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Stronger Women Voices were amplified for Policy Inclusion



17th August 2021 – “YWE challenges in getting loans” – different partners and stakeholders consolidated discussions

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“We are thankful and happy to learn such a lot of helpful information regarding effective accounting standard for companies from the speaker who kindly shared it in detail. The effective accounting standard helps the SMEs owners control their companies more appropriately. With comprehensive and transparent financial reports, it is easier for auditing.” Ms. Chea Ratha

According to the survey, there were **512,871 enterprises** establishment in Cambodia. Among them, 501,612 were micro enterprises, and 11,259 were small and medium enterprises combined. MSMEs take the majority share (99.8%) of enterprises in the country. Micro, Small and Medium Enterprises (MSMEs) play a vital role in Cambodia. They provide GDP growth where 61% of MSMEs are owned by women. It may also be related to the social perceptions that women are less outgoing and lacking leadership skills and the necessary initiative to run a business. However, **90 per cent** of the SMEs managed by women in Cambodia were profitable in 2018 as per report

Women entrepreneurs own 62% of micro businesses and a notable 26% of SMEs. Women entrepreneurs were reported to have faced some difficulties in running and expanding their businesses due to **Lack of financing business sources**. Given that most women entrepreneurs run micro and informal businesses, getting loans from banks has never been easy for requirements, complex loan procedures, high loan interest rates, and limited financial literacy when they apply for bank loans. Most women entrepreneurs, especially those who own micro businesses, and startups, started their businesses from scratch using their own funds or family fund.

In order to help women-owned SMEs recover from the financial crisis and overcome the challenges they are facing, CWEA conducted series of round table discussions about the issues, such as:

On 7th June, 2021 CWEA conducted a Round Table Discussions on Access to loan, to collect the challenges of implementation of loan policies of Financial Institutions or Banks, to understand the responsive measures including policies and regulations of government to address those challenges and to produce the policy brief for policy inclusion. Collected issues from the YWE participants are namely; High interest rate, Limitation of public saving, Limitation of loan Amount, Difficulty to get loan to support the daily operation, Difficulty in getting loan form banks for micro businesses without collateral, Effects of

COVID-19 cause decline in revenue & increased expenditure, most of the loan were reject by the banks, listing in the blacklist cause of lateness, not allowed to do re-finance, Required the collateral/properties, Required the financial/transaction report, Required the sale reports/record, Required the business plan, activities, and historical record, required biz expansion strategic & plan, required to negotiation or engage with influence people, Required the witness, additional fee.

Analyzing the issues which is mainly lack of understanding on the process and document requirements, **on 14th July, 2021** an internal round table discussions was again arranged meeting was conducted with the presence of the Deputy Director General of Accounting and Auditing Regulator of National Accounting Council, discussing about the challenges of the YWE on the Implementation of Financial Act to Comply with National Accounting Standard for SMEs. If registered businesses, small businesses' obligation is tiny, not much requirement. Medium taxpayers need to comply. If not, they can be fined. Mostly, the benefits to comply with non-collateral loan as an easy access to bank loans are the financial record as this is a soft collateral reference of the bank.

As a result of this Forum, the National Accounting Council of Cambodia gave some guidance to the participants. NACC said, "There is a need to register when the annual revenue meets the requirement asked by the Government. Your business will be evaluated, and then you need to comply with National Accounting Standard regulations from when you register it, and once you are proven clean, everything will be smooth. SMEs should assign someone in charge of accounting in their company, not the owner who does not do accounting, to learn more about the system and how compliance works. The SMEs have to do their obligations, and there are experts / consultants / agents that can be hired, if the company is small and no accountant. SME has the duty to check the website and download documents to read and you don't understand it, you should ask. Some SMEs do nothing when they don't understand. https://zbook.org/national-accounting-council-of-cambodia-report-on_NDYzMDY.html. The institution acknowledged that the dissemination is still limited. As observed from seminars and workshops we conducted, 95% to 97% of SMEs are not registered, and they don't know the financial act of National Accounting System. SMEs should identify their own challenges to determine what needs to have complied with regulations and what doesn't. Some challenges can be solved internally within their own company. Some challenges can be solved by outsources, such as a professional firm that they can hire to help, such as preparing documents for compliance. If the challenges are related to the policies and regulations from the government, they can approach the institution."

And finally for a bigger point of view, on **14th August 2021** we conducted a sort of Bigger Private Consultation Forum, where we invited different stakeholders, partners and Business Associations for a consultation and subjected the collected challenges into discussions and consultations. This confirms that issues collected are the same as the issues their members but there is a need to legalize or formalize the YWEs businesses since this is the basic criteria in granting non-collateral loan. other YWEs are difficult in assessing what is an appropriate loan for them, along with understanding the terms of loans- many of which aren't generally friendly towards YWEs with small businesses. Street vending is a huge business in Cambodia but has remained at the bottom of the agenda when it comes

to the government's support. The absence of appropriate vending spots and policy has contributed to the vulnerability of the street vendors across the country.

The recommendation from different stakeholders are; Providing flexible lending conditions to women-owned micro-businesses without collateral; Suspending debt collection temporarily for women micro-loan borrowers who are facing financial crisis due to the COVID-19 pandemic; Providing loans to women-owned micro-businesses with a lower interest rate; Introducing some flexibility and increasing the financial flow to women-owned, SMEs, such as loans or funds, combined with capacity-building programme. Promote the formalization of business, prepare basic accounting and financial reports, provide ease of registration. Engage more often and seek for assistance where necessary. Case by case by putting request to relevant ministries. Vending Spots for street vendors. Provide a free public business lawyer consultation services.

The immediate success of this journey had been so impressive as on the same month, August of 2021, CWEA signed an MOU with Bank Association of Cambodia and Cambodia Microfinance Association where the three parties agreed to collaborate and co-organizing 2 workshops per year in the capital and provinces. a) 1st workshop will be focused on the solutions that address to the challenge's that raised by the demand and supply side. b) 2nd workshop, a multi-engagement stakeholder, that will improve awareness and addressing to the relevant policies and solutions to improve enabling environment for women entrepreneur in access to finance. c) To explore the future workshops that will be focused on the advocacy, a consultation and capability building for women entrepreneur in access to finance. Likewise, two more partners such as WINGS and MSK are in negotiation for non-collateral loans for Women Entrepreneurs.

On top of this, CWEA had develop a policy brief to create Matrix of issues that is intended to be used on the next call for the National Private Working Group Meeting for discussion in the Government Private Sector Forum. And on the other side CWEA is also working in collaboration with National Accounting Council on areas where we can both support the need of Women Entrepreneurs.