



White Paper

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ENHANCING MSMEs BUSINESS RESILIENCE FOR WOMEN ENTREPRENEURS IN CAMBODIA:

Enabling Business Environment, Overcoming and Managing Risk

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Message from the President

The Cambodia Women Entrepreneurs Association (CWEA) is continuously developing written reports from the collected voices of women entrepreneurs throughout the country, and we are pleased to present you our “White Paper Findings vol. 3” entitled *“Enhancing MSMEs Business Resilience to Enabling Business Environment, Overcoming and Managing Risk for Women Entrepreneurs in Cambodia”*.

The recent impact of the COVID-19 pandemic for the last two years has affected the whole world that left a trail of devastation in the world economy, severely affecting the majority of the business community, and especially the MSMEs. While some businesspeople were able to survive and quickly ride the emerging business trend, many Cambodian women entrepreneurs were struggling to overcome the challenges.

CWEA was compelled to dig further evidence from its provincial work to assess the real voices and the situation on the ground to come up with some proposals to support the economic recovery measures and to develop a strategy to enable women entrepreneurs to cope with the new business norms.

The findings of this study will provide information where MSMEs, business associations, policymakers and development partners can join hand with CWEA to develop together a platform for national economic recovery.

On behalf of CWEA, I would like to express my deepest appreciation to our partners for their trust and confidence with us, to our members for their support in advocating the women entrepreneurs’ quests for policy inclusion, to our staff for their commitment to our programs, and to our CWEA board of directors for their dedication in improving the welfare of women entrepreneurs in Cambodia.

Sincerely,

Oknha Keo Mom

CWEA President

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Executive Summary

Cambodia has seen remarkable economic growth and poverty reduction in the last two decades. Its economy has sustained an average growth rate of 7.7% between 1998 and 2019. The country has experienced a rapid change by reaching lower-middle-income status in 2015 and is thriving to attain upper-middle-income status by 2030. The Royal Government of Cambodia (RGC) recognises that creating an enabling environment for private sector development is a precondition for promoting economic growth, creating employment, reducing poverty, and sustaining economic development. Moreover, the RGC has made a great effort to create a conducive environment for developing small-and-medium-sized enterprises (SMEs).

Cambodian SMEs significantly contribute to the country's economy, accounting for 70% of employment, 99.8% of companies, and 58% of GDP. According to the 2014 National Institute of Statistics (NIS), women in Cambodia own 61% of all businesses – micro, SMEs and large, which is significantly higher than in many countries in Southeast Asia. Having recognised the critical role of women-owned SMEs in economic development, the RGC launched the Rectangular Strategy-Phase IV and the National Strategic Development Plan 2019-2023 to strengthen gender equality in every sector and at all levels, as well as to promote the advancement and empowerment of women.

Like other countries around the world, Cambodia was hardly hit by the COVID-19 outbreak for the last two years, and the pandemic has severely disrupted most economic activities in the country. Micro, small and medium enterprises (MSME) owned by women were most vulnerable to the effects of the COVID-19 pandemic. Some businesses were temporarily closed, and many women entrepreneurs reported a decline in their business revenues. Others who own micro and small businesses suffered serious financial crisis as they could not repay bank loans due to the losses of revenue.

This white paper provides some policy recommendations for the government, financial institutions, and development partners to assist women entrepreneurs overcome the challenges they face. The recommendations will also help women-owned MSMEs to adjust, recover, and set up for success in the post COVID-19 “new normal”.

Acronyms

CWEA	Cambodia Women Entrepreneurs Association
FGD	Focus Group Discussion
GDP	Gross Domestic Products
G-PSF	Government-Private Sector Forum
IFC	International Finance Corporation
MoWA	Ministry of Women's Affairs
RGC	Royal Government of Cambodia
SMEs	Small and Medium Enterprises
MSMEs	Micro, Small and Medium Enterprises
YWEs	Young Women Entrepreneurs

I. Background

In the last two decades, Cambodia has seen extraordinary economic growth and poverty reduction. Cambodia's economy has sustained an average growth rate of 7.7% between 1998 and 2019. The country has experienced a rapid change by reaching lower-middle-income status in 2015 and is thriving to attain upper-middle-income status by 2030 (World Bank 2021). To continue sustaining its economic growth, the RGC recognises that creating an enabling environment for private sector development is a precondition for promoting economic growth, creating employment, reducing poverty, and sustaining economic development (IFC 2010). In this regard, the RGC has made a great effort to create a conducive environment for developing SMEs (IFC 2019).

In Asia, SMEs are the backbone of the economy, making up more than 98% of all Asian businesses (Yoshino, N. & Taghizadeh-Hesary, F. 2016). Likewise, Cambodian SMEs greatly contribute to the country's economy, accounting for 70% of employment, 99.8% of companies, and 58% of GDP (KAS 2020). According to the 2014 National Institute of Statistics, as cited in the IFC report, women own 61% of all businesses – micro, SMEs and large – in Cambodia, significantly higher than in many countries in Southeast Asia. However, the majority of them (62%) own micro-businesses (IFC 2019).

The RGC has recognised the significant role of women-owned SMEs in boosting the Cambodian economic development. As reflected in the Rectangular Strategy-Phase IV and the National Strategic Development Plan (2019-2023), the RGC has demonstrated its commitment to strengthen gender equality in every sector and at all levels as well as to promote the advancement and empowerment of women, who are considered the backbone of the Cambodian economy and society (MoWA 2019).

In addition, CWEA which was established in 2011 by 14 Cambodian women entrepreneurs, the Ministry of Women Affairs (MoWA), and the World Bank aimed to provide women's voices in the development of the private sector. CWEA has a permanent representation in the national Government-Private Sector Forum (G-PSF), and as the collective voice of women entrepreneurs, CWEA advocates the need to improve the entrepreneurship ecosystem for women in Cambodia.

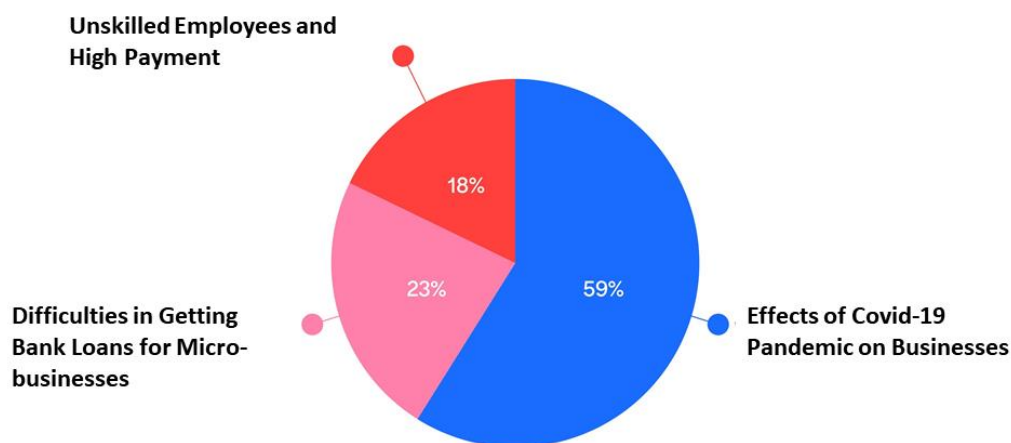
II. Defining Challenges

Regardless of the large number of women-owned SMEs in Cambodia, many challenges in running a business were reported by women entrepreneurs. Their challenges have become more considerable during the COVID-19 pandemic. As a representative of their voices, CWEA conducted a series of road forums in several provinces across the country to identify the challenges of women-owned SMEs. These road forums were conducted in Kandal, Battambang, Siem Reap, Kampong Thom, Banteay Meanchey, Stung Treng, and Mondulkiri provinces, with the participation of some 20 to 40 women entrepreneurs in each road forum. As a result, many challenges were identified, analysed and categorised. The CWEA Board of Directors prioritised them into three main challenges, namely:

- a) *Unskilled employees and high payment;*
- b) *Difficulties in getting bank loans for micro-businesses; and*
- c) *The effects of COVID-19 pandemic on businesses.*

Following the prioritization of these challenges, CWEA conducted an online poll with its members to select the utmost challenge. As a result, 59% of the total respondents believed that *the effects of COVID-19 pandemic on businesses* is their top challenge, followed by the *difficulties in getting bank loans for micro-businesses* at 23%, and the *unskilled employees and high payment* at 18% (see figure 1).

Figure 1: Result of the poll



Upon completion of the poll, CWEA conducted five virtual focus group discussions (FGDs) with its members to explore more in depth the three challenges, specifically the top one. Three to six women entrepreneurs participated in each FGD, with target participants fitting the range of micro to medium businesses.

To better understand the impact of the COVID-19 pandemic on women entrepreneurs' business, CWEA conducted an online survey with 77 participants, 31 (or 40.3%) of which own micro-businesses, 29 (or 37.7%) own small businesses, 12 (or 15.6%) own medium businesses, and 5 (or 6.5%) own large businesses. Regarding business registration, 53 participants (or 68.8%) who responded to the survey have registered their businesses. The majority of participants were from five business sectors, namely hospitality, hotels, resorts and restaurants (19.6%), handicraft (15.2%), service and consulting (13%), agriculture (10.9%), and trading/distribution (6.5%).

III. Findings of Challenges

a) Unskilled employees and high payment

Lack of skilled staff/employees is one of the greatest challenges for women entrepreneurs running micro and small businesses, especially in remote areas such as Banteay Meanchey, Mondulhiri, and Stung Treng provinces. During the discussions in road forums, some entrepreneurs expressed their difficulties in finding quality staff/employees to work for their business. They explained that most people with a good education in their towns tend not to stay and work for micro and small businesses with low payment. They prefer working in private companies, banks, microfinance institutions, non-governmental organisations (NGOs), or working in bigger cities such as Siem Reap and Phnom Penh. Since there was a shortage of labour in small provinces, they had to hire people with lower education or no skills to work for their business. Consequently, these people could not help their business make good profits as they had expected. In addition, these entrepreneurs stressed that even though their employees could not produce satisfactory results for their companies, they still had to pay a higher salary to prevent them from leaving for other jobs, especially in garment factories.

b) Difficulties in getting bank loans for micro-businesses

During the discussions in road forums and FGDs, most women entrepreneurs who own micro-businesses indicated their difficulties running and expanding their businesses. The lack of financing source is their biggest challenge. They mentioned that they started their business from scratch using their own funds, while others had to borrow loans from microfinance institutions (MFIs) or banks. Given the fact that they ran micro and informal businesses, getting loans from banks and MFIs have never been easy for them. Many emphasised that they faced difficulties in meeting the banks' collateral requirements and their complex loan procedures. Some explained that their applications were rejected by

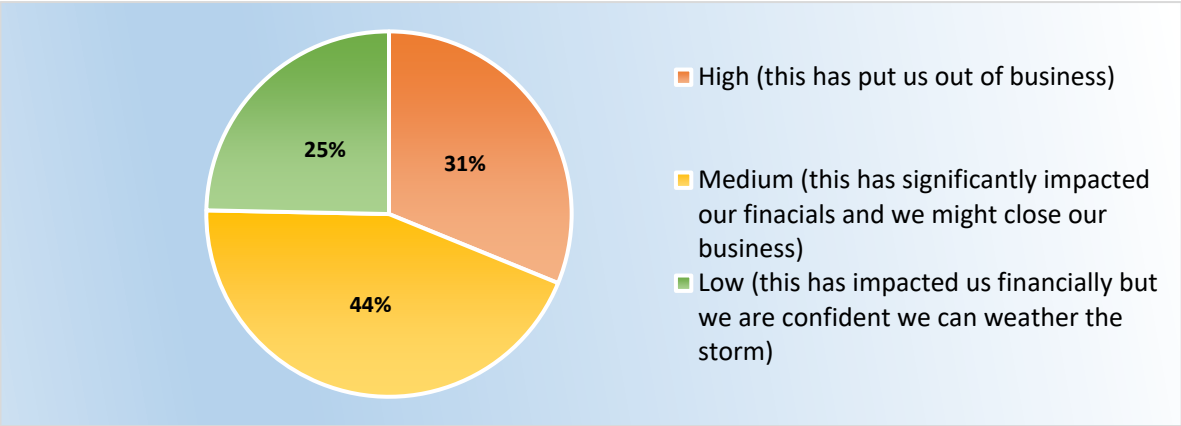
banks due to the lack of collaterals, while others said they did not understand the complexity of the loan application processes. They also mentioned that they did not have adequate financial records or business plans which prevent them from getting bank loans. According to the FGDs, some entrepreneurs felt that the loan amounts were lower than their actual business needs.

c) The effects of COVID-19 pandemic on businesses

Like other countries around the world, Cambodia has been hardly hit by the COVID-19 pandemic, which had severely disrupted most economic activities in the country. Women-owned MSME-were reported to be most vulnerable to the effects of the COVID-19 pandemic. According to the FGDs, women entrepreneurs expressed their concern regarding the impact of the pandemic on their business. Some of them mentioned that they might close their business temporarily due to the fear of COVID-19 infection in their companies. Others indicated that they had already experienced a decline in revenue, leading to the financial crisis in their company. Others who own micro and small businesses, even stated that they could not repay bank loans due to the loss of revenue during the pandemic.

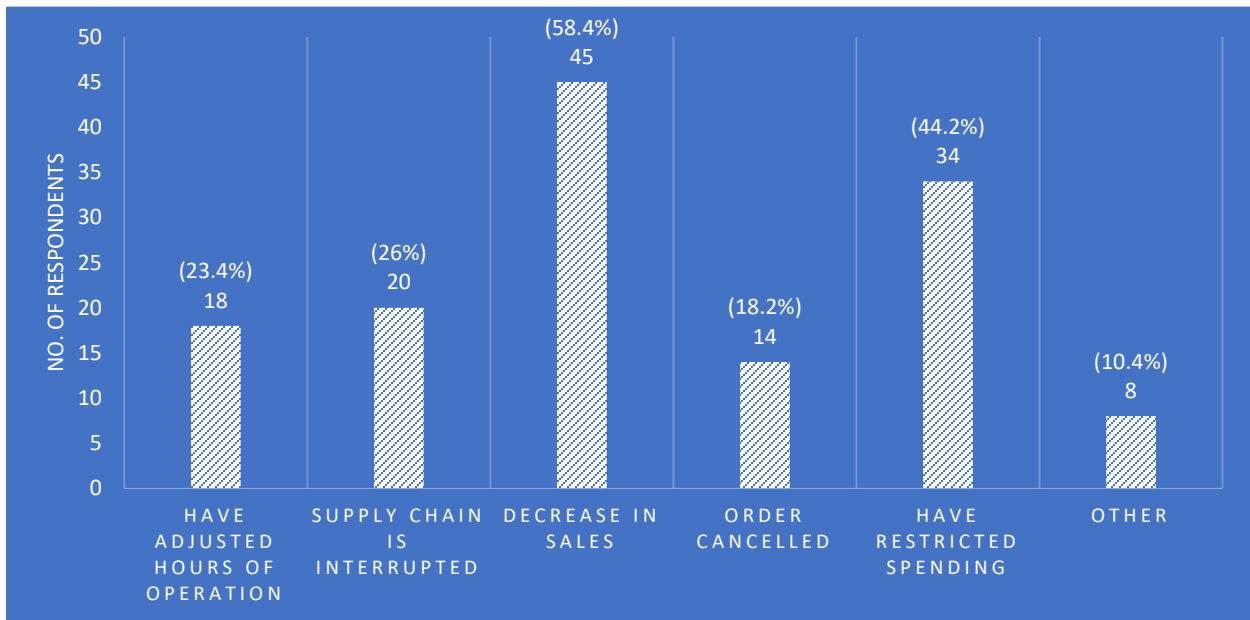
Below are the survey results showing the impacts of COVID-19 on CWEA members’ businesses.

Figure 2: Level of the impact of COVID-19 on business



According to the survey results, the majority of women entrepreneur’s businesses (75%) who participated in the survey were severely affected by the COVID-19 pandemic. The impact of the pandemic has forced 31% of them to close down their businesses. In comparison, 44% of them have faced a financial crisis and might also close down their business if the impacts of the COVID-19 become more significant.

Figure 3: Impact of COVID-19 on business's operations



Regarding the impact of COVID-19 on business operations, the chart from the survey illustrates that women entrepreneurs' business operations have been negatively affected by the pandemic. More than half of the respondents (58.4%) are experiencing decreases in their sales. 44.2% of them have restricted their spending, while 26% indicated that their supply chain is interrupted by the pandemic.

Figure 4: Percentage of COVID-19 impact on sales

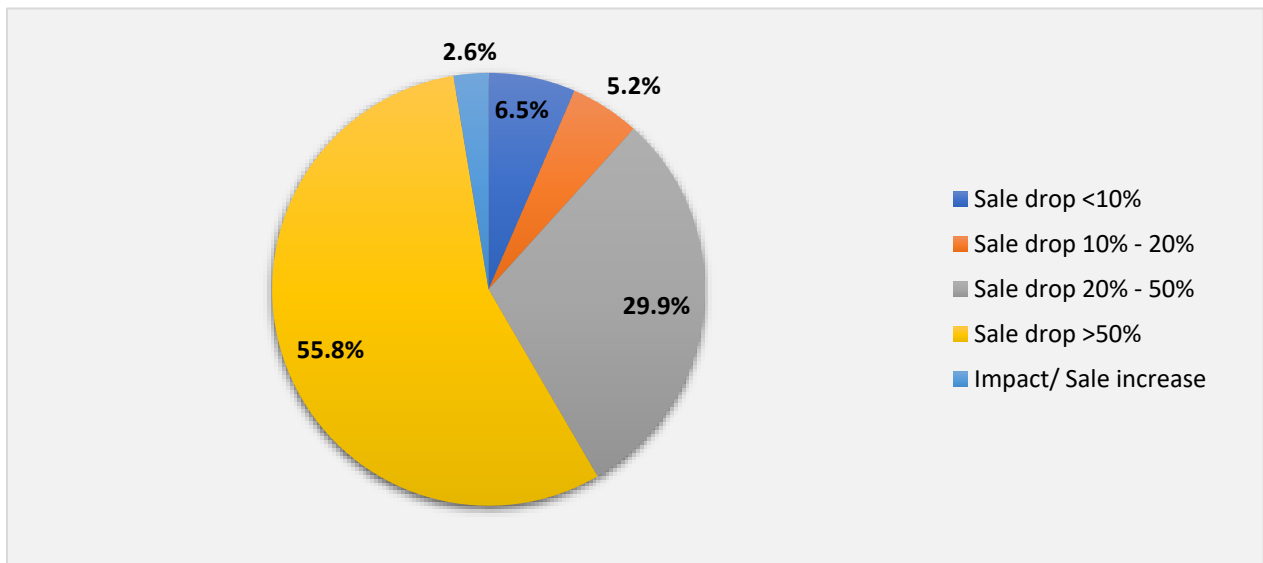
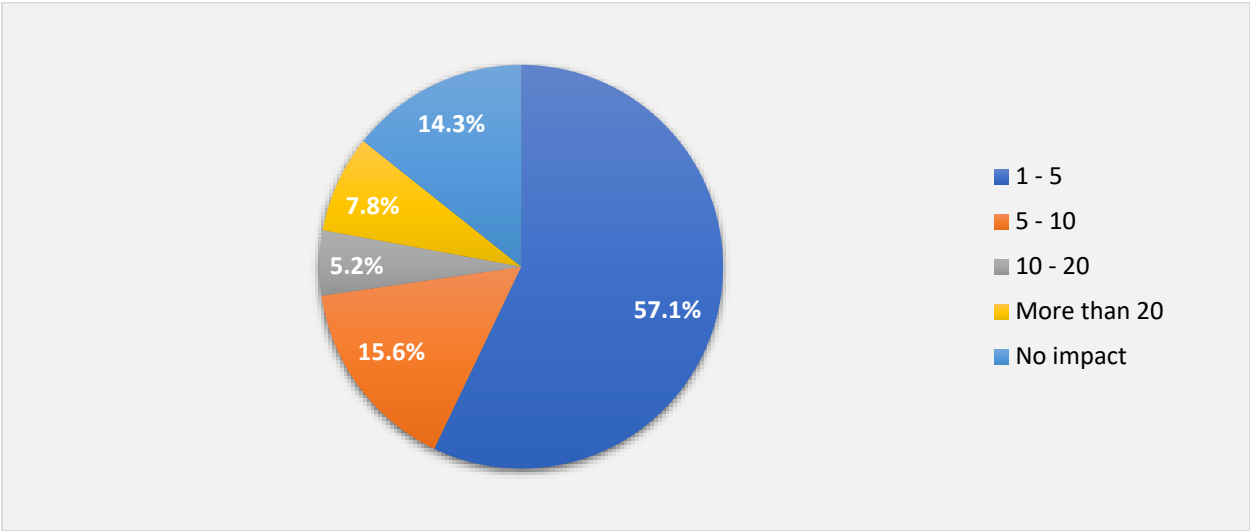


Figure 5: Number of employees laid off



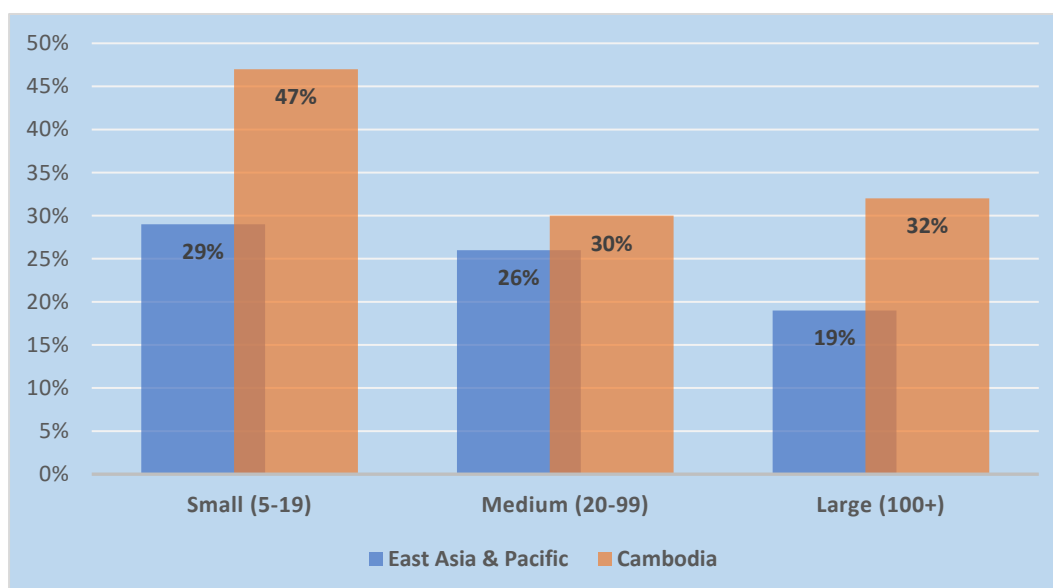
As figure 4 shows, the majority of women-owned businesses experienced a significant decline in sales during the pandemic. Most respondents indicate that more than 50% of their sales dropped, while almost 30% of them demonstrate that their sales dropped between 20% to 50%. The decline in sales has led to the loss of revenue, and in consequence, they are not able to pay salaries. As shown in figure 5, between 1 to 5 employees have been laid off by more than half of women entrepreneurs who responded in the survey, while 12 respondents (15.6%) have laid off their staff between 5 to 10 people.

IV. Identifying Solutions

As revealed in the 2015 National Institute of Statistics report, women own the majority of all businesses in Cambodia at 61% (NIS 2015), which is significantly higher than in many Southeast Asian countries. Compared to East Asia and Pacific countries, the percentage of women ownership in small, medium and large enterprises in Cambodia is very high (see figure 6), and thus their participation in the country's economy is essential for boosting Cambodian economic growth. As the backbone of the country's economy, it is imperative that women-owned MSMEs must adjust, recover, and set up for success in the "new normal" future.

Therefore, policies and actions from the government and development partners that support and help women-owned MSMEs thrive in the post-Covid-19 recovery are crucial. These policies and initiatives will also help the Ministry of Women Affairs fulfil one of the objectives in the Five-Year Strategic Plan (Neary Rattanak V, 2019 – 2023) – promoting women's economic empowerment.

Figure 6: Percentage of firms with majority of female ownership



Source: 2016 Cambodia Enterprise Survey (World Bank)

Policy recommendations for government and financial institutions

- Create financial mechanisms for SMEs to continue operating - either by easing collateral and other eligibility criteria or providing them with subsidies;
- Establish and implement COVID-19 recovery policies at the provincial and local levels that help SMEs bounce back and build back better;
- Establish the appropriate institutional frameworks, technological infrastructure and digital platforms for women entrepreneurs to manage their businesses and be resilient;
- Develop “Cooperative Savings Law” such as Savings and Credit Cooperatives;
- Introduce some flexibility and increase the amount of financial flow to women-led SMEs, such as loans or funds that invest with a gender lens;
- Provide pandemic stabilisation and recovery funds, employment wage subsidy schemes, loan relaxations, and tax waivers to women-led SMEs. The pandemic aid provided for women-led SMEs should also be time-limited, targeted, transparent, and non-discriminatory, equally accessible for SMEs. In addition, the RGC could work with the private sector to proactively provide clear requests and guidelines for women-led SMEs to put measures in place that will prevent the spread of COVID-19 in the workplace while ensuring productivity.

Policy recommendations for development partners

- Strengthen women MSMEs’ resilience to maintain operations and employment and contribute to Cambodia’s economic recovery from COVID-19;
- Provide business advisory and entrepreneurship training to women-owned businesses so that they can recover from their desperate situation and set up their businesses in the “new normal”;
- Promote digital literacy through training that emphasises building online business skills;
- Improve the overall financial literacy of women entrepreneurs to be aware of the consequences of large debts burdening their families;
- Review and support the Cooperative Savings Scheme which can provide non-collateral loans;
- Promote the benefits of joining business communities and associations so that women-led SMEs can learn from other experienced entrepreneurs and mentors to prepare ahead of future crises. These organizations could provide more support in digital networking, skills building, and mentoring opportunities to enable SMEs to further innovate and enhance their business prospect in the post-pandemic

environment. Furthermore, consultation and learning opportunities provided by qualified professionals with a proven track record in relevant fields are needed to develop business continuity plans and prepare them for business changes under the new normal.

Annexe:

Questionnaire for FGDs

General information about WEs' business

1. What is your age?
2. What type of business?
3. How long have you been running your business?
4. What is the size of your business? Micro, small, medium, or large size?
5. What is the number of your staff?
6. What is the annual revenue of your business?
7. Has your business been registered?

Impacts of COVID-19 pandemic on WE's business

8. How has the pandemic of COVID-19 impacted your business? Please describe
9. What is your business situation at this point in time? Still running, temporarily paused, considering closing it?
10. Have you experienced a decline in sales/profit? What percentage?
11. Have you reduced the staff number? How many?

Business recovery plan and suggestions

12. Do you have a recovery plan for your business? What are they?
13. What assistance would you ask from the government or relevant ministries to help recover your business operation?
14. What are your suggestions regarding business recovery?

Online Survey

The online survey is completed by both interviewees in the FGDs and other CWEA members. The survey seeks to get more accurate information about the impact of COVID-19 pandemic on WEs' business.

1. Your Business Sector

- Agriculture
- Information and Communication Technology
- Trading / Distribution Business
- Hospitality, Hotel, Resort, Guesthouse and such
- E-Commerce
- Food & Restaurant
- Handicraft
- Manufacturing
- Logistic
- Service, Consulting, Law, Construction and such
- Others

2. Size of your business

- Micro (Number of employees < 5, and annual turnover < \$62,250)
- Small (Number of employees = 5 - 49, and annual turnover = \$62,250 - 400,000)
- Medium (Number of employees = 50 - 199, and annual turnover = \$250,000-1,500.000)
- Large (Number of employees > 200, and annual turnover >\$1,500,000)

3. Business term

- **1 - 5 years**
- **5 - 10 years**
- **10 - 15 years**
- **More than 15 years**

4. Have you registered your business?

- **Yes**
- **No**

5. Impact of COVID-19 on your business

A. How are your business's operations being impacted by COVID-19? (Check all that apply)

- We have completely closed our physical place of business
- We have adjusted our hours of operation
- Our supply chain is interrupted
- We are experiencing decreases in sales
- Orders are being cancelled
- Covid-19 (We are starting to restrict spending because of the uncertainty)
- Other (Please specify)

B. At this point in time, what level of impact of COVID-19 on your business?

(Choose one)

- High (this has put us out of business)
- Medium (this has significantly impacted our financials and we might close our business)
- Low (this has impacted us financially, but we are confident we can weather the storm)
- Comments

C. What is the percentage of impact on your expected sale in 2020 – 2021?

- Sale Drop < 10%
- Sale Drop 10% - 20%
- Sale Drop 20% - 50%
- Sale Drop > 50%
- No impact / sale increase

D. How many employees have been/prepared to lay off?

- 1 - 5
- 5 - 10
- 10 - 20
- More than 20
- No impact / more recruitment

6. Suggestions

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