Strategy 2006-2020 sought to raise awareness of the tourism sector's significance and benefits, aiming to broaden the market while continuing to emphasize the promotion of traditional culture.¹⁹ In addition, The “Visit Laos-China Year 2019” initiative, launched by the Government of Lao PDR, aimed to attract a significant number of Chinese tourists to Laos, with an initial target of one million visitors.

This effort was part of broader initiatives to strengthen economic and cultural ties between Laos and China. The completion of the Laos-China Railway in June 2021, which connects Kunming in China’s Yunnan province to Vientiane, the capital of Laos, has greatly enhanced the potential for tourism growth. The railway, a major infrastructure project under China's Belt and Road Initiative,

¹⁵ Visapra, Phontham . 2024. “Laos Attracts 2.6 million International Tourists in First Eight Months.” *Laotian Times*. September 30, 2024. <https://laotiantimes.com/2024/09/30/laos-attracts-2-6-million-international-tourists-in-first-eight-months/>.

¹⁶ Tourism Laos. n.d. “<https://www.tourismlaos.org/>.” <https://www.tourismlaos.org/>.

¹⁷ The ASEAN+3 Macroeconomic Research Office (AMRO). 2020. “AMRO Annual Consultation Report Lao PDR - 2020.” https://amro-asia.org/wp-content/uploads/dlm_uploads/2020/07/AMRO-ACR-Lao-PDR-2020.pdf.

¹⁸ Ibid. see 18.

¹⁹ The World Bank. 2019. “Developing Nature-Based Tourism as a Strategic Sector for Green Growth in Lao PDR Synthesis Report.” <https://documents1.worldbank.org/curated/en/327611575915019537/pdf/Synthesis-Report.pdf>.

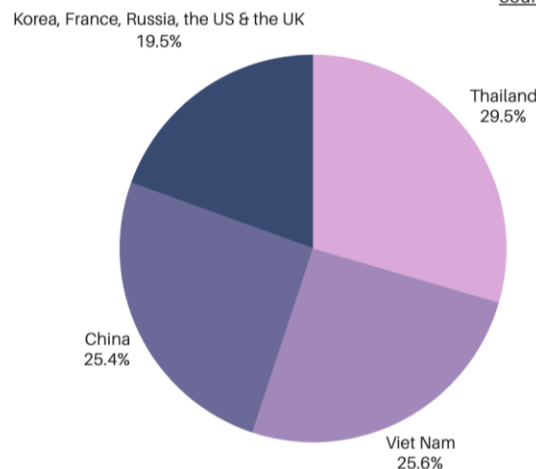
provides a faster and more accessible route for Chinese tourists to visit Laos. The forecasted growth in Chinese tourist arrivals is substantial, with numbers expected to rise to 2.5 million by 2025. This increase presents a significant opportunity for the Lao tourism industry, as the influx of Chinese visitors is expected to boost demand for accommodations, transportation, local businesses, and cultural attractions. The railway also provides an opportunity for greater regional integration, potentially increasing cross-border tourism not just from China, but from other countries along the route.

QR Payment Systems in Tourism: Global and Regional Trends

A QR Code is a type of barcode, created in 1994 by Denso Wave, a division of the Japanese auto industry for automobiles.²⁰ It is a label that a computer can read, containing information such as a tracker, location, or identifier, which directs users to a website or app. In education, QR codes support digital learning by providing instant access to supplementary materials, tracking attendance, and offering interactive experiences such as virtual tours and augmented reality content, thereby promoting personalized and engaging learning environments.²¹ The entertainment industry also benefits from QR codes in digital ticketing, marketing, and interactive gaming experiences, reducing fraud and increasing audience engagement. Additionally, the hospitality and

In 2024 a total of 4,120,832 tourists visited Laos

Source: MICT Laos



In 2024, Laos welcomed more than 4 million tourists, with an increase of almost one million visitors compared to 2023.

²⁰ Denso Wave. 2022. "QR Code Development Story." QR Code Development Story, Technologies, DENSO WAVE. April 23, 2022. <https://www.denso-wave.com/en/technology/vol1.html>.

²¹ So, Simon. 2011. "Beyond the Simple Codes: QR Codes in Education." ASCILITE Publications, December, 1157–61. <https://doi.org/10.14742/apubs.2011.1804>.

tourism sector has widely adopted QR codes for contactless menus, hotel check-ins, and self-guided tours, improving convenience for guests while reducing operational costs.²² The widespread adoption of QR codes across industries highlights their role in enhancing business efficiency while providing consumers with seamless and innovative experiences, demonstrating their growing importance in a digitally driven world. QR code payment is a cashless payment system that utilizes QR codes to facilitate transactions. Users can scan a QR code shown by the merchant with their smartphones, enabling fast and secure payments.²³

The Shift from Cash-Based to Cashless Transactions in Global Tourism

The global tourism industry has seen a significant transition from traditional cash-based transactions to cashless payment systems. This shift is driven by technological advancements, changing consumer preferences, and the increasing availability of digital payment platforms. According to the World Travel & Tourism Council (WTTC), cashless transactions have become a cornerstone of modern tourism, offering seamless payment experiences for international travelers.²⁴ The rise of mobile payments, contactless cards, and QR code systems has enabled tourists to transact without the need for local currency, reducing the logistical challenges of currency exchange and enhancing travel convenience.²⁵

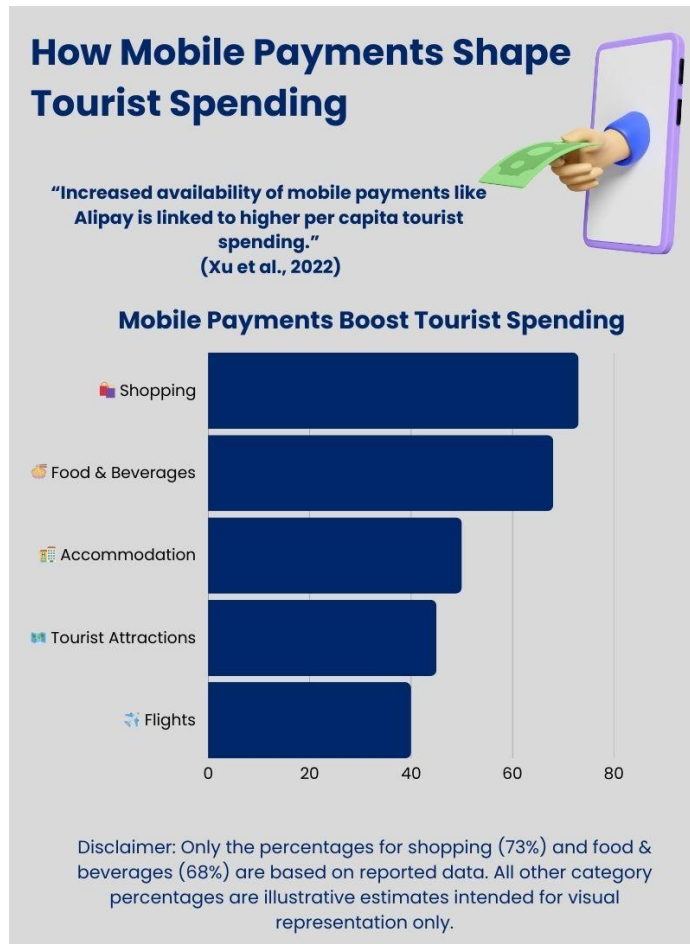
²² Ozturkcan, Selcen, and Olgun Kitapci. 2023. "A Sustainable Solution for the Hospitality Industry: The QR Code Menus." *Journal of Information Technology Teaching Cases* 1 (1): 204388692311815-204388692311815. <https://doi.org/10.1177/20438869231181599>.

²³ Hewawasam, P., Jaharadak, A., Khatibi, A. and Azam, S. (2023) "QR Code Enabled Payment Solutions in Creating a Cashless Society among Sri Lankan Consumers". *Journal of Service Science and Management*, 16, 110-132. Available at QR Code Enabled Payment Solutions in Creating a Cashless Society among Sri Lankan Consumers—A Literature Review (scirp.org)

²⁴ World Travel & Tourism Council. 2019. "Mobile Payments in Travel & Tourism: Unlocking the Potential." https://wttc.org/Portals/0/Documents/Reports/2019/Security_and_Travel_Facilitation_Seamless_Travel_Journey_Mobile_Payments_in_Travel_and_Tourism_Mar_2019.pdf?ver=2021-02-25-182803-757.

²⁵ Lopez-Cordova, Ernesto. 2020. "Digital Platforms and the Demand for International Tourism Services." <https://documents1.worldbank.org/curated/zh/724941581621885483/pdf/Digital-Platforms-and-the-Demand-for-International-Tourism-Services.pdf>.

Benefits of Digital Payments: Convenience, Security, and Increased Spending



Digital payments offer numerous advantages in the tourism sector. Firstly, convenience is a major factor, as tourists can make purchases without carrying large sums of cash, thus minimizing the risk of theft or loss. Secondly, security is enhanced through digital payments, as transactions are often encrypted and monitored, reducing fraud risks. Lastly, digital payment systems can lead to increased spending among tourists.²⁶ A study on the psychology on spending found that tourists using digital payment methods, such as QR codes and mobile wallets, tend to spend more on average than those relying solely on cash. This increase is attributed to the ease of transactions and the psychological effect of non-cash spending, which often

feels less burdensome to consumers.²⁷

Empirical research supports the notion that digital payment availability can influence tourist behavior and spending patterns.

For instance, a comparative study by Xu et al. (2022) examining tourist payment preferences in China revealed that the availability of mobile payment options like Alipay positively correlated with higher spending per capita.²⁸ According to the report in 2019, globally, shopping and dining

²⁶ Susanto, E., Hendrayati, H., Rahtomo, R.W. & Prawira, M.F.A. (2022). Adoption of Digital Payments for Travelers at Tourism Destinations. *African Journal of Hospitality, Tourism and Leisure*, 11(2):741-753. DOI: <https://doi.org/10.46222/ajhtl.19770720.254>

²⁷ Qian, Ruoning and Palvia, Prashant, "The Impact of Mobile Payment on Consumer Behavior: A Unified Model" (2022). *AMCIS 2022 Proceedings*. 18. https://aisel.aisnet.org/amcis2022/sig_adit/sig_adit/18

²⁸ Xu, P., Kim, C. S., Bai, B., & Kim, P. B. (2023). Determinants of Chinese Travellers' Use of Mobile Payment Applications when Staying at an Overseas Hotel. *Journal of Quality Assurance in Hospitality & Tourism*, 26(1), 1–21. <https://doi.org/10.1080/1528008X.2023.2196036>

are the top two categories for mobile payment use among Chinese outbound travelers, with 73% using it for shopping and 68% for food and beverages. These are followed by accommodation, tourist attractions, and flights.²⁹ Tourists reported that the ease of use and widespread acceptance of these payment systems enhanced their overall travel experience, leading to more frequent and higher-value purchases.

QR Payment Systems in Laos: Current State

The rise of digital payments has been a key component of Laos' economic modernization, with mobile and cashless transactions gaining traction across urban centers. Laos, which has a population of 7.6 million, has a mobile penetration rate of 88.5 percent and an internet penetration rate of over 66%.³⁰, hence Laos has a strong foundation for digital financial services. The adoption of mobile wallets and QR code payments has been driven by both consumer demand and government-led initiatives to transition toward a cashless society.

In response to the growing need for seamless financial transactions, the Bank of the Lao PDR (BOL) launched a standardized QR code payment system in January 2020 to unify various payment services and improve interoperability among banks and financial institutions.³¹ This initiative has led to the expansion of mobile banking services, e-wallets, and fintech solutions such as LOCA Pay, enabling users to conduct transactions with greater ease.³² While major cities have witnessed widespread adoption of digital payments, rural areas still face challenges due to limited financial infrastructure and digital literacy.³³

²⁹ Ibid. see 24.

³⁰ Datareportal. 2024. "Digital 2024: Laos." DataReportal – Global Digital Insights. February 23, 2024. <https://datareportal.com/reports/digital-2024-laos>.

³¹ Xinhua. "Lao Central Bank Launches QR Code Payment Standard - Xinhua | English.news.cn." Xinhuanet.com, 2020, www.xinhuanet.com/english/2020-01/30/c_138743047.htm?utm_source=chatgpt.com. Accessed 30 Dec. 2024.

³² LOCA Pay. 2023. "Pay like a Local with LOCA PAY - from Your Card to Every LAO QR Code - LOCA Laos." LOCA Laos. October 24, 2023. <https://loca.la/locapay/>.

³³ Boontarig, Waransanang. (2020). An Empirical Study Towards the Intention to Use QR Code Payment in Champasak Province, Lao People's Democratic Republic. 10.1007/978-3-030-44044-2_1.

Recognizing the role of digital transformation in economic growth, the Lao government has incorporated cashless payments into its Digital Economy Strategy (2021-2030) and the National Digital Economy Development Plan (2021-2025).³⁴

The Digital Economy Strategy (DES) serves as the overarching framework guiding Laos's digital transformation over the next decade.³⁵ It aims to integrate digital technologies into all sectors of the economy, thereby fostering inclusive and sustainable development. The strategy outlines a comprehensive set of goals, including the enhancement of digital infrastructure, the digitalization of government services, the expansion of digital financial services, and the development of digital skills across the population. A key component of the strategy is the promotion of cashless payments, particularly through the deployment of interoperable systems such as QR code payment platforms. These systems are intended to facilitate efficient transactions, especially for small and medium-sized enterprises (SMEs), informal sector actors, and rural populations. In doing so, the strategy seeks to reduce dependence on physical currency, improve transparency in financial transactions, and expand access to formal financial services. Additionally, the strategy emphasizes the importance of digital infrastructure development, including investments in broadband internet, 4G/5G networks, and national data centers.

The **National Digital Economy Development Plan (NDEDP)** represents the first phase of implementation of the broader 2030 strategy, which is the complimentary framework to the DES. It operationalizes the vision of the DES by specifying concrete policy actions and investment priorities over a five-year period. The plan adopts a multi-dimensional approach, focusing on legal reforms, institutional capacity-building, digital infrastructure, and public-private partnerships. A central focus of the NDEDP is the development and adoption of digital financial services, particularly mobile payments and QR code systems (e.g., Lao QR Pay). The plan highlights the need to build a robust regulatory environment to support digital transactions, including legal provisions for electronic payments, consumer protection, and data privacy. It also advocates for

³⁴ Mukherji, Pradeep, Rajarshi Chatterjee, Harsh Kapoor, and Aditi Sambhar . 2022. "Digital Maturity Assessment - Lao PDR Supporting Digital Government Transformation ." Edited by Leah Brumer. https://www.undp.org/sites/g/files/zskgke326/files/2022-08/UNDP_LaoPDR_DMA_2022.pdf.

³⁵ Government of Lao PDR, Digital Economy Strategy (2021–2030), (Vientiane: Ministry of Post and Telecommunications, 2021).

the expansion of digital payment access in rural areas, where traditional banking services are limited or absent.³⁶

The increasing reliance on QR-based payment systems reflects a broader global shift toward cashless tourism. In neighboring countries such as Vietnam and Thailand, integrated cross-border QR payment networks have already facilitated smoother financial transactions for travelers, particularly from China. The recent Laos-China QR payment system, established in December 2024, represents a significant step in positioning Laos as a more accessible destination for Chinese tourists, who are accustomed to using platforms like Alipay and WeChat Pay. This integration is expected to enhance spending patterns, reduce transactional barriers, and stimulate local business growth.

On December 19 2024, an agreement was signed in Shanghai between the Lao National Payment Network Company Limited (LAPNet) and China's UnionPay International (UPI) to establish a QR code-based payment system linking the payment networks of both nations.³⁷ The introduction of the Laos-China QR payment system marks a pivotal step in the evolution of cashless tourism, reshaping the economic, cultural, and regional dynamics of the tourism industry. Cashless tourism is the use of non-cash financial transactions for tourism purposes. By eliminating barriers such as currency exchange and cash withdrawal fees, this system simplifies the payment process, encouraging greater spending. Tourists are more likely to make spontaneous purchases when transactions are straightforward, which directly benefits local businesses, particularly in the retail and hospitality sectors. Furthermore, the system's accessibility aligns with the spending habits of Chinese travelers, many of whom are accustomed to using mobile payment platforms such as Alipay and WeChat Pay.³⁸

³⁶ Government of Lao PDR, National Digital Economy Development Plan (2021–2025), (Vientiane: Ministry of Post and Telecommunications, 2021).

³⁷ Sitthixay, Phonethida . 2024. "Laos, China Launch QR Payment System for Cashless Tourism." Laotian Times. December 25, 2024. <https://laotiantimes.com/2024/12/25/laos-china-launch-qr-payment-system-for-cashless-tourism/>.

³⁸ Elphick, Dean. "Chinese Travellers: Marketing to Chinese Tourists." SiteMinder, 9 Feb. 2024, www.siteminder.com/r/chinese-travellers/.

The introduction of the Laos-China QR payment system enables Chinese tourists to use their UnionPay mobile app to make payments at merchants affiliated with eight Lao banks, facilitating seamless transactions during their stay. While specific statistics on the impact of this payment system on Chinese tourists' spending and transaction frequency in Laos are not yet available, the introduction of such a system is expected to encourage increased spending and transaction frequency among Chinese visitors. Studies have shown that mobile payment systems can stimulate and increase consumer spending levels, suggesting a positive effect on Chinese tourists' expenditures in Laos.³⁹

QR Payments and Economic Growth

The adoption of digital payment systems, particularly QR code-based transactions, has been recognized as a strategy to reduce economic leakage by retaining more financial transactions within domestic banking systems. In many developing economies, a significant portion of tourism revenue is lost through informal cash transactions, where money circulates outside the formal financial sector, limiting the government's ability to track and tax economic activities.⁴⁰

QR Payments and Financial Inclusion

The informal sector in Laos constitutes a substantial segment of the economy, employing the majority of the labor force. The informal sector constitutes 82.7% of total employment in Laos, with women exhibiting a little higher likelihood of employment in this sector compared to males.⁴¹ The transition to cashless payments represents a pivotal shift for Laos, as it seeks to formalize its economy and integrate more transparent financial systems. By moving away from cash transactions, the country can significantly enhance the traceability of economic activities, a development that has profound implications for fiscal governance and economic management.⁴²

³⁹ Wang, Yong. (2024). The Impact of Mobile Payments in the Post-epidemic Era in China: Consumption, Tourism, and User Perception. *Advances in Economics, Management and Political Sciences*. 127. 51-57. 10.54254/2754-1169/2024.OX18512.

⁴⁰ ILO. "Informal Economy | International Labour Organization." www.ilo.org, 28 Jan. 2024, www.ilo.org/ilo-employment-policy-job-creation-livelihoods-department/branches/employment-investments-branch/informal-economy.

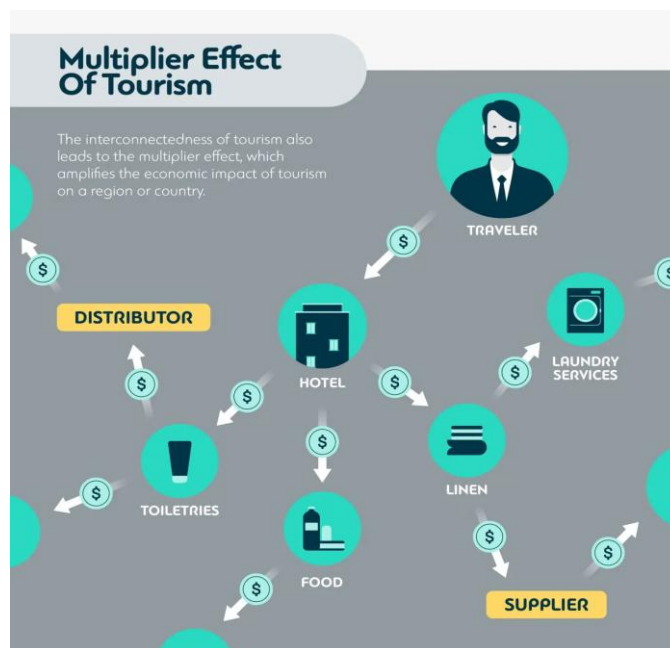
⁴¹ Ministry of Planning and Investment Lao Statistics Bureau. 2018. "Statistical Report: Lao PDR Labour Force Survey 2017." [ilo.org](http://www.ilo.org). March 2018. <https://www.ilo.org/surveyLib/index.php/catalog/7627/download/47287>.

⁴² Runde, Daniel, Rachel Lee, and Romina Bandura. 2022. "Digitalizing Laos: Improving Government Transparency, the Business Environment, and Human Capital." https://csis-website-prod.s3.amazonaws.com/s3fs-public/publication/220216_Runde_Digitizing_Laos.pdf?VersionId=iWw45YTLbLsqH1CMv0QwK.o3KvMivjMw.

This increased transparency is especially beneficial for government revenue. In Laos, as in many developing economies, informal markets have traditionally accounted for a significant portion of economic activity. It is estimated that the informal sector in Laos accounts for approximately 40% of the economy.⁴³ The shift to digital payments not only reduces reliance on cash but also facilitates better monitoring of economic transactions, making it easier for authorities to track sales, income, and business activities. This shift is a crucial step toward improving tax compliance, as it enables the government to assess and collect taxes more accurately, thereby enhancing public revenue.⁴⁴

The catalyst for SMEs acceleration

Tourism is essential for Small and Medium Enterprises (SMEs) because it offers substantial opportunities for sustainability and growth. The influx of travelers directly benefits SMEs in the tourism sector, including local accommodations, restaurants, transportation services, and tour operators.⁴⁵ Tourism also has a multiplier effect on other industries. For instance, if a tourist spends money on a hotel room, the hotel purchases goods and services from other businesses,



Source: The Economic Impact of Tourism: What You Need to Know

⁴³ Asian Development Bank. (2021). Laos: Inclusive growth and poverty reduction. Retrieved from <https://www.adb.org/countries/laos/main>

⁴⁴ Ibid. see 18.

⁴⁵ Truyols, Marc. 2023. "The Economic Impact of Tourism: What You Need to Know." Mize. July 4, 2023. <https://mize.tech/blog/the-economic-impact-of-tourism-what-you-need-to-know/>.

such as food, linen, and toiletries. These businesses, in turn, purchase goods and services from other companies, and the cycle continues. This means that the economic impact of tourism is not limited to the tourism industry but extends across various sectors of the economy. The expenditure of international tourists on tourism can generate income that may result in new revenue streams, investments, savings, and consumption.

Small and medium-sized enterprises (SMEs) frequently provide authentic, locally derived experiences that appeal to tourists who are interested in experiencing the destination's culture. Consequently, SMEs preserve local traditions while improving the overall tourist experience.⁴⁶ Therefore, small and medium-sized enterprises (SMEs) are crucial to the economic structure of Laos, representing the backbone of its economy. SMEs account for approximately 90% of all businesses in Laos and contribute significantly to employment, with an estimated 70% of the labor force engaged in this sector.⁴⁷ Despite their central role, SMEs often face significant barriers to growth, particularly in relation to cash-based transactions. The introduction of the QR payment system has the potential to alleviate many of these challenges, offering SMEs a pathway to greater efficiency, security, and competitiveness. The QR payment system can enhance the security of financial transactions, a concern particularly relevant for SMEs in Laos.

In a cash-based system, the risk of theft or loss is ever-present, particularly for businesses in rural areas or those operating in high-risk environments. Digital payment systems offer a higher level of security, as funds are transferred electronically and monitored by banks or payment processors. This reduces the physical risks associated with cash and ensures greater accountability for financial transactions.

In Laos, a substantial portion of economic activity takes place in the informal sector, where businesses frequently lack access to financial services or credit. By adopting digital payment systems, SMEs can establish a digital footprint, making it easier for them to access loans and other

⁴⁶ Maziliauske, Evelina. 2024. "Innovation for Sustainability through Co-Creation by Small and Medium-Sized Tourism Enterprises (SMEs): Socio-Cultural Sustainability Benefits to Rural Destinations." *Tourism Management Perspectives* 50 (January): 101201. <https://doi.org/10.1016/j.tmp.2023.101201>.

⁴⁷ Kyophilavong, P. (2008), 'SME Development in Lao PDR', in Lim, H. (ed.), *SME in Asia and Globalization*, ERIA Research Project Report 2007-5, pp.191-215. Available at: <http://www.eria.org/SMEs%20Development%20in%20Lao%20PDR.pdf>

financial services. Additionally, the ability to make digital payments may attract a younger, tech-savvy demographic interested in immersive cultural experiences.

Challenges in QR Payment Adoption

The implementation of QR payment systems presents a potential solution to these challenges by modernizing financial transactions and ensuring a greater share of tourism revenue remains within the local economy. QR-based payment systems operate by enabling users to scan a merchant's unique QR code using mobile banking apps or e-wallets, facilitating seamless, cashless transactions. This technology is particularly advantageous for a country like Laos, where mobile phone penetration is high, yet traditional banking infrastructure remains underdeveloped. By adopting QR payments, local businesses can cater to digital-savvy tourists, enhance transaction efficiency, and reduce their reliance on cash, thereby mitigating financial losses associated with theft and fraud.⁴⁸ Moreover, QR payments can enhance financial inclusivity by enabling small and informal businesses—such as street vendors and independent tour guides—to accept digital payments, ensuring that a larger portion of tourist spending remains within local communities.

Technological and Infrastructure Barriers

Digitalization can significantly mitigate some inefficiencies. Nonetheless, it is crucial to recognize that digital tools are not infallible and do increase security and privacy threats for individuals, corporations, and governments alike. They are susceptible to privacy and cybersecurity violations, system malfunctions, and potential exclusion of persons. Technology is susceptible to exploitation and abuse by malicious individuals who perpetrate identity theft, financial fraud, and digital totalitarianism. In Laos, the National Assembly has experienced substantial disruptions to its digital network, raising concerns about data integrity. Concerns have arisen regarding the security of mobile payment applications, like the Banque Pour Le Commerce Extérieur Lao Public (BCEL) OnePay network.⁴⁹

⁴⁸ Santosdiaz, Richie. 2024. "Laos' Path to Financial Inclusion: Mobile Money, Digital Payments, and Future Growth." *The Fintech Times*. September 25, 2024. <https://thefintechtimes.com/fintech-landscape-of-laos-in-2024/>.

⁴⁹ Ibid. see 19.

One of the primary challenges associated with the QR payment system is the potential exclusion of local populations who lack access to smartphones or digital literacy. Many developers highlight the frequent failure of products to adopt a universal design approach, which emphasizes creating products and environments that are accessible to all individuals without requiring adaptations or specialized designs.⁵⁰ Universal design principles include equitable use, flexibility, simplicity, tolerance for error, low physical effort, and appropriate size. When products and services are primarily designed for early adopters, they often neglect the needs of individuals with lower levels of education, non-English speakers, the elderly, and persons with disabilities in low-middle-income countries like Laos. To ensure inclusivity, the government and private sector must invest in digital education and infrastructure development. Programs that provide affordable smartphones and training for local communities can help bridge the digital divide, allowing more people to benefit from the cashless economy.⁵¹ Both the public and private sectors must actively encourage the digital integration of marginalized populations to alleviate these inequities and ensure the inclusion of the cashless economy. By funding national digital education initiatives that teach vital skills such as smartphone usage, navigating digital payment platforms, and online security, the government, in particular, can play a significant role. Accessible and reasonably priced training can help close the digital literacy gap, enabling people to manage their finances effectively in the modern world, particularly for older generations or those in lower-income brackets.⁵²

Furthermore, extending the use of digital payment systems can be greatly aided by public-private collaborations. These collaborations can provide funding for projects that lower the cost of smartphones and internet connection in rural areas. Those who were previously excluded may be able to use mobile payment systems through special programs created to give people in these areas inexpensive or subsidized devices. Improvements to the internet infrastructure are also necessary because a dependable internet connection remains a problem in many rural locations. High-speed

⁵⁰ TPGi. “UX Series 1: Universal Design and Digital Accessibility - TPGi.” TPGi, July 2020, www.tpgi.com/ux-series-universal-design-and-digital-accessibility/. Accessed 10 Feb. 2025.

⁵¹ World Bank. “Global Findex Database 2021 Reports Increases in Financial Inclusion around the World during the COVID-19 Pandemic.” World Bank, 21 July 2022, www.worldbank.org/en/news/feature/2022/07/21/covid-19-boosted-the-adoption-of-digital-financial-services.

⁵² Alliance for Financial Inclusion (AFI) and ASEAN Working Committee on Financial Inclusion (ASEAN WC-FINC) (2021), Policy Note on Digital Financial Literacy for ASEAN, Kuala Lumpur: AFI, https://asean.org/wp-content/uploads/2021/11/Annex-5-Endorsed-AFI_ASEAN_PN-1.pdf

internet network investments, especially in rural areas, would guarantee that QR payment systems are a practical choice for everyone, everywhere.⁵³ Additionally, increasing awareness of the advantages of digital payments, such as their affordability, ease, and security, will promote broader adoption.

Reducing Dependence on Foreign Payment Systems to Strengthen the Lao Kip

Reliance on foreign payment systems for transactions in Laos could pose significant risks to the stability of the country's local currency, the Lao kip. As more financial transactions are conducted through foreign platforms, there is a decreased demand for the kip in daily exchanges, which could contribute to the weakening of the currency. When large volumes of transactions are processed in foreign currencies or via international platforms, it creates an imbalance in the flow of money, potentially leading to the depreciation of the kip against stronger currencies, such as the US dollar or the Thai baht.⁵⁴ This scenario could harm Laos' economic stability, as a weaker currency can result in higher import costs, inflation, and reduced purchasing power for local consumers.

To mitigate this risk, the Lao government should take proactive steps to protect and stabilize the kip by incentivizing the use of local payment platforms. Encouraging businesses and consumers to adopt domestic payment systems can help increase demand for the kip, thereby reducing reliance on foreign currencies.⁵⁵ This could be achieved by offering tax incentives, subsidies, or other financial benefits to businesses that use local platforms for transactions. By making these local systems more attractive, the government could promote a shift towards a payment ecosystem that supports the country's financial sovereignty and reduces vulnerability to external economic forces.⁵⁶ Another strategy might involve developing a domestic digital payment infrastructure that can compete with foreign platforms. This could include partnering with local tech companies to build secure, user-friendly payment apps or digital wallets that allow Lao citizens and businesses

⁵³ Younus, Muhammad, Suswanta, and Muchamad Zaenuri. 2024. "Public-Private Collaboration to Overcome the Digital Divide in Digital Transformation of Government". Digital Zone: Jurnal Teknologi Informasi Dan Komunikasi 15 (1), 28-41. <https://doi.org/10.31849/digitalzone.v15i1.17027>.

⁵⁴ Xinhua. "Lao Central Bank Enhances Efforts to Ensure Currency Stability." News.cn, 31 Jan. 2025, english.news.cn/20250131/c25437e4c4f04e09b735ba263c2e0627/c.html. Accessed 10 Feb. 2025.

⁵⁵ Vilaihan, Sivay. "Improving Domestic Revenue Mobilization in Lao PDR." https://www.mof.go.jp/pri/international_exchange/visiting_scholar_program/SivayVilaihan.pdf

⁵⁶ ASEAN+3 Macroeconomic Research Office (AMRO). AMRO Annual Consultation Report Lao PDR - 2024. Dec. 2024. https://amro-asia.org/wp-content/uploads/2024/12/AMRO-Annual-Consultation-Report-on-Lao-PDR-2024_for-publication.pdf

to transact in the kip easily. Building trust in domestic platforms through robust security features, seamless user experiences, and customer support could gradually shift the preference towards local systems, ensuring that the kip remains central in the economy. A relevant case study is Bakong, Cambodia, a blockchain-based payment system launched by the National Bank of Cambodia (NBC)⁵⁷. Bakong was developed as a digital payments infrastructure to enhance financial inclusion, reduce reliance on foreign payment platforms, and support the use of the Cambodian riel alongside the U.S. dollar. By integrating banks, microfinance institutions, and mobile payment services into a unified system, Bakong allows seamless transactions using QR codes and mobile applications. Lao PDR could draw lessons from Bakong's success, particularly in leveraging blockchain technology to enhance transaction efficiency and security, while promoting the use of local currency. Implementing a similar national payment infrastructure in Laos could help address concerns about foreign platform dominance, improve financial inclusion, and strengthen monetary sovereignty.

Enhancing ASEAN's Economic Integration Through Interoperable Digital Payment Systems

On a regional scale, addressing economic disparities within ASEAN requires a concerted effort among member countries to develop interoperable digital payment systems. The current landscape of digital payments often presents barriers to cross-border transactions, as different countries utilize varying platforms and currencies that do not easily interoperate with one another.⁵⁸ By promoting regional cooperation and standardizing payment systems, ASEAN can facilitate smoother, faster, and more efficient transactions across its member states, thereby reducing friction for both tourists and businesses. This alignment would not only improve the ease of conducting business and traveling within ASEAN but also help bridge the economic gap between member nations by providing equitable access to digital financial services. The creation of a cohesive tourism ecosystem within ASEAN can drive substantial economic growth, particularly in the tourism sector, which is a vital contributor to the region's economy.⁵⁹ With interoperable digital

⁵⁷ Bakong. “ប័ណ្ណប័ណ្ណ | Bakong – the Next-Generation Mobile Payments.” Nbc.gov.kh, 2021, bakong.nbc.gov.kh/.

Accessed 10 Feb. 2025.

⁵⁸ World Bank. 2019. “The Digital Economy in Southeast Asia: Strengthening the Foundations for Future Growth.” documents1.worldbank.org/curated/en/328941558708267736 /pdf/The-Digital-Economy-in-Southeast-AsiaStrengthening-the-Foundations-for-Future-Growth.pdf

⁵⁹ 12 Guild, James. 13 June, 2023. “ASEAN's Cross-Border Digital Payment System Explained”. ASEAN's Cross-Border Digital Payment System Explained – The Diplomat

payment systems in place, tourists can easily move between countries, paying for services seamlessly without the need for multiple foreign exchange transactions or dealing with incompatible platforms. This, in turn, makes the region more attractive to international visitors, boosting tourism revenue across ASEAN while ensuring that the benefits are spread more evenly among all member states.

To achieve this goal, ASEAN member countries should explore initiatives such as joint funding for technological infrastructure and the development of shared knowledge platforms. Governments can collaborate to invest in the infrastructure necessary to support secure and efficient digital payment networks.⁶⁰ This could include enhancing internet connectivity, improving mobile payment infrastructure, and integrating digital currencies or electronic wallets that can be used universally across ASEAN. Moreover, knowledge-sharing platforms would enable member countries to exchange best practices and lessons learned from successful digital payment implementations, helping each nation to avoid common pitfalls and to build systems that are both secure and scalable.

In addition to technology infrastructure, joint funding initiatives could also support capacity-building efforts to ensure that smaller or less developed ASEAN countries are not left behind in the digital transition. Technical training, regulatory frameworks, and localized support systems can empower businesses, particularly in the tourism sector, to adopt these digital payment solutions.⁶¹ A key development in this space is the **"One-QR for ASEAN"** initiative, which aims to create a seamless, interoperable QR payment system across member states. By enabling tourists and businesses to use a single QR code for transactions throughout the region, this initiative enhances convenience, reduces friction in cross-border payments, and strengthens regional financial integration.⁶² As businesses become more capable of leveraging digital payment technologies, they will be better positioned to offer improved services to tourists, further enhancing ASEAN's competitive edge. Through these collaborative efforts, ASEAN can establish a robust,

⁶⁰ Association of Southeast Asian Nations (ASEAN) WCFINC and the World Bank Group. Advancing Digital Financial Inclusion in ASEAN Policy and Regulatory Enablers Public Disclosure Authorized Public Disclosure Authorized Public Disclosure Authorized Public Disclosure Authorized. 28 Feb. 2019.

⁶¹ Ibid. see 50.

⁶² CardInfoLink. "CardInfoLink | Payment Drives Digital Life | 支付驱动数字生活." CardinfoLink.com, 2024, cardinfoLink.com/en-US/newsroom/article/12.

integrated digital payment ecosystem that not only promotes regional economic integration but also ensures that the growth of tourism benefits all member states, fostering shared prosperity and reducing disparities within the region.

Conclusion

The Laos-China QR payment system is more than a technological advancement; it is a catalyst for transforming Laos' tourism landscape and positioning the country as a leader in cashless tourism. While the system offers numerous benefits, including increased economic transparency, enhanced tourist experiences, and strengthened regional connectivity, it also presents challenges such as cultural commodification, economic dependence, and cybersecurity risks. By addressing these challenges through inclusive policies, sustainable practices, and regional collaboration, Laos can harness the full potential of this innovation. To fully realize the potential of the QR payment system, it is essential that Laos adopt policies that are inclusive and sustainable. This includes ensuring that local community's benefit from technological advancements, providing education on digital literacy, and safeguarding cultural heritage from exploitation. It also requires a careful balance between integrating foreign payment platforms and maintaining the use and value of the kip. Furthermore, addressing the cybersecurity landscape by adopting robust digital security measures will ensure the system's long-term viability and trust among both locals and tourists.

At a regional level, collaboration among ASEAN nations could strengthen the overall effectiveness of the QR payment system by making it interoperable across borders, enhancing trade, and fostering deeper cultural exchange. With joint efforts in infrastructure development, technology sharing, and inclusive policy-making, Laos can contribute to a more integrated and cohesive regional tourism ecosystem that benefits all member countries. On a broader global scale, the Laos-China QR payment system mirrors larger trends in the digital transformation of tourism. As countries worldwide work to modernize their tourism infrastructures, Laos' experience offers valuable insights into the importance of balancing technological progress with cultural preservation and inclusivity. The global tourism industry is increasingly moving toward digital solutions, and Laos' example can serve as a guiding model for nations aiming to embrace cashless economies while safeguarding their unique cultural identities. Ultimately, ensuring that the benefits of cashless tourism are equitably distributed, both within Laos and globally, will require

careful planning and collaboration. By fostering a tourism environment that is connected, inclusive, and respectful of cultural heritage, Laos can set a precedent for a sustainable, tech-forward, and culturally rich tourism industry that can be emulated by other nations seeking to navigate the complexities of a rapidly evolving global landscape.

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