



Exploring the Opportunities for Women-owned SMEs in Cambodia

In Partnership With



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2121 Pennsylvania Avenue, N.W.

Washington, D.C. 20433 Internet: www.ifc.org

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Foreword

For women-owned businesses in Cambodia, reality and perceptions do not match. The reality is that women own the majority of businesses in the country (61 percent), significantly higher than in many ASEAN countries. Yet, the impression is quite the opposite: business women in Cambodia are perceived as being less outgoing and lacking leadership skills and the necessary initiative to run a business.

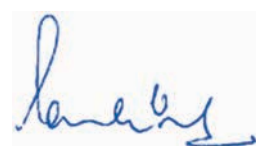
The numbers reinforce the real story — 90 percent of the SMEs managed by women in Cambodia were profitable last year. This, despite the fact that only three percent of the nation's women entrepreneurs have access to formal credit. The unmet demand for credit from women entrepreneurs is estimated at \$4.2 billion.

This study illustrates the strong business case for banking women-owned SMEs. Women-owned SMEs are known as profitable clients without undue risks, typically with lower default rates than their male counterparts. However, as also seen in other emerging markets, our research in Cambodia reveals it is not the lack of business acumen but rather entrenched gender stereotypes, limited education opportunities, and restricted mobility that hinder women entrepreneurs in Cambodia.

Most women in the country use their own funds to start a business or rely on informal sources and savings to expand their businesses. They have no other choice, as women are underserved by banks. While the report highlights that banks in Cambodia are overlooking this strategic customer segment, it reveals that women business owners in Cambodia are keen to borrow from banks to grow their businesses.

To leverage this untapped potential, banks need to think beyond traditional banking methods. Finding new delivery channels is important to address barriers — such as shortage of time, family responsibilities, socio-cultural constraints — that are typically faced by women entrepreneurs. Banks can further demystify the loan application process, adjust collateral requirements, and/or offer alternative lending conditions to women entrepreneurs. Given misperceptions of women's capacity to run businesses, training bank staff is critical so they understand and address unconscious bias.

Banks that identify and serve this potential market of women-owned SMEs can enjoy a low-risk business opportunity by providing financial and non-financial services to this underserved segment. Subsequently, this will enable women-owned SMEs to significantly contribute to Cambodia's future growth trajectory.



Vivek Pathak

Director

East Asia and the Pacific

Executive Summary

Over the last two decades, Cambodia's economy has been thriving, sustaining an average growth rate of 7.7 percent between 1995 and 2018¹. The Cambodian government has made considerable strides to create an environment that is conducive to the development of small-and medium-sized enterprises (SMEs). However, with shifting patterns of global and regional trade, and the rapid expansion of digital technology, there is further scope to exploit the full potential of Cambodian SMEs.

Women own the majority of businesses in Cambodia (61 percent). As a result, their contribution to the private sector development can hardly be overlooked. This research shows that 90 percent of the SMEs managed by women were profitable last year. Most of them expect growth or at least stable development (84 percent) in the future, affirming that women are motivated and capable to establish and lead businesses. In the long-term, this will help them become independent and fulfill their aspirations.

Nevertheless, a high level of motivation and impressive statistics on economic participation do not necessarily translate into full access to equal opportunities. This research reveals that Cambodian social norms and gender disparities in access to education still prevent women from expanding their opportunities. Consequently, women tend to face more obstacles in terms of access to markets and information, and operational issues of their businesses.

Stiff domestic competition, mostly stemming from the highly informal sector, is one of the top challenges for all SMEs, particularly for those led by women. Women are more often not likely to register because they find the procedures to be too tedious and time-consuming. Or, they prefer to stay informal due to lack of incentives for formalization and the high costs involved. The lack of a qualified workforce and a high staff turnover are other major obstacles, especially for growing companies, deterring their overall productivity.

The context in which SMEs operate is dramatically changing due to the rapid pace of technological and digital advancement in the country. Cambodia is one of the most promising markets for digital technology. The country's economic growth has boosted the living standards of people, making new technologies more affordable. Cambodia is expected to achieve nationwide internet connectivity between 2020 and 2023. Currently, the country's mobile connectivity is the highest in Southeast Asia — 96 percent of the population, aged between 15 and 65, own a mobile phone and 40 percent have a smartphone.

This study highlights the significant role that fintech and information and communications technology (ICT) solutions can play to help overcome typical barriers faced by women-owned SMEs. Obstacles include time scarcity, limited mobility, and lack of self-confidence due to social stigmas. The study also indicates how digital innovations — with adequate government support

¹ <https://www.worldbank.org/en/country/cambodia/overview>

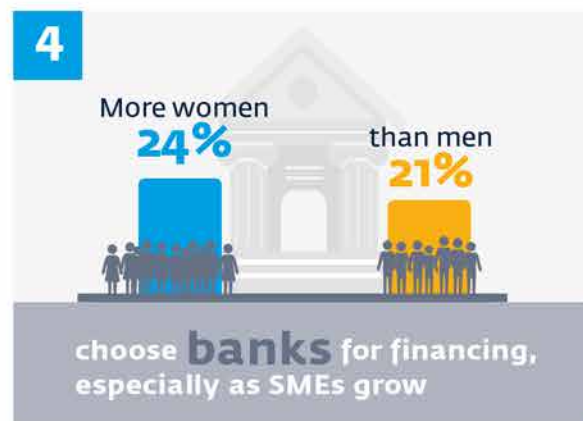
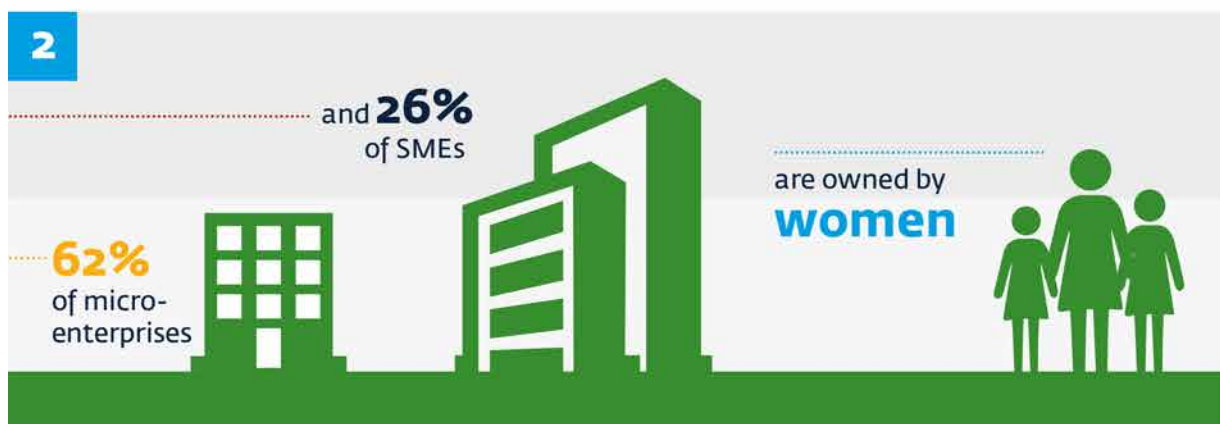
in finalizing the respective laws in e-commerce, cybersecurity and data, and privacy protection — can bring about a significant change in providing financial services to the underserved SMEs.

While most SMEs, particularly those owned by women, are heavily reliant on informal sources and personal savings to expand their businesses, banks seem to be missing out on an opportunity that women-owned SMEs represent. Currently, only 3 percent of women entrepreneurs are well served in Cambodia as compared to 21 percent in Vietnam and 18 percent in the Philippines. This study further explores patterns of access to finance from both supply and demand perspectives. Compared to men, women seem to be more sensitive in terms of collateral availability and cost of funding. At the same time, women are more aware of risks, have better savings habits, and are more aware of their expense obligations.

Banks in Cambodia are generally open to exploring the potential of women-owned SMEs. However, they could consider more proactive approaches in tailoring their products and services to women’s needs. The first step is to understand the additional and unique challenges that women face. This would help banks design financial products that enable women to expand their businesses. Moreover, banks and SMEs have major differences in perceptions related to access to formal credit. These differences could be bridged and compensated by means of non-financial services. While banks can offer such services as part of the value proposition for their women clientele, they can be supported by the government as targeted and needs-driven offers provided through its private and public infrastructure.



At A Glance



72% of women

are interested in borrowing a loan in the future



first-time experience with the bank is decisive for them.

The financing gap

6



for women-owned SMEs is estimated at **\$4.2 billion** and men-owned SMEs - **\$3.5 billion**

7

Women face more difficulties

in pledging collateral



58%

of their loan applications are rejected due to **insufficient collateral**

8

12.5 million

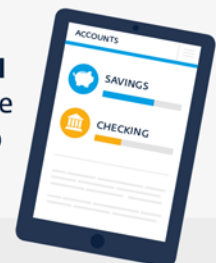
Cambodians out of total population of 16 million **use Internet**



9

Women

tend to **use digital technologies** more often than men do



46% of women vs. 41% of men

Most requested non-financial services

among women are **mentoring on various business topics** and **training services** in:

- ☒ financial management
- ☒ accounting
- ☒ ICT
- ☒ marketing
- ☒ social media

10



1 Women-owned SMEs and Their Enabling Environment

Facilitating a dynamic and competitive SME sector is a strong priority in both developed and emerging economies. In this context, despite significant success in sustaining high economic growth and job creation, Cambodia is at a relatively early phase of developing targeted SME policies. SMEs, both men- and women-owned, face several challenges, including access to markets, low productivity, lack of qualified and skilled labor, lack of innovation, as well as a complicated and relatively costly registration procedure.

Against this backdrop, recognizing the importance of SMEs — in particular, women-owned SMEs' contribution to the economy — the Cambodian government and international organizations seek to improve the legal and regulatory framework as well as access to funding and non-financial services, which can foster their development.

Although all SMEs — irrespective of the gender perspective — face a number of challenges, this research pursues the hypothesis that women may experience those more often and with higher intensity compared to men. For example, additional barriers arising out of generic obstacles such as lower education rates and social norms may lead to greater incentives for women-owned businesses to remain informal, impacting their development and growth potential.

This study intends to capture data on both men- and women-owned SMEs in Cambodia to be able to better understand the gender implications in the provision of targeted business development as well as banking services in the country. The objective of the research is thus to inform the government, private and state-owned banks as well as the international community about the financial and non-financial constraints faced in particular by women-owned SMEs that can be addressed at policy, financial sector, and market levels.

In addition, the study aims to outline the opportunities that women-owned SMEs represent for banks and how banks are missing out on a separate and strategic customer segment. It also explores potential solutions that can be utilized to help overcome the typical barriers faced by women.

The study incorporates findings from both quantitative and qualitative research conducted by the Frankfurt School of Finance & Management on behalf of IFC. The quantitative market survey included individual tablet-based interviews with 515 business owners comprising 312 women-owned and 203 men-owned SMEs. The interviews were conducted in four provinces — Phnom Penh, Battambang, Siem Reap, and Kampong Cham — from October 2018 to February 2019 with the support of KANTAR TNS Cambodia.

A sample of SMEs in Cambodia was drawn based on IFC's definition of women-owned SMEs² and the official SME definition adjusted to the findings of the previous studies and of the Cambodia Inter-censal Economic Survey 2014 — the only and most current source of statistical data on MSMEs in the country. Though the official SME definition implies more than 10 full-time

² A woman-owned enterprise is one where: $\geq 51\%$ owned by woman/women; or $\geq 20\%$ owned by a woman/women, and have ≥ 1 woman as CEO/COO, and have $\geq 30\%$ of the board of directors are women, where a board exists.

employees³, previous research shows that the majority of Cambodian businesses employ one or two people with an average of 3.6 employees per enterprise⁴. Given the high level of informality in the sector and lack of statistical data on SMEs, the definition applied for the sample took account of those findings, however excluding the larger share of enterprises engaging less than five employees (see Annex 1).

This section assesses the development of Cambodia's SME sector, gives an overview of the sector's main challenges, and maps the sector's progress in accelerating diversification and maintaining robust economic growth. It looks into obstacles specifically faced by women, which include access to markets and information, operational issues of businesses as well as social and cultural constraints.

1.1 The SME Sector in Cambodia

The development of SMEs is crucial for Cambodia's robust and resilient economic growth. This is becoming more pertinent as incomes rise and trade barriers across the ASEAN⁵ region are lowered, opening up new opportunities to produce goods and services.

Similar to most of the region's economies, SMEs in Cambodia remain important contributors to employment and output. Enterprises that employ fewer than 100 people account for over 70 percent of total employment in the industrial and services sectors⁶.

Cambodia did not have a legal definition of SME until 2005, when it was developed under the SME Development Framework (Table 1)⁷. Though this definition was retained, the 'number of employees' criterion is not always applicable due to the prevalence of part-time employees and unpaid family members among SMEs. Similarly, the definition by assets alone can be misleading considering the difficulty in obtaining accurate data on the value of assets at both the private sector and ministerial level. However, the official definition is still not used in a consistent manner — neither by the ministries nor by the banks, which instead apply loan size proxies for their internal segmentation and reporting purposes. As a result, most of the studies conducted to date do not report reliable, accurate, and up-to-date data on the enterprise population.

³ According to the SME Development Framework prepared by the SME Sub-committee of Cambodian government, for statistical purposes and policy development and implementation, the definition shall be based on full-time employees, and for other purposes where the number of full-time employees is not appropriate, total assets excluding land shall be used (Source: "Small and Medium Enterprise Development Framework", July 29, 2005, p13, Sentence 58 and 59). Small are enterprises with 11 to 50 employees, medium – 51 to 99.

⁴ Cambodia Inter-censal Economic Survey 2014, p. 33.

⁵ The Association of Southeast Asian Nations includes Cambodia, Indonesia, Lao PDR, Brunei Darussalam, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam.

⁶ Cambodia Inter-censal Economic Survey 2014, p.23.

⁷ According to the SME Development Framework prepared by the SME Sub-committee of Cambodian government, for statistical purposes and policy development and implementation, the definition shall be based on full-time employees, and for other purposes where the number of full-time employees is not appropriate, total assets excluding land shall be used. (Source: "Small and Medium Enterprise Development Framework", July 29, 2005, p13, Sentence 58 and 59). This definition differs from those applied by most of the ASEAN countries in terms of the main indicators. For example, Philippines uses exclusively fixed assets as a criterion for distinguishing enterprises by size, Indonesia: assets and annual sales, whereas Vietnam defines SMEs by number of employees, the total value of the enterprise's capital and the main economic sectors. In Lao PDR, micro enterprises are those employing five employees or less.

Table 1: Definition of SMEs in Cambodia

Type	Number of employees	Assets (USD)	Share in number
Micro	< 10 employees	< 50,000	97.6%
Small	11 to 50 employees	50,000-250,000	2.2%
Medium	51 to 100 employees	250,000-500,000	
Large	> 100 employees	> 500,000	0.2%

Source: Cambodia Inter-censal Economic Survey 2014.

The Economic Census Survey (ECS) and the Cambodia Inter-censal Economic Survey (CIES) 2014 — published by the National Institute of Statistics (NIS) of the Ministry of Planning, with the support of Japan International Cooperation Agency (JICA) — are the two most comprehensive and recent sources of data on the SME sector⁸. However, the surveys neither provide information on the sector’s contribution to the economy nor on SME productivity. Further, the surveys do not differentiate small- from medium-sized enterprises, making it difficult to conduct an analysis based on firm size.

According to the CIES data, in 2014, there were 513,759 enterprises in Cambodia. Of these, 97.6 percent were microenterprises. The SME sector therefore is very small, accounting for a little over 2 percent of the overall number of businesses (Table 1). These figures suggest the existence of a ‘missing middle’ in the country’s production structure, a common feature in the ASEAN region and beyond.

SMEs employ 13 percent of the labor force, whereas microenterprises and large enterprises employ 58 percent and 28 percent respectively. Overall, a majority of Cambodian businesses employ one or two people, with an average of 3.6 employees per establishment⁹. With regard to SMEs, while 5.6 percent have a staff of 20-49 people, 5.5 percent have a staff of 10-19 people¹⁰. On average, SMEs employ 22.3 people¹¹.

In terms of their contribution to the economy, SMEs accounted for 14 percent of the annual sales for the industry in 2014, whereas large and microenterprises accounted for 50 percent and 36 percent respectively. The profit-to-sales ratio for SMEs was 25 percent, whereas microenterprises represented 27 percent and large enterprises represented 8 percent. This points to a micro sector that is more profitable than that of SMEs and large enterprises. In comparison, the overall profit-to-sales ratio for all enterprises, irrespective of size, was 17 percent¹².

About 77 percent of Cambodia’s population lives in rural areas¹³. However, the majority of SMEs can be found in Phnom Penh (23 percent), Siem Reap (19 percent), Battambang (9 percent), and Kampong Cham (8 percent)¹⁴.

⁸ The next Economic Census is scheduled to take place in 2019, dependent on funding.

⁹ Cambodia Inter-censal Economic Survey 2014, p. 33.

¹⁰ Ibid.

¹¹ Ibid.

¹² Cambodia Inter-censal Economic Survey 2014, p.67.

¹³ World Bank, 2017.

¹⁴ Cambodia Inter-censal Economic Survey 2014.

1.2 Women's Contribution to the Economy and SME Sector

Given the scarcity of recent, extensive, and accurate data on Cambodian SMEs and their contribution to the economy, it follows that there is a dearth of statistics pertaining to women-owned SMEs.

The latest data on women-owned MSMEs, also obtained from the 2014 CIES of the NIS, show that women own the majority of all businesses — micro, SMEs, and large — in Cambodia (61 percent)¹⁵. Although the majority of microbusinesses are women-owned (62 percent), the share of women-owned businesses among SMEs is still impressive (26 percent)¹⁶.

Notably, the percentage of firms with greater than 50 percent female ownership is estimated to reach 44 percent by the World Bank¹⁷, significantly higher compared to the neighboring countries — Vietnam (19 percent), Indonesia (18 percent), Thailand (33 percent), and the Philippines (31 percent)¹⁸.

A study conducted by the Asian Development Bank (ADB) in 2015 estimated that 84.2 percent of women-owned businesses operated with one or two individuals, compared to 68.9 percent of male-owned businesses operating at the same size¹⁹.

In general, women-owned businesses in Cambodia, much like male-owned enterprises, are micro and informal. This can be attributed to the fact that women prefer to own small businesses that are close to their homes or are in fact “home businesses” — 76 percent of microbusinesses and 31 percent of SMEs are home businesses²⁰.

According to the data collected during the 2014 CIES, more SMEs are owned by men (74 percent vs. 26 percent)²¹. However, stakeholder interviews reveal that due to social norms and perceptions, it is easier for men to register a business. It is therefore not uncommon for a woman to let her spouse or male relative register the business in his name, though she is the one running it. She may not be active in networking or obtaining contacts, but she will be the one in charge of the daily operations and the financial aspects of the enterprise. This is one of the factors that make it difficult to precisely assess the level of female entrepreneurship in Cambodia.

The 2014 CIES found that 45 percent of SME employees were women, which is lower than micro (56 percent) and large (69 percent) enterprises²². This data can be compared to the results collected during the 2016 World Bank Enterprise survey, which found that 45 percent of medium

¹⁵ Cambodia Inter-censal Economic Survey 2014, p.7. According to ADB study (ADB, Promoting Women's Economic Empowerment in Cambodia, 2015), this figure is even higher — 65%. According to the United Nations, “National case studies from Cambodia, Indonesia, Malaysia and Philippines” (2018), the share of women-owned MSMEs is 60% and generally higher than in Indonesia (23%), Malaysia (20%) and slightly below Philippines (63%), p.12.

¹⁶ Ibid. p.7.

¹⁷ The higher figures by World Bank presumably stem from the differences in definitions of SMEs used by the World Bank for its Enterprise Surveys and by the government of Cambodia, as discussed below.

¹⁸ World Bank Enterprise Survey data (2015).

¹⁹ ADB, Promoting Women's Economic Empowerment in Cambodia, 2015.

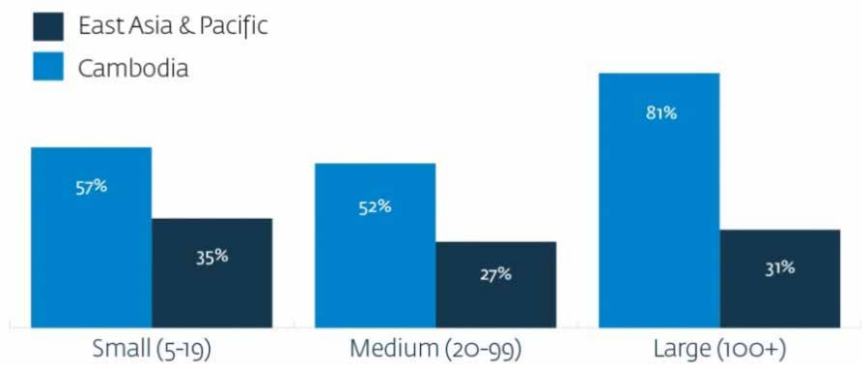
²⁰ Cambodia Inter-censal Economic Survey 2014, p. 17.

²¹ Ibid. p. 7.

²² Ibid. p. 7.

enterprises and 47 percent of small enterprises had full-time female workers²³. It should be noted, however, that the World Bank survey used a different definition for SMEs, based on a sample of 373 businesses, most of which were in Phnom Penh²⁴.

Figure 1: Percentage of firms with a female top manager



Source: WB Enterprise Surveys, Cambodia (2016)

Nevertheless, this shows a greater participation by women entrepreneurs in the private sector than in other countries in the region: 57 percent of small firms and 52 percent of medium firms have at least one female top manager, compared to 35 percent and 27 percent, respectively, in the East Asia and Pacific region. For large firms, this figure touched 81 percent in Cambodia, compared to 31 percent in East Asia and Pacific.

With regard to ownership, 47 percent of Cambodian firms were owned in majority by women, compared to 29 percent in the Southeast Asia and Pacific region²⁵.

Another study (OECD)²⁶ concludes that Cambodia is the only country in ASEAN, where working women are more likely to be self-employed²⁷ than working men (54 percent for women, compared to regional average of 30 percent for women and 36 percent for men).

²³ Note: the survey defines small and medium enterprises as 5-19 and 20-99 employees, respectively, which differs from the Cambodian definition of 11-50 (small) and 51-99 (medium).

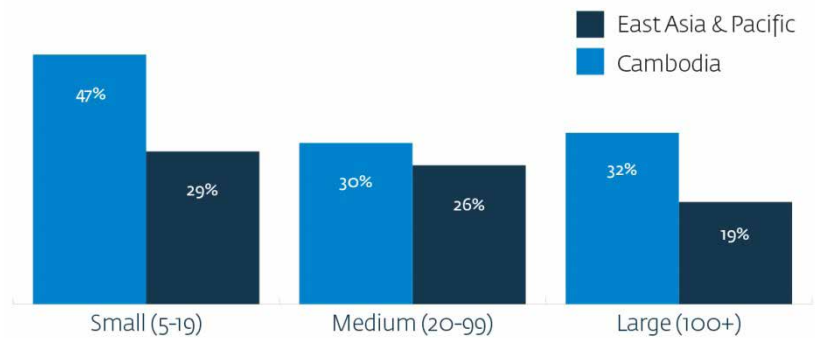
²⁴ The size of the firm is determined by the number of employees: 5 to 19 (small), 20 to 99 (medium), and 100 or more (large). Women entrepreneurs in Phnom Penh and urban areas tend to be more educated and open than those living in rural areas.

²⁵ WB Enterprise Surveys Cambodia (2016).

²⁶ OECD “Strengthening women’s entrepreneurship in ASEAN: Towards increasing women’s participation in economic activity”, p. 85.

²⁷ Self-employment data is reported for two categories: the own-account self-employed who work alone without employees, and employers who are self-employed but employ others.

Figure 2: Percentage of firms with majority female ownership



Source: WB Enterprise Surveys, Cambodia (2016)

At first glance, the level of women’s economic participation, in general, is high. In terms of the Global Gender Gap index, which benchmarks national gender gaps on economic, political, education, and health-based criteria, Cambodia is ranked 45th out of 149 countries based on the economic participation and opportunity sub-index (2018).²⁸ In terms of profitability, however, despite owning a majority of the country’s businesses, women-owned businesses are on average smaller and less profitable than men-owned businesses²⁹. The annual profit per enterprise for men’s enterprises is \$4,929, compared to \$2,644 for women.³⁰

1.3 The Enabling Environment for Doing Business

1.3.1 Macroeconomic Environment

Cambodia has enjoyed more than two decades of strong economic growth, registering an average annual GDP growth rate of 7.1 percent from 2011 to 2018³¹, supported by high levels of Foreign Direct Investments (FDI), increasing export levels and increased disposable incomes that have driven domestic consumption³².

One of the fastest growing economies in the region, Cambodia graduated to a lower middle-income status in 2016,³³ and aspires to attain an upper middle-income status by 2030 and a high-income status by 2050. Cambodia’s economy is thriving and current projections show that this

²⁸ World Economic Forum, Global Gender Gap Index 2018. <http://www.weforum.org/issues/global-gender-gap>.
²⁹ World Economic Forum, Global Gender Gap Index 2018. <http://www.weforum.org/issues/global-gender-gap>.
³⁰ However, considerable variation in profits per enterprise makes comparison of averages somewhat misleading. Data from the 2011 economic census indicates that 72.5% of all women’s enterprises have annual profits less than \$2,000 and 36% have annual profits less than \$750. ADB, Promoting Women’s Economic Empowerment in Cambodia, 2015, p. 13, Based on data of the Ministry of Planning (2013).
³¹ World Bank Cambodia Economic Update October 2018: Recent Economic Developments and Outlook (<https://www.worldbank.org/en/country/cambodia/publication/cambodia-economic-update-october-2018-recent-economic-developments-and-outlook>).
³² Although Cambodia does not have recent statistics for the poverty level, according to the 6th periodic CEDAW report submitted by Cambodia, under article 18 of the Convention, the poverty rate decreased from 47.8% in 2007 to 13.5% in 2014, as reported by the government of Cambodia.
³³ Rectangular Strategy for Growth, Employment, Equity and Efficiency: Building the Foundation Toward Realizing the Cambodia Vision 2050. Phase IV of the Royal Government of Cambodia of the Sixth Legislature of the National Assembly, Phnom Penh, Sept, 2018, p. 16.

trend is likely to continue in 2019. According to the IMF, growth is projected to remain robust (real GDP growth at 6.8 in 2019)³⁴.

Table 2: Selected macroeconomic indicators

Indicators	2013	2014	2015	2016	2017	2018
Real GDP change y.o.y.	7,36%	7,14%	7,04%	7,03%	7,02%	7,52%
GDP, current (billion KHR)	61,326.93	67,436.79	73,422.70	81,241.87	89.830,52	99.544,27
GDP, current (billion USD)	15,23	16,70	18,05	20,02	22,18	24,57
GDP per capita, current (USD)	1.013,42	1.093,50	1.162,91	1.269,59	1.385,26	1.512,13
GDP per capita, PPP (current international USD)	3.073,32	3.300,62	3.513,82	3.742,96	4.019,68	4.354,07
GDP per capita, PPP (constant international USD)	2.963,48	3.123,56	3.290,15	3.466,79	3.653,64	3.870,30
Inflation, average consumer prices ³⁵	2,94%	3,85%	1,22%	3,05%	2,89%	2,40%
General government gross debt (% of GDP) ³⁶	31,70%	31,90%	31,20%	29,10%	30,00%	29,40%
Exports growth (f.o.b.) (nominal US\$, %)			7.5	9.0	9.4	14.7 (e)
Imports growth (c.i.b.) (nominal US\$, %)			7.6	9.0	7.8	14.5 (e)

Source: World Bank and IMF

Cambodia’s exports, dominated by garments and footwear, accounted for approximately 73 percent of all goods exported and 36 percent of the GDP in 2016³⁵. Their steady growth over the past few years (up to \$1.4 billion in June 2018) is largely underpinned by the preferential tariff access with the United States and European Union³⁶.

As the World Bank’s recent analysis of key issues relevant for the East Asia and Pacific region shows³⁷, technological change — the spread of ICT, termed “Industry 3.0” in reference to the third industrial revolution — and the emerging biological and advanced digital technologies (“Industry 4.0”) may pose a challenge to most of the countries in the region (except for China). The heavy reliance on wage competitiveness can no longer ensure good opportunities to attract investments and expand export markets. Instead, the upgrading of the national innovation system should become the basis of productivity growth and external competitiveness.

³⁴ IMF. Regional Economic Outlook. Asia and Pacific, October 2018.

³⁵ Moody’s.

³⁶ The EU ranked as the second biggest trade partner of Cambodia. The EU imported goods worth €5 billion from Cambodia. The key EU imports from Cambodia are dominated by textiles, footwear and agricultural products (Source: European Commission).

³⁷ WB Group. Overview. A resurgent East Asia. Navigating a Changing World.

Table 3: Comparative competitiveness scores for Cambodia and Southeast Asia

Country	World Rank (out of 137)	Competitiveness score	Previous rank (2017, out of 138)
Singapore	3	5.71	2
Malaysia	23	5.17	25
Thailand	32	4.72	34
Indonesia	36	4.68	41
Brunei	46	4.52	58
Vietnam	55	4.36	60
Philippines	56	4.35	57
Cambodia	94	3.93	89
Lao PDR	98	3.91	93

Source: WB Global Competitiveness Report 2017–2018

Cambodia is ranked low in terms of innovation, technological readiness, and overall infrastructure compared to its neighbors, according to the Global Competitiveness Report 2017-2018 (Table 3). With this in mind, the government should consider measures to improve these areas, as well as expand access to education and investment in skills development. This will help compensate for the rapidly rising real wages and keep the country’s labor force competitive. The latter is especially important in terms of MSMEs, which account for the majority of existing businesses.

In terms of education indicators, the adult female literacy rate in 2015 was 75 percent and the male literacy rate was 87 percent. Enrollment in tertiary education in 2015 was 12 percent for girls and 14 percent for boys — making it 13 percent overall, compared to 44 percent for the East Asia & Pacific region. Moreover, in 2008, the net enrollment of girls in secondary school was 37 percent compared to 40 percent for boys — well below the regional average of 90 percent. These figures point to the root cause of low levels of skilled labor in the country³⁸.

Aware of most of the potential risks facing the Cambodian economy, the government started using some good practices to inform the development of regulations. However, as described below, the country is still at an early stage of developing policies to improve SME market access and internalization³⁹.

1.3.2 The Legal and Regulatory Environment for SMEs

Cambodia’s SME policy has focused on improving the legal and regulatory environment to support SME development. However, though several long-term frameworks, economic plans, and strategies have been developed, a straightforward and structured SME strategy is still missing. Rather, policies are inscribed in different national strategy documents, namely the Rectangular Strategy Phase IV and the Industrial Development Policy 2015-2025. In fact, SMEs are subject to the same commercial laws as large and microenterprises, though there have been several initiatives to create a better business environment through tax policies.

³⁸ UNESCO Institute of Statistics. It should be noted that the literacy rate among the youth population (aged 15-24) is 93% for females and 92% for males (UNESCO, 2015).

³⁹ ASEAN SME Policy Index 2018, <http://www.oecd.org/southeast-asia/sme-policy-index-asean-2018-9789264305328-en.htm>

Following the development of the Rectangular Strategy I⁴⁰, the Sub-Committee on SME⁴¹ was created in 2004 and was tasked with the role of formulating SME policies. A key output of the SME Sub-Committee was the elaboration of the SME Development Framework, which was approved by the Council of Ministers on July 29, 2005, and officially launched by the government on February 21, 2006. The SME Development Framework aims to *“create a conducive business environment, which will lead to a competitive SME sector contributing to the creation of quality employment and improve the range of goods and services available to the people of Cambodia.”*

Until 2013, the Ministry of Industry, Mining and Energy (MIME) was responsible for the development of the SME sector. But, following a review of SME policies, the MIME was restructured and all activities pertaining to SMEs were transferred to the newly created Ministry of Industry and Handicrafts (MIH). The aim was to provide a focal point and centralize SME initiatives and policies, which were previously carried out by different ministerial bodies, individually.

As mentioned earlier, the main focus of the SME Development Framework has been to ease the regulatory and legal framework, especially with regard to registration processes and costs. Initiatives undertaken have had limited success and impact on the SME sector, as the key indicators regarding the ease of doing business show (Table 4).

One example is the initiative on tax incentives, aimed at reducing the number of informal enterprises announced in the first quarter of 2017. The government of Cambodia issued Decree No. 17 ANKr.BK (“Sub-Decree 17”), which declared that SMEs registering voluntarily with the General

Box 1: Legal Environment for Women-owned SMEs

Cambodian law does not hold any gender bias against women. They are, from a legal standpoint, on an equal footing with their male counterparts in terms of validating their rights in matters relating to registering, owning a business, buying land, and even inheritance. However, there are social norms, like women’s subordination to men stipulated in Chbab Srey (see Box 2 below), which could make it more difficult for women to seek justice without the help of a third party. This can indirectly hinder a woman’s ability to successfully run a business and take full advantage of the financial and non-financial services made available to SMEs.

The MoWA has been working to mainstream gender issues across all national policies. Neary Rattanak IV, the five-year strategic plan for 2014-2018 recognized that there is a lack of women in decision-making positions, especially in the public sector. Therefore, it is necessary to increase efforts in mainstreaming gender issues in all aspects of Cambodian policies. To bring about systemic and sustainable change in terms of gender parity, efforts still need to be made to increase the number of female legislators, senior officials, and managers. According to the Global Gender Gap Report (2018), Cambodia currently ranks 73rd out of 149 countries with regard to a female/male ratio of 0.47. Similarly, the female to male ratio for women in Parliament is 0.25 and 0.1 for women in ministerial positions. There is room for improvement of legislation with regards to equal remuneration for work of equal value, social protection, etc.

However, one area where MoWA and the government have progressed is the distribution of land titles. Between 2013 and 2017, 66 percent of the total seven million titles were issued to women, including indigenous women and widows. Cambodian women have equal rights in terms of inheritance and can equally dispose of property as men.

⁴⁰ The Rectangular Strategy for Growth, Employment, Equity and Efficiency in Cambodia (2004).

⁴¹ The Sub-committee was established by Decision No. 46 SSR in August of 2004 as part of the Private Sector Steering Committee.

Department of Taxation (GDT) in 2017 and 2018 would receive a two-year exemption from tax on business profits. SMEs would also be exempt from the annual 1 percent Minimum Tax (and monthly pre-payments) during this exemption period.

SMEs initially took advantage of this tax exemption. However, registrations soon slowed down as it was unclear what was meant by “voluntary registration”. Also, tax officers required proof that an SME had registered voluntarily, and often the SME was still required to pay tax, pending clarification from the GDT. Moreover, SMEs were worried that if they registered, they would be required to pay penalties and back taxes. Despite the explanatory Prakas 502⁴², SMEs remain reluctant to take advantage of the tax incentive. Instead, they see it as too burdensome, and still fear that they will have to pay penalties.

Table 4: Key Indicators for Ease of Doing Business

Indicator	2018 Rank (out of 190)
Ease of doing business	135
Starting a business	183
Paying taxes	136
Getting credit	20
Registering property	123
Getting electricity	137
Enforcing contracts	179
Trading across borders	108
Dealing with construction permits	179

Source: World Bank

In order to facilitate the registration process, in 2015⁴³, the Ministry of Commerce launched an online platform for registration. Although there are some issues — users complain that the website is often not working or that even when registering online, they are required to complete the registration process in person — the online registration system is considered to be a key achievement of the government’s efforts. However, limitations of the system include lack of options for online payments⁴⁴ and several other technical difficulties.

⁴² The Ministry of Economy and Finance issued Prakas No. 502 (“Prakas 502”) on April 25, 2017, and explained that a voluntary registration meant SMEs that had spontaneously registered with the GDT from January 1, 2017 to December 31, 2018 before receiving an official letter requesting them to do so, or had registered within seven days of receiving the said letter. Prakas 502 also explained that there would be no penalties and that it would provide SMEs with proof of voluntary registration, with which they could claim the tax holiday.

⁴³ Prakas No. 299 on December 29, 2015, on the new implementation of a new procedure for registration of company through the online system: www.businessregistration.moc.gov.kh

⁴⁴ Three banks are authorized by the MoC to process the payment of fees for the registration of businesses, namely ACLEDA Bank, FTB Bank (Foreign Trade Bank of Cambodia), and Canadia Bank. Payments online are only possible for those who have an ACLEDA bank account.

Table 5: Indicators for starting a business

Indicator	Item
Procedure (men & women), number	9
Time (men & women), days	99
Cost (men & women), % of income per capita	51.3
Paid-in min. capital (% of income per capita)	82.5

Source: World Bank

1.3.3 Government Support for SMEs

The ASEAN SME Policy Index 2018 recognized Cambodia’s efforts in implementing good regulatory practices and creating an environment conducive to SME development. But, it pointed out that the country is still in the early stages of policy implementation due to inherent institutional challenges, namely lack of budget and qualified personnel.

The report also reviewed the status of non-financial services within SME policies. Among ASEAN countries, Cambodia ranked the lowest, underlining the need to further develop this aspect of SME policy.

Currently, business associations and federations are taking on this role, especially with regard to providing valuable information. However, there is a need for more in-depth studies on BDS demand and the existing gaps, in order to integrate them into policies and render them more efficient.

At present, the majority of government efforts to support SMEs are focused on networking and advocacy, as well as short-term workshops and trainings in key areas such as bookkeeping, business planning, and human resource management.

Table 6: Business Development Services indicators

	BRN	KHM	IDN	LAO	MYS	MMR	PHL	SGP	VNM	Median	StD.
Planning and design	3.58	2.51	3.38	3.02	5.43	2.19	4.27	6.00	3.77	3.67	1.22
Implementation	3.40	1.95	4.79	2.85	5.32	2.76	5.07	6.00	3.19	4.10	1.31
Monitoring and evaluation	2.93	1.00	4.33	2.93	4.05	1.55	2.38	6.00	1.55	2.93	1.47
Total sub/dimension score	3.67	1.96	4.21	2.93	5.00	2.32	4.25	6.00	3.06	3.94	1.22

Source: ASEAN SME Policy Index 2018, * Scores are on a scale of 1–6, with 6 being the highest.

The MIH is planning to set up a government-backed federation of SMEs, a body that will act as a representative for all SMEs in the country and function as a bridge between them and the authorities. The need for such a federation has been questioned. It is seen as a duplication of the work of existing professional associations such as Federation of Associations for SMEs of Cambodia (FASMEC) or Young Entrepreneurs Association of Cambodia (YEAC). However, if it does indeed act as a focal point to coordinate and streamline efforts, as well as enhance cooperation with the private sector, the federation could help increase the impact of the MIH SME development policies.

The SME Bank

In December 2017, Prime Minister Hun Sen announced that the government would be developing an SME Bank in order to facilitate SME access to finance. Based on discussions with stakeholders, it has been confirmed that the government has set aside \$100 million as capital of the financial institution. Though the bank will be managed by the Ministry of Economy and Finance, it is not yet known whether the bank will involve private shareholders or if it will be fully owned by the government. The bank is expected to start operations in 2019/2020 and will be based on the Rural Development Bank model, providing both refinancing loans to FIs and direct loans to SMEs. There has been criticism regarding the bank and whether it would be more efficient to expand the mission and operations of the existing Rural Development Bank, which already has SME promotions as part of its mandate.

The Rural Development Bank

The Rural Development Bank was established in 1998 to support the microfinance industry, especially small-scale farmers in rural areas. It operates mainly by refinancing loans to financial institutions (including MFIs and specialized banks), development communities, as well as SMEs that focus on rural development in Cambodia.

Further, as part of its latest initiatives, the government plans to focus on developing tech start-ups in the SME sector. With this in mind, the Ministry of Posts and Telecommunications commissioned the Mekong Strategic Partners, an investment and risk management firm, to undertake a study on tech start-ups among SMEs, their ecosystem involving community challenges and their needs. On the basis of the study, released by the end of the first quarter of 2019⁴⁵, “the government plans to develop a set of measures to advance tech start-ups in the SME, education, and digital skills sectors before expanding to tourism, agriculture, and health”⁴⁶.

1.3.4 Programs Offering Support to Women SMEs

The Ministry of Women’s Affairs is the main government body tasked with gender policies and female empowerment. In 2013, MoWA initiated the ‘Millennium Development Goal (MDG) Acceleration Framework (MAF)’, which identified the following three strategies:

- 1) Strengthening vocational skills for women based on market demand.
- 2) Developing micro, small, and medium enterprises.
- 3) Improving livelihoods in rural areas.

The latest strategic plan ‘Neary Rattanak IV’ continues to build on MoWA’s gender mainstreaming efforts, with a focus on skills and vocational training leading to employment. Additional focus has been placed on skills and training, employment promotion, and increasing the presence of women in decision-making positions in the private and public sectors.

In addition to working with line ministries to mainstream gender issues, MoWA has partnered with business associations such as the Cambodia Women Entrepreneurs Association (CWEA)

⁴⁵ Startup Kingdom. Cambodia’s Vibrant Tech Startup Ecosystem in 2018., <http://www.mekongstrategic.com/>

⁴⁶ <https://www.khmertimeskh.com/50570476/cambodia-to-focus-on-sme-education-and-tech-startups/>

and NGOs to build their capacities to offer effective non-financial services. The main focus of the support offered is vocational training and networking, advocacy, and the organization of trade fairs and exhibitions all over the country, with a focus on the provinces where the majority of the members of the business associations are based (Phnom Penh, Battambang, Siem Reap).

MoWA is the focal point for gender mainstreaming policies for ASEAN. It participates in discussions on policy development and acts as a link between the local women business associations and the ASEAN women’s networks. In this regard, MoWA makes a final selection of nominees for the ASEAN Outstanding Female Entrepreneurs Award — based on a preliminary selection made by the women’s associations. So far, 36 Cambodian women entrepreneurs have received the award.

MoWA plans to create a National Network of Women’s Associations comprising members from various women’s business associations. The Board of Advisors will include representatives from each of the ministries and the Chamber of Commerce.

These initiatives have helped improve the global framework for promoting women in general, and women SMEs, in particular, with Cambodia ranking above the median score for ASEAN countries (see table below). However, there is still a need for institutional capacity-building to implement monitoring and evaluation activities and increase the efficiency of the implementation.

Table 7: Inclusive Entrepreneurship for women

	BRN	KHM	IDN	LAO	MYS	MMR	PHL	SGP	VNM	Median	StD.
Planning and design	2.00	4.42	3.74	2.91	3.82	2.25	6.00	4.25	3.49	3.62	1.10
Implementation	2.19	2.55	3.34	2.66	5.10	1.86	4.44	2.66	2.27	2.63	1.10
Monitoring and evaluation	1.83	1.83	1.83	1.28	2.93	1.00	4.04	3.77	1.55	1.83	1.00
Total sub/dimension score	2.05	3.06	3.18	2.47	4.22	1.82	4.90	4.34	2.55	2.81	0.99

Source: ASEAN SME Policy Index 2018, * Scores are on a scale of 1–6, with 6 being the highest.

Women Development Centers

The Women Development Centers (WDC) were launched in 2009 by the MoWA as a tool to support the first Neary Rattanak plan (2009-2013), and provided BDS and capacity building to micro-, small-, and medium-sized enterprises. The objective was the social, legal, and cultural empowerment of women. The WDC network allowed proximity to producers, making them accessible to women. Starting with 13 centers, MoWA now has expanded the WDC network nationwide. The WDC aim to:

- Facilitate the development of savings groups and women’s associations (e.g. CWEA)
- Offer life skills training
- Offer vocational training
- Provide networking opportunities and mentorship
- Provide support for registration/tax compliance
- Build capacities and quality standards in order to facilitate access to import and export markets
- Build capacities by placing WDC trainees in internships/job placements
- Organize trade fairs and exhibitions (usually in cooperation with other line ministries) to improve production and quality of handicrafts

Today, MoWA's greatest challenge to increasing the impact of the WDC network is finding qualified staff. At present, the business model is not sustainable. The staff providing the vocational training are volunteers and access to WDC services is free. MoWA recognizes the need to shift its training from areas that perpetuate gender stereotypes (for example hair styling or weaving) to fields that are more in line with market needs (such as ICT training, leadership and financial training). In order to do this, it will need more resources and qualified staff.

Private Sector Support

There are a number of business associations that support SMEs, chief among them are Federation of Associations for SMEs of Cambodia (FASMEC) and Young Entrepreneurs Association of Cambodia (YEAC). Both associations offer networking opportunities, advocate for better SME policies, organize trade fairs and exhibitions with government or private support, and also offer mentoring and training. YEAC also manages the Business Information Center website — an information platform developed with the help of MekongBiz and Australian Aid. The website offers information on registration, provides an online toolkit, and a database of service providers for SME development.

SHEinvestments

SHEinvestments stands out among BDS suppliers because it attempts to offer alternative sources of finance to its members. Focusing solely on women, it aims to help microbusinesses scale up to small- and medium-sized enterprises. In addition to networking, mentoring, advocacy, and offering consulting services, SHEinvestments also helps organize trade fairs and exhibitions.

The flagship initiative of SHEinvestments is a 13-day business incubator program that is spread over a period of six months. The initiative kicks off with a one-day pre-program workshop, followed by two one-day workshops every month. In order to ensure family support, and thereby reduce the risk of women dropping out, husbands are involved in the training. SHEinvestments offers culturally adapted trainings in Khmer in the areas of financial management, marketing, and business planning.

In 2016, SHEinvestments conducted an impact study of its six-month incubator program with 10 female entrepreneurs, which revealed the following⁴⁷:

- 90 percent retention rate due to the involvement of men and strong networking
- Improved financial management practices, helping women separate their business and personal finances
- 30 percent increase in women's savings
- Greater involvement in household and business decision-making as reported by eight women
- Increase in new employment opportunities
- Increase of monthly revenue by 10 percent or more in the case of seven women.

⁴⁷ Women in WASH enterprises: learning from female entrepreneurship in Cambodia, Indonesia and Lao PDR. Working Paper 6, September 2017, p. 23. According to SHEinvestments' Managing Director Celia Boyd, about 250 women have graduated from the program since 2016.

Cambodia Investors Corporation (CiC)

The private sector can also be a key player in improving SME access to finance by providing alternative forms of financing, which are not collateral based. One such organization is the Cambodia Investors Corporation (CiC), which started operations in 2013 and became a PLC in 2015. CiC is a peer-to-peer network, matching members' investment and capacity building needs with members seeking investment opportunities. Their vision is a prosperous local economy with local enterprises and investors — 95 percent of their funding is from local investors. The CiC also offers a Business Incubator Program and a Bootcamp and Capacity Building program, focusing on all aspects of managing and promoting businesses, including investments and finance.

Professional Associations

There are several professional associations for women such as the CWEA or the CWBA, which provide business development services. However, the majority of these are based in Phnom Penh, with offices in urban areas such as Siem Reap or Kampong Cham. Moreover, the membership fees can be prohibitive for certain groups of women, especially for those living in rural areas.

Currently, MoWA strives to work in close cooperation with the different women's associations in order to increase its outreach and impact. In this regard, Cambodia could certainly benefit from encouraging the development of social enterprises and integrating them in its action plan for SME development.

CWEA

CWEA was founded in 2011 with the support of the World Bank and the MoWA. Currently it has 500 active members, though not all are business owners. Their goal is to support the growth of women-owned businesses in Cambodia to help them make a meaningful impact on the economic development of the country. CWEA was created as a response to the need for clear policies targeting WSMEs, which until 2011 focused on male-owned large enterprises. Consequently, the association is also very active in advocating for the empowerment of women entrepreneurs.

Members pay an annual fee of \$150-200, which gives them access to CWEA's network, advocacy services, mentorship, capacity building, and training. It focuses on helping its members promote local products, especially with regard to improving quality standards to help gain better market access.

In 2016, 30-40 percent of CWEA's members were informal, compared to 60-70 percent nationwide⁴⁸.

1.4 Biggest Challenges Affecting Women-owned SMEs

1.4.1 Profile of WSMEs in Cambodia

The objective of the quantitative survey conducted for this study was to collect detailed data on women-owned and men-owned SMEs in order to analyze their differences in entrepreneur and business profiles, and assess the patterns of use and access to financing — in general and for women-owned SMEs in particular.

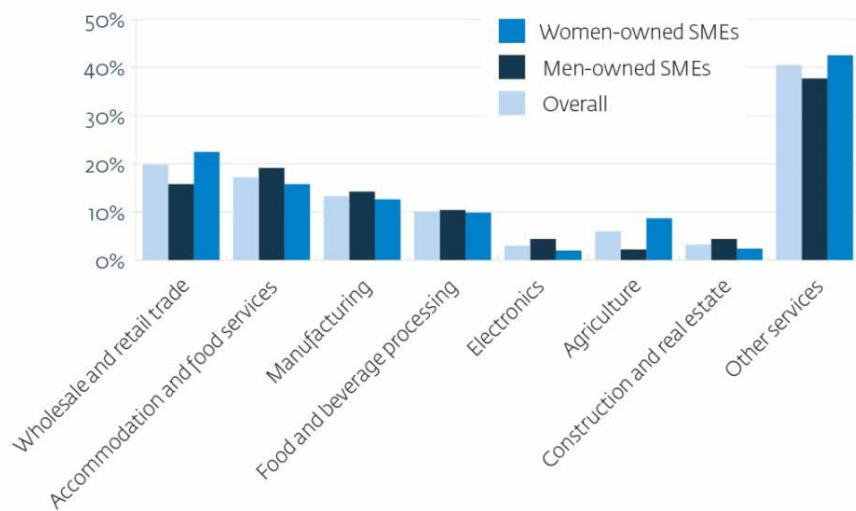
⁴⁸ CWEA includes WSMEs that are registered at the community level, but not with the MoC.

In terms of the WSMEs’ profile, the survey indicated that 38 percent of the WSMEs had three to five employees, while 50 percent had between five and 10 employees. Only 12 percent of women-owned SMEs had more than 10 employees⁴⁹. This reflects the real composition of the sector and highlights the limitations of the official SME definition as far as its applicability is concerned. A number of previous studies came to similar conclusions (ADB, World Bank), including the 2014 CIES, where only 2.2 percent (or 11,302) of all enterprises studied were SMEs.

In terms of legal status, close to 80 percent of the enterprises interviewed (both men and women) were registered as a sole proprietorship. This is the easiest legal form to obtain and requires the least assets, making it popular with smaller enterprises. In the 2014 CIES, 99.8 percent of MSMEs were registered as sole proprietorships. Among the women, 5 percent were registered as PLCs and 3 percent as limited partnerships.

Women business owners seem more likely to hire women: 60 percent of the women-owned SMEs had more than 50 percent women as staff, compared to 26 percent for men-owned SMEs.

Figure 3: Sector of business activity by gender (185 male, 258 female respondents)



According to ADB (2015), four sectors account for 97 percent of all women-owned businesses in Cambodia: wholesale and retail trade and services (66 percent), accommodation and food (17 percent), manufacturing (10 percent), and other services (4 percent). Due to the specific SME focus, this survey demonstrated significantly lower engagement of women in the wholesale and retail trade (22 percent). Women are also strongly represented in manufacturing (13 percent), accommodation and food services (16 percent), as well as other services⁵⁰.

⁴⁹ This placed the sample at the higher end of the micro scale and lower end of the SME scale as per official definition of SMEs. Moreover, the share of medium enterprises in the sample was a bit more than 2%, which made the extrapolation of data by size of SMEs into small and medium, as per definition applied for the study, not possible (small – 5 to 50 employees, medium – 51 to 100 employees). At the same time, the share of the enterprises with less than five but minimum three employees reached almost 38%. For the survey analyses, therefore, two major categories (strata) were distinguished: so called “upper micro” (three to four employees) and small (five to 50 employees). See details of the sample and definitions applied as well as the limitations of the survey described in Annex 1 “Survey methodology”.

⁵⁰ The survey has shown a wide range of “other” services provided by beauty and jewelry salons, laundry shops, event management and touristic agencies, private clinics, schools, law offices, car washes, etc., which, though representing a minor share each, sum up in total to ca. 40% of the total sample.

SMEs tend to only serve the domestic market and are localized. This study shows that more than 89 percent of total respondents declared they do not export any of their goods. This is in line with the desk research, which indicated that Cambodian SME access to international markets is limited. The World Bank Enterprise surveys (2016) identified that only 14 percent are exporting directly or indirectly — this is lower than the regional rate of 19 percent for East Asia and Pacific. Poor infrastructure, especially in the provinces, lower entrepreneurial skills and access to skilled labor, and lack of innovation were cited as the key reasons.

Box 2: Chbab Srey

Chbab Srey, which literally translates to women's code, is an early 20th century poem. It defines how Cambodian women should behave in society, especially with regard to their husbands. According to the Chbab Srey, a woman should be subservient to her husband. She should be quiet and unobtrusive at all times, avoid competing with her husband, and prioritize her household and family above all else.

Although the MoWA successfully campaigned for removing the full text of the Chbab Srey from the official school curriculum, a summarized version is still being taught to girls in secondary schools. The Chbab Srey is also often passed on from mothers to daughters, especially in rural areas, where it has a greater influence than in socially open urban areas.

1.4.2 Key Constraints Faced by Women-owned Businesses

Social and Cultural Constraints

For women, a high level of participation in the economy does not necessarily imply that they are able to fully utilize the opportunities and benefits, compared to men. Research and discussions with SMEs and stakeholders have revealed that Cambodian social norms and gender relations pose barriers to women's economic empowerment and growth; they prevent women from expanding their opportunities. Although women are nominally guaranteed equal rights with men, unlike their male counterparts, women are seen as having a lower status in society (see Box 2).

Women's subordination to men under the Chbab Srey (traditional Code of Women) limits their economic independence and opportunities. Though Cambodian society has become more open and women are taking on more dominant roles in the economy, the effects of Chbab Srey still perpetuate negative gender stereotypes. Consequently, they prevent women from developing and succeeding in businesses.

Traditional and gender norms assigned to girls and young women (early marriage, household chores, taking care of younger siblings, etc.) result in limited educational opportunities. Consequently, women often enter the labor market with fewer educational qualifications and skills than men. Recent statistics show significant gender disparities in female education levels and access to formal education. The Global Gender Gap based on the sub-index Educational Attainment stood at 119 out of 149⁵¹ in 2018.

The general perception among focus group participants and stakeholders interviewed was that Cambodian women, when compared to neighboring countries like Vietnam or Thailand, are less 'outgoing,' lack leadership skills and the initiative needed to sustainably run a business. It is much

⁵¹ World Economic Forum, Global Gender Gap Index 2018. <http://www.weforum.org/issues/global-gender-gap>

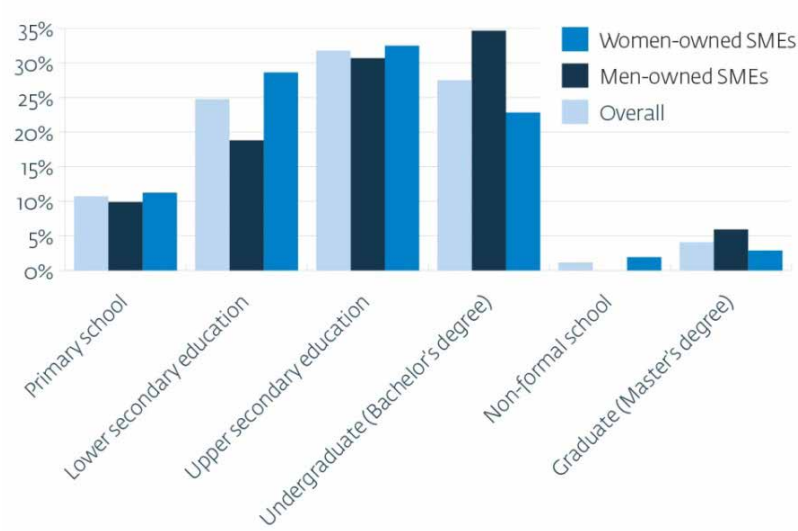
more challenging for women to successfully own and run a business without the support of their family or spouse.

Many of those interviewed also believed that it is harder for women to gain access to finance and non-financial services such as mentoring, networking, and training due to their need to be close to home. The restricted mobility of women entrepreneurs affects their ability to access markets and resources necessary to grow and expand their businesses.

Access to Markets

This survey did not reveal significant differences between men- and women-owned SMEs with regard to access to markets. However, desk research, focus group discussions, and stakeholder interviews suggest this was more of an issue for women than men. First and foremost, participation in international trade requires official registration — more than 58 percent of the women surveyed were not registered with any ministry⁵². Firms also have to deal with customs, trade regulations, and licenses, which seem to be more difficult for women to obtain. This is because women have less access to — and time for — networking and building business partnerships due to their family responsibilities. Generic obstacles such as lower education rates and social norms also impact their opportunities to access international markets.

Figure 4: Education of entrepreneurs by gender (203 male, 312 female respondents)



The survey showed that 32 percent of the respondents had an upper secondary school education. However, overall, men had a higher education level than women. More men had completed an undergraduate degree (35 percent for men, 23 percent for women) and 6 percent of men had a graduate degree, compared to 3 percent of women. Limited education opportunities impact the capacities and skills necessary for starting a business and managing it efficiently and profitably. Moreover, it hinders women’s ability to prepare business plans and financial projections to demonstrate their repayment capacity to the banks, thereby limiting access to necessary capital.

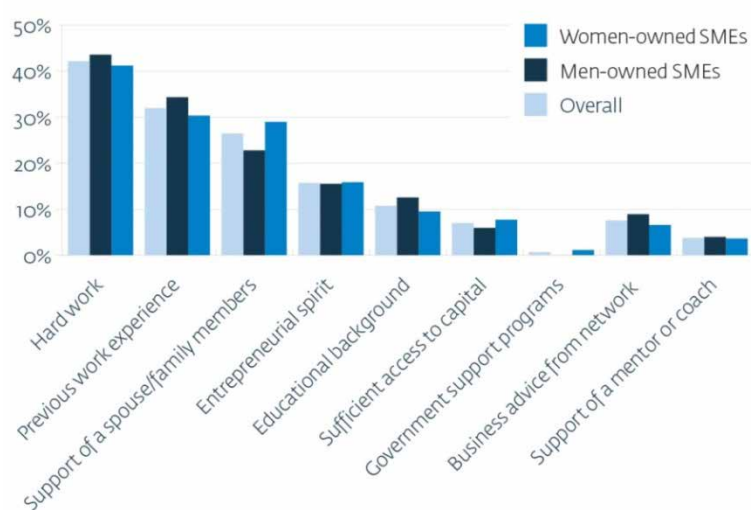
Most of the respondents in the survey, both men and women, seemed to be very confident about their knowledge and necessary business skills. But, women seemed to have less confidence in

⁵² See more on the registration issues below.

assessing their knowledge of pricing their products and services, or being capable in accounting and business planning. Women, as much as men, seemed to assign marketing less of a priority, which could imply that they are simply less knowledgeable about marketing strategies and branding. Only 35 percent of men and 30 percent of women used some form of advertising in the last six months. These findings are also supported by the qualitative study, which found that SMEs — particularly women-owned SMEs — require strong capacity-building in financial accounting, marketing, and HR management.

As mentioned above, cultural and social norms may further restrict women’s access to markets. Dealing with male business owners and partners, very often after business hours, and with governmental officials is often seen as being against the social norms, especially in rural areas and in traditional families. Respondents of focus group discussions and some stakeholders stressed that women often lack the self-confidence and knowledge to be able to promote themselves as “good investments” to banks.

Figure 5: Key success factors for starting a business by gender (175 male, 245 female respondents, based on the ranking of top three success factors)



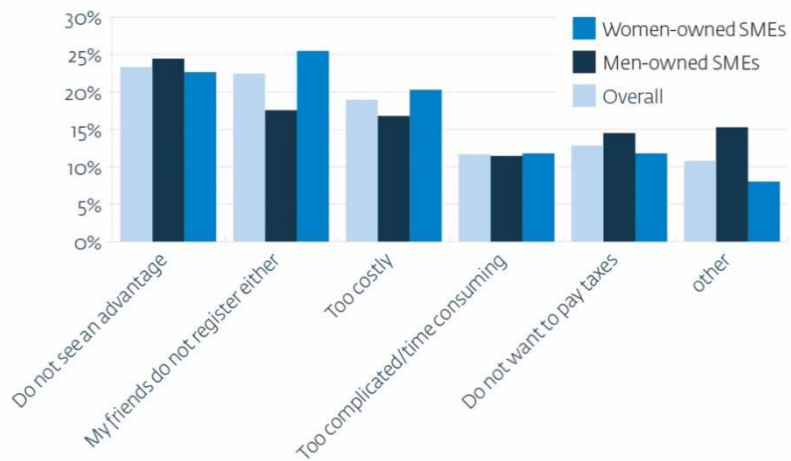
Lack of self-confidence, as a reflection of traditional gender roles, is observed in the findings of the survey (Figure 5). The numbers show that women are heavily reliant on their spouses when starting and managing a business and also when getting business advice. Meanwhile, men are more reliant on support from friends and colleagues.

Regulatory and Formalization Challenges

For women, international markets are not the only ones that are difficult to access. Local markets, and in fact the very first step of formalizing their business, seem to be a greater challenge for women than men.

Of the 59 percent of female respondents that stated they prefer not to register, 23 percent said it was because they did not see any advantage in doing so, in general, and 26 percent said it was because most of their friends had not registered either. In a highly competitive environment, women may be apprehensive of losing their competitive edge by being the only ones in their area to register (and therefore pay higher taxes).

Figure 6: Reasons for not registering the business by gender (131 male, 212 female respondents)



Out of those who did register their business (41 percent of women compared to 45 percent of men), 47 percent claimed they did not face any difficulties during the registration process. This still leaves more than 50 percent of the enterprises interviewed experiencing difficulties in formalizing their business. Informal operations are more typical for “upper micro” (81 percent) than for small businesses (48 percent), irrespective of gender.

Nevertheless, 50 percent of women said they had no difficulties registering their business, compared to 41 percent of male respondents. Women, however, found the registration process slightly more tedious and time-consuming than their male counterparts — 12 percent for women and 11 percent for men. However, 20 percent of women, compared to 17 percent of men, found the registration process to be a costly affair. The smaller the enterprise, the more the respondents complained about informal payments, high costs, and applicable taxes.

With regard to the cost of registering a business, it is important to note that there are hidden costs for women. In fact, as the stakeholders highlighted, a woman entrepreneur is more likely to ask a third party to carry out the registration process for her, either because she does not have the time, or because she does not fully understand or know what is required. This additional support adds to the cost of registration.

Information gathered during focus group discussions revealed that the process to formalize a business is too tedious and costly. Although the registration process in general has improved over the last few years, the main challenge is not the registration itself. Instead, it is the lack of clear guidelines, uncertainty that most businesses perceive while estimating taxes, other cost implications, types of documentation, and specific permits and certifications required. Not surprisingly, one of the most required requests in terms of BDS was support and guidance on business registration.

Based on information gathered from the Business Information Center platform⁵³ of the YEAC and Ngeay Ngeay website⁵⁴ — supported by SHEinvestments — to register a business, one has to register with the Ministry of Commerce (either at Phnom Penh or at the Provincial Department

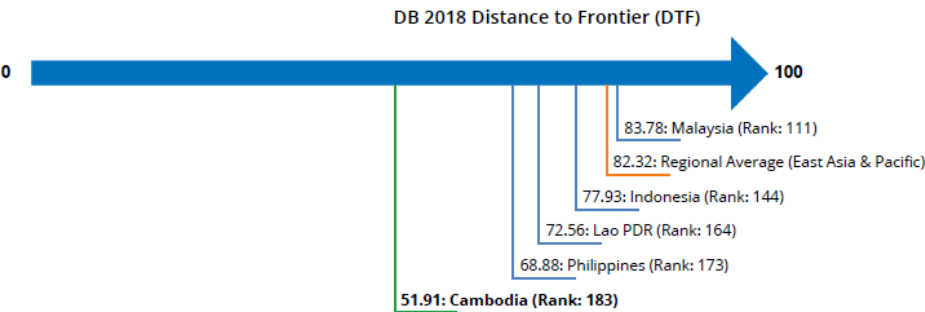
⁵³ <https://bizinfo.center/>

⁵⁴ <http://ngeayngeay.co>

Level), the General Department of Taxation and the Ministry of Labor and Vocational Training (for businesses with more than eight employees). In addition, an SME would need to obtain various licenses from different ministries, depending on its area of activity. For example, a tourist agency will also need to register with the Ministry of Tourism; a clinic must register with the Ministry of Health, and so on. As a result, more than 70 different licenses may apply to SMEs⁵⁵ in order to be in full compliance with regulations⁵⁶. Indeed, there is continued confusion as to which ministries an SME must register with to be in full compliance with registration laws.

According to the Doing Business Report, starting a business in Cambodia requires nine procedures and takes 99 days, allowing it to achieve a score of 51.91. In comparison, the regional average for East Asia and Pacific was 82.32. This is in line with the findings of the 2017-2018 Global Competitiveness Report, which states that 104 procedures and 136 days are needed to start a business. The report also indicates that Cambodia ranks 120th out of 138 countries in terms of transparency of government policymaking, a fact that is corroborated by the ASEAN Policy Index report 2018.

Graph 1: Starting a business in Cambodia and comparator economies – Ranking and DTF



Source: Doing Business Report 2018

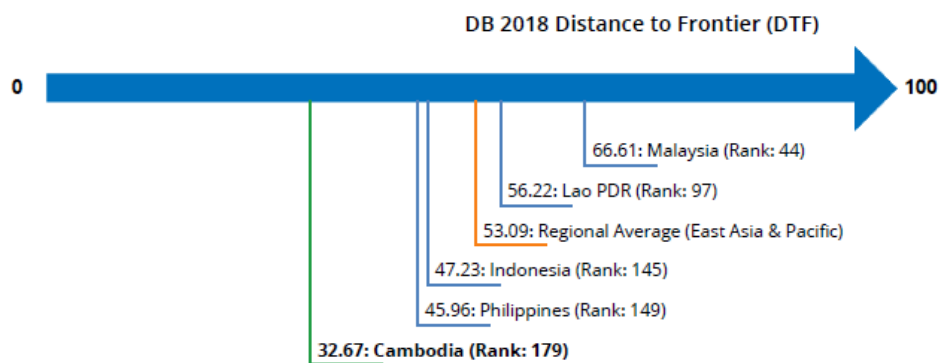
Another challenge faced by SMEs, particularly women-owned SMEs, is the prevalence of informal fees. According to the 2017-2018 Global Competitiveness Report, 15.4 percent of the businesses interviewed cited corruption as the most problematic factor for doing business. Women are especially vulnerable because a majority of women-owned SMEs are informal. To register their business, they may often need the support of a third party or may have to pay a bribe to speed up or facilitate the process.

Informal payments also affect businesses because it can lead to the invalidity of existing contracts. Business owners who rent their location may be evicted on short notice if the landlord receives a more attractive offer. In fact, the 2018 Doing Business report indicates that Cambodia achieved a score of 32.67 with regard to enforcing contracts, well below the regional average of 53.09.

⁵⁵ ASEAN SME Policy Index 2018, <http://www.oecd.org/southeast-asia/sme-policy-index-asean-2018-9789264305328-en.htm>, p.237.

⁵⁶ It should be noted that at no point is it mentioned on the YEAC or the Ngeay Ngeay websites that SMEs must register with the Ministry of Industry & Handicraft. This contradicts announcements made by the Cambodian government in 2014 that the MIH would hold the sole responsibility for registering SMEs. This confirms the lack of clarity as to the role played by the MIH in the SME sector.

Graph 2: Enforcing Contracts in Cambodia and comparator economies – Ranking and DTF



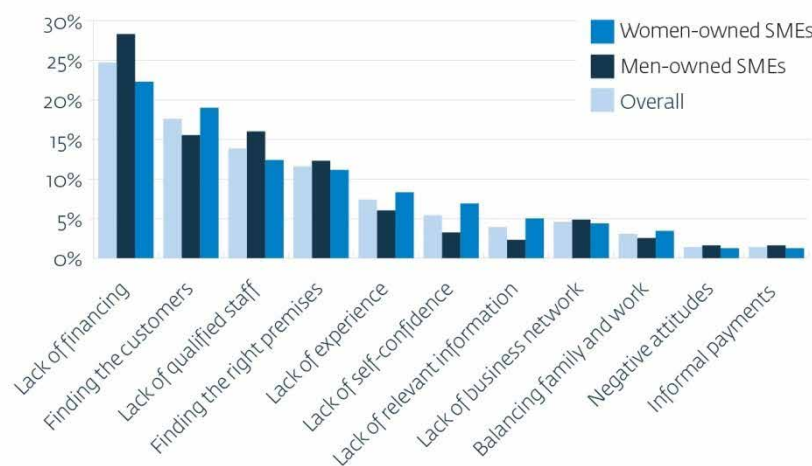
Source: Doing Business Report 2018

Operational Challenges: Local Competition and Lack of Skilled Workforce

After lack of funding, stiff domestic competition was the second most frequently cited challenge by women, when starting a business (Figure 7). This highlights women’s stronger dependence on external help while making their business operational. During the survey, more women than men reported relying on a spouse for support (29 percent vs. 23 percent, Figure 5).

Tough (informal) competition is also the biggest obstacle for established businesses. The World Bank Enterprise Surveys (2016) revealed informal competitors as the number one obstacle cited by Cambodian firms (28 percent)⁵⁷. In this survey, too, stiff competition was a top challenge for all SMEs, particularly for those led by women (28 percent vs. 27 percent, Figure 8).

Figure 7: Major challenges when starting a business by gender (175 male, 248 female respondents, based on top three challenges)

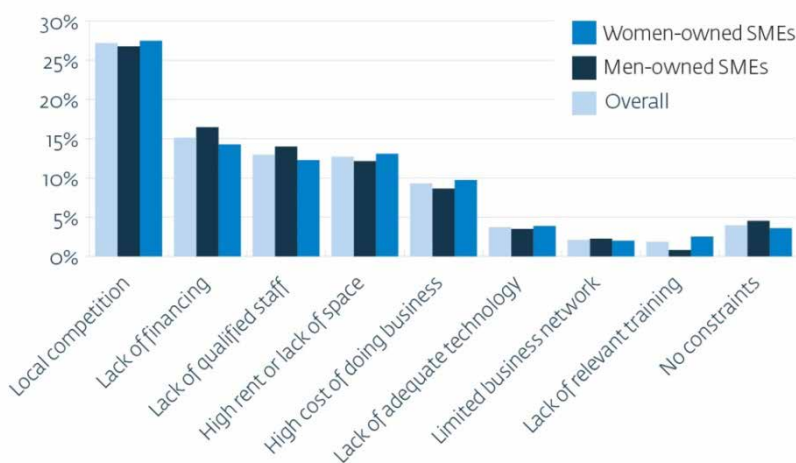


Another operational challenge identified in interviews with stakeholders and SMEs was the inability to find qualified staff (Figure 8), compounded by a high staff turnover. Indeed, businesses struggle to retain key staff for even more than a year. One of the reasons cited is that business owners lack the skills to put in place long-term career plans and motivate their staff. Another

⁵⁷ This figure has doubled since the survey was undertaken in 2013.

reason includes a general expectation from existing staff members to receive regular salary raises. There is also an expectation to receive a 13th-month bonus at the end of the year, and employees tend to leave at the end of the first year to seek a better paying job elsewhere⁵⁸. Therefore, business owners need to develop attractive incentive packages and career advancement plans that outweigh the employee’s desire to start a new job for a higher wage.

Figure 8: Major current business challenges by gender (203 male, 312 female respondents, based on top three challenges)



Unlike previous years, poor infrastructure — unreliable power supply, poor road conditions, and telecommunications — did not seem to be an issue. The World Bank Enterprise Surveys shows a significant decrease in the number of electrical outages in a typical month — 1.5 outages in 2016, compared to six in 2013. In this survey, partly because it focused on urban areas, poor infrastructure was not cited as a significant operational challenge.

High cost of rent, however, was the third most frequently cited hurdle, especially for women (13 percent vs. 12 percent for men, Figure 8). Along with the lack of skilled staff, this was the most frequently mentioned concern of both men- and women-owned SMEs. This is in line with the findings that most of the businesses rent business property (55 percent of women pay a landlord, compared to 50 percent of men). This contradicts the survey assumption and official statistical data that a significant share of businesses is “home-based businesses”. The reason for renting business premises despite high rent costs⁵⁹ can be the risk of land eviction. Very often, businesses either rent the premises or own only the building, having no property rights on the land on which it is built.

According to the Cambodian League for the Promotion and Defense of Human Rights (LICADHO), more than half a million Cambodians have lost their land over the last 20 years⁶⁰. Female, poor, and less educated population groups are most vulnerable and at risk of being evicted following

⁵⁸ Their negotiating power is greater when applying for a new job than when requesting a raise within the same business.

⁵⁹ More recently, with the increase of real-estate developments, landowners are being offered rent that is three to five times greater than what local businessmen have been paying. The result is often an unreasonable increase in rent as a means of pushing previous tenants out (or in some cases eviction with little or no notice) and making the premises available to Chinese investors willing to pay much higher prices.

⁶⁰ www.licadho-cambodia.org/topic/land Accessed 28 November 2018.

a land dispute⁶¹. Despite the fact that cultural norms of land ownership and management benefit both men and women, women tend to be more at risk of land insecurity than men⁶².

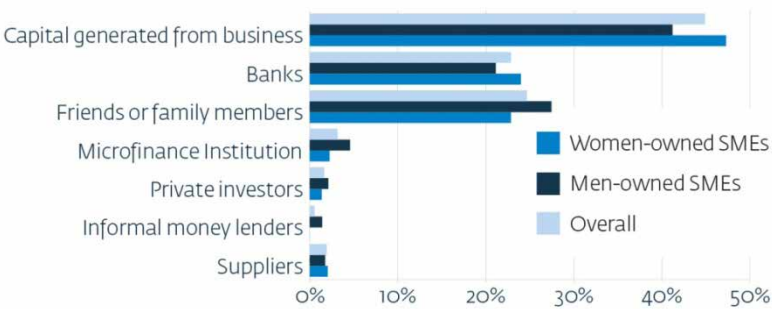
Lack of Financing

Lack of financing was reported to be a top challenge for all SMEs when starting a business (Figure 7). Of the 264 respondents that named it, 53 percent were female.

For the majority of women-owned SMEs, women started their business from scratch using their own funds (57 percent, compared to 51 percent men). Venture capitals and business angels are not a widespread concept in Cambodia, although organizations like SHEinvestments, CiC, and YEAC are attempting to take on that role. Nevertheless, it should be noted that among those interviewed, 2 percent of women, compared to 1 percent of men, had received support from a private investor or venture capital.

Slightly more women than men borrowed from a bank or an MFI (18 percent vs. 17 percent). Overall, and irrespective of the size of SMEs in this survey, the majority of businesses were self-funded.

Figure 9: Current sources of funding by gender (203 male, 312 female respondents)



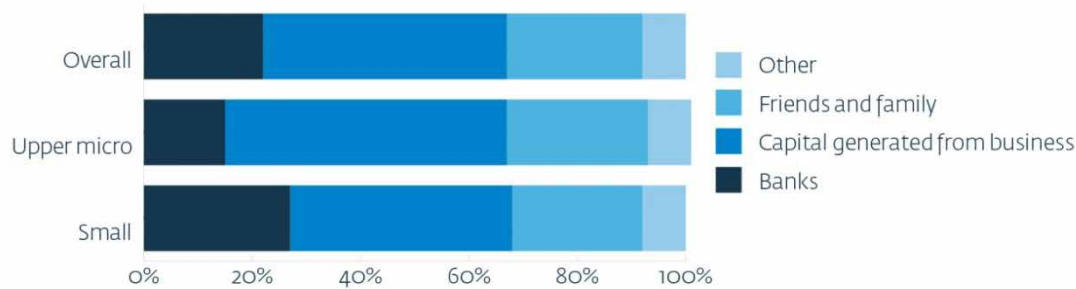
Heavy reliance on internal and informal sources of funding was also observed as the businesses evolved and grew, with 47 percent of women-owned and 41 percent of men-owned SMEs financed from the capital generated by the company (Figure 9).

The smaller the SME, the heavier the reliance on self-funding — 52 percent for “upper micro” and 41 percent for small. As SMEs develop and grow, however, formal credit becomes more important and more and more SMEs choose financing through banks (Figure 10).

⁶¹ Beban, Alic and Sovachana Pou (“Human security & land rights in Cambodia.” Cambodia Institute for Peace and Cooperation (2015), available at <http://www.cicp.org.kh/userfiles/file/Publications/HSLR-report-Final-3-29-2015.pdf>

⁶² Ibid.

Figure 10: Current sources of funding by size of enterprise (194 upper micro, 309 small enterprises)



Indeed, while use of informal sources and personal savings may help companies to start their businesses and survive for some time, greater access to finance becomes essential for growing the business. This implies significant opportunities for banks to unlock the potential of SMEs, and in particular, women-owned SMEs while addressing their needs with specific products and services and applying appropriate risk assessment tools.

The survey revealed that 24 percent of women and 21 percent of men finance their businesses through banks, while only 2 percent of women and 5 percent of men finance their businesses using loans from MFIs.

1.5 ICT and Fintech Solutions and Their Benefits for WSMEs

As mentioned earlier, lack of financial literacy, proper business management skills and, more broadly, the low level of the SMEs’ productivity and innovation, are key impediments to the growth of enterprises and their trade integration.

In order to have a competitive edge, companies need to take advantage of the technological and digital age. That can help them to promote and manage their businesses more efficiently, save time and money, and gain greater access to markets. For women-owned SMEs, in particular, ICT and fintech solutions can become enablers to help them overcome typical barriers and become more competitive in an increasingly digital economy.

In fact, Cambodia is considered to be an exceptionally promising market for fintech and ICT due to growing digital awareness among the Cambodian population in recent years (Box 3).

Box 3: Key facts about Technological Advancement and Adoption in Cambodia

- 12.5 million Cambodians use the Internet⁶³
- 96 percent of Cambodians aged 15-65 own a mobile phone, with over 10 million total units used ⁶⁴
- 50 percent of the population under the age of 25 has a high adoption rate of technology
- 13 percent of Cambodians use more than one phone, while one in four use more than one mobile operator ⁶⁵, 39.5 percent have a smartphone⁶⁶

⁶³ Number of internet users up this year, published on Dec 7, 2018 Khmer Times. <https://www.khmertimeskh.com/557066/number-of-internet-users-up-this-year/>

⁶⁴ Mobile Phones and Internet Use in Cambodia, research study by Kimchhoy Phong, Lihol Srou, and Javier Solá, December 2016 under collaboration and co-funding of USAID and Asia Foundation

⁶⁵ Ibid

⁶⁶ Cambodia Fintech Startup Report available at <http://fintechnews.sg/12603/cambodia/fintech-cambodia-startup-report-map-infographic/>

- Cambodia's 173 percent mobile connectivity is also the highest in Southeast Asia, surpassing the regional average (133 percent) and even outranking Singapore (142 percent)⁶⁷
- In 2018, number of Facebook users reached 6.8 million, up from 4.8 million in 2017. 6.2 million access the social media site exclusively through mobile phones⁶⁸

E-commerce

For women, in particular, e-commerce⁶⁹ and online solutions can help them tackle typical constraints such as time and mobility restrictions. This is because sales and financial transactions can be done anytime and from home, allowing for flexible time management.

Women can connect with each other to access new markets, build new relationships, and gain more confidence regarding entrepreneurship. Additionally, e-commerce allows women to stay anonymous, thereby avoiding discrimination from male suppliers and customers. Estimates in Indonesia, Thailand, and the Philippines suggest that 35-55 percent of women internet users have generated income through online sales⁷⁰.

In Cambodia, e-commerce has also boomed in the last five years, due to the rapid development of technology and increasing growth of internet users⁷¹, although laws governing the sector are not yet in place⁷². More and more people are using social media platforms, such as Facebook, for online shopping and advertising. However, compared to neighboring countries, e-commerce in Cambodia is still undeveloped, although there are a number of e-commerce initiatives, such as Glad Market, Shop168 and MALL855, World Bridge International, and ACLEDA Bank's My All in One Mall (MAIO Mall)⁷³.

This survey showed that over 95 percent of business owners still do not use e-commerce sites or services to promote their business. Facebook is seen as the main networking tool, both on a personal and professional level. This result can be linked to insufficient skills and low financial literacy to profit from e-commerce sites.

Role of ICT

More women than men seem to use a device (computer or mobile phone) for conducting business, with 46 percent using it frequently, compared to 41 percent of male-owned SMEs. However,

⁶⁷ 4-things-fintech-startups-can-learn-mobile-payments-boom-cambodia, August 2018, <https://e27.co/4-things-fintech-startups-can-learn-mobile-payments-boom-cambodia-20180326/>

⁶⁸ <http://geeksincambodia.com/cambodias-2018-social-media-digital-statistics/> accessed on April 5, 2019

⁶⁹ Southeast Asian consumers are increasingly making purchases online. The e-commerce market in Southeast Asia is expected to grow from 11 billion USD in 2015, to over 25 billion USD by 2020. Check on details of the study Ref 55 in https://www.spf.org/awif/wp-content/uploads/2018/05/Womens-Entrepreneurship-and-ICT-SE-Asia_2017_en-2.pdf

⁷⁰ Advancing Women's Empowerment – Growing Women's Entrepreneurship through ICT in Southeast Asia published by The Saskawa Peace Foundation and Dalberg Global Development Advisors, 2017.

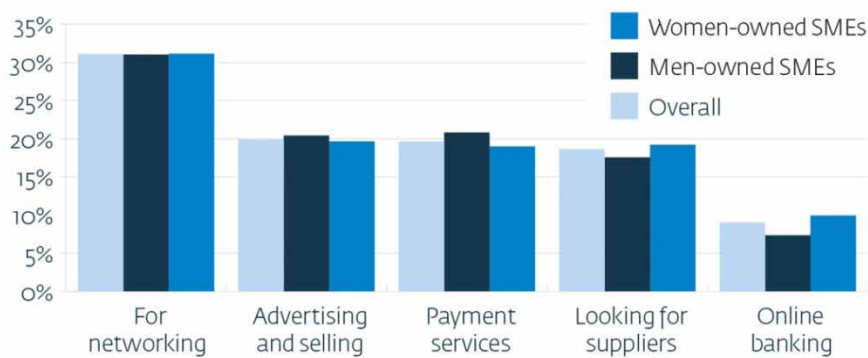
⁷¹ As of 2016, 32.4% of Cambodia's 15.76 million residents used the internet according to the World Bank.

⁷² Spotlight: Cambodia sees boom in e-commerce, to have law in place, published by Nguon Sovan, Mao Pengfei, PHNOM PENH, May 26, http://www.xinhuanet.com/english/2018-05/26/c_137207468.htm

⁷³ The main concern remains the trust in online platforms. E-commerce In Cambodia: Highlights Of The Year, B2B Commerce, December 2016, <https://www.b2b-cambodia.com/articles/e-commerce-in-cambodia-highlights-of-the-year>

there is also an equal amount of SMEs that never use a device, and approximately 12 percent of respondents use it occasionally. This suggests that ICT skills are relatively low and that SMEs in Cambodia are not embracing the digital age to promote their business, despite the significant growth of mobile phones and internet use over the last few years.

Figure 11: Frequent services used by means of ICT (113 male, 177 female respondents, multiple answers possible)



Devices are essentially used to network with clients (31 percent), as well as for advertising and sales (20 percent), payment services (19 percent) and finding suppliers (19 percent). Only 9 percent of respondents claimed to use their device for online banking (Figure 11).

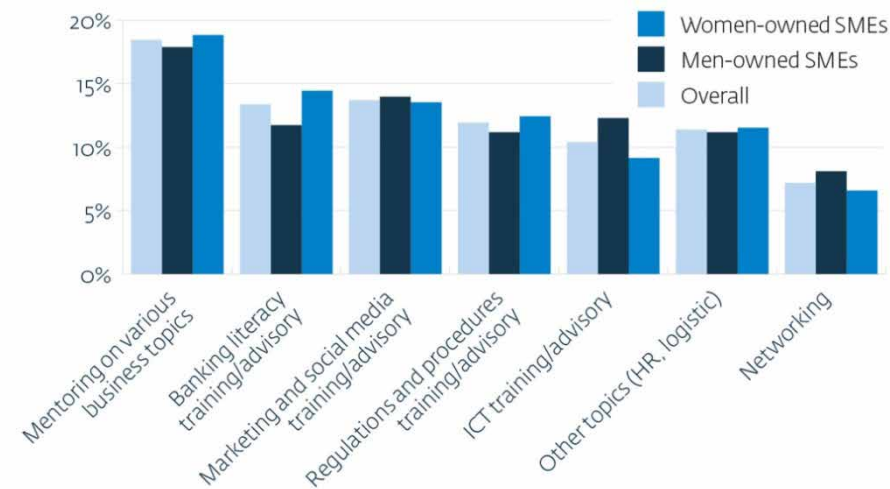
Companies need to acquire more sophisticated ICT skills to be able to promote their products and services via e-commerce sites and social media. This is also reflected in the demand for non-financial services, expressed by the SMEs. Marketing, branding, and social media are some of the most required areas of support along with mentoring on various business topics and training services in financial management, accounting, and bookkeeping (Figure 12).

Virtual training and mentoring could allow women entrepreneurs to build their skills anytime and from anywhere, and reduce costs and travel time for training. Online training and coaching, such as Usaha Wanita (Business Women)⁷⁴, were found to have a positive impact (see Box 4). These options have not yet been developed for women-owned SMEs in Cambodia, but could present an important solution to enhance women’s entrepreneurial skills and promote entrepreneurship in the country⁷⁵.

⁷⁴ Usaha Wanita Mobile Service in Asia-Pacific Economic Corporation. <https://www.we-apec.com/directory/usaha-wanita-mobile-service>

⁷⁵ Advancing Women’s Empowerment: Growing Women’s Entrepreneurship through ICT in Southeast Asia, the Saskawa Peace Foundation and Dalberg Global Development Advisors, 2017, p. 29.

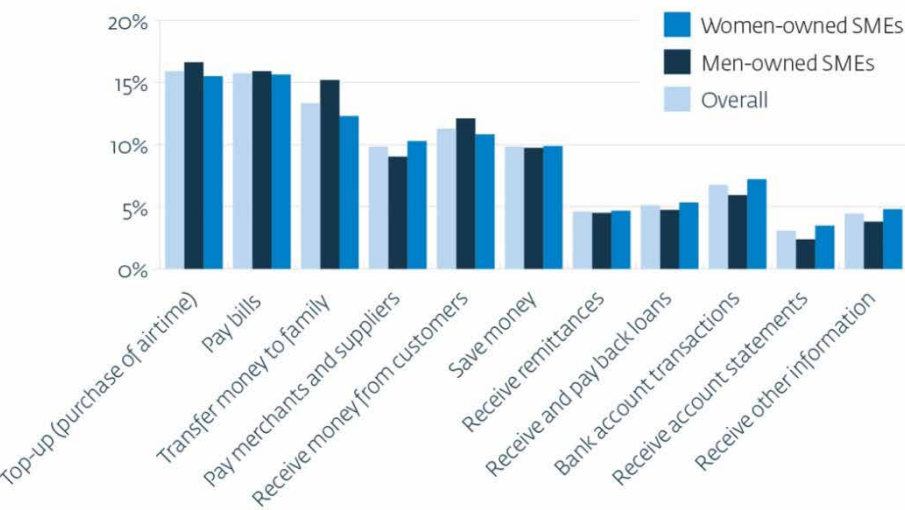
Figure 12: Most requested support areas by type of non-financial services (203 male, 312 female respondents, multiple answers possible)



Mobile Banking

The use of mobile banking is relatively low⁷⁶, despite the majority of banks having developed their own online platforms and mobile apps. Mobile banking is still primarily used for remittances (13 percent), receiving money from customers (11 percent), and payments such as airtime top up (16 percent) or paying utility bills (16 percent). Only 5 percent use it to receive or pay back loans and 10 percent use it to save money. The use of financial technologies for payments and money transfers seems to be dominant among mobile and e-banking (Figure 13).

Figure 13: Usage of mobile banking by gender (94 male, 150 female respondents, multiple answers possible)



⁷⁶ According to a study by Kimchhoy Phong, Lihol Srou and Javier Solá on Mobile Phones and Internet Use in Cambodia conducted in 2016, Cambodians use an average of 1.08 phones per person, whereas women use an average of 1.03 phones and men 1.14 phones. With the possibility to have access to Khmer script, the number of women using Khmer-enabled phones increased by 188% compared to 2013. Analyzing the purposes of using mobile payment, the main services include sending money (85%), receiving money (74%), paying bills (15%) and buying pre-paid cards (14%). Payment of loans (1%) and purchasing online products (1%) are just minor services used.

Fintech Solutions for SMEs

Several fintech companies entered the Cambodian market to provide solutions, particularly payment services. A majority of fintechs are providing payment and remittance services, Wing being one of the major providers of innovative products and a broad agent network (Table 8). However, some fintechs provide SMEs with support services in financial literacy and access to markets information (Banhji), while others offer platforms for interaction between borrowers and banks (Spean), or software solutions for business management, planning, and accounting (Kiu).

Box 4: Usaha Wanita: an Example of Online Training

Usaha Wanita (Business Women) is a teaching tool that provides business tips and market information to women entrepreneurs. It was developed in 2012 by the Cherie Blair Foundation, in partnership with ExxonMobil Foundation, Nokia, and Indosat. The training was built on a mobile technology providing training and information on how to win and maintain customers, analyze profit and costs, manage and motivate employees, and manage bank accounts and business loans.

The service reached 14,000 women entrepreneurs in Indonesia. The service was replicated in Nigeria and Tanzania, reaching more than 100,000 women in total. Based on an evaluation, 72 percent of the Indonesian women entrepreneurs found the application “easy to use”, and more than 91 percent of participants believed that “the app provided practical guidance on growing a business”.

Though the fintech ecosystem is still at its nascent stage of development, it is likely to develop into a more sophisticated system soon. For two consecutive years, two Cambodian start-ups (Banhji and Morakot) were ranked among the top 10 in Asia by Startupbootcamp Fintech in Singapore⁷⁷. The government has also taken steps to address underlying infrastructure issues — for example, the need for digital verification⁷⁸.

The government, banks, and fintechs can work together to raise the visibility of pre-existing fintech applications (such as Banhji, Spean) among SMEs, while also building SMEs’ capacity — especially in terms of accounting and financial literacy — so that they could make full use of fintech products and services.



⁷⁷ Mekong Business Initiative. Report on Financial technology in Cambodia, April 2017.
⁷⁸ According to the ADB, approximately 70% of the adult population now has a national ID.

Table 8: Overview of most important fintech companies⁷⁹

Payment & Transfers (Remittances)	Alternative Finance Fintechs	Non-financial services
<p>PayGo: facilitates payments, top ups on www.paygo24.com.</p> <p>Wing (Cambodia) is a specialized Bank and Cambodia's leading mobile banking services provider offering services to the unbanked and under-banked. Wing's innovative products and services allow access to financial services such as local money transfers, phone top ups, bill payments, Wing Ket Luy and online payments. Wing has reached 100% district coverage via Wing Cash Xpresses and counts with an agent network of 8000 (wing agents and Wing Money).</p> <p>Cryptoasia is a payment gateway that accepts payments in Bitcoin and can be paid in dollars. It allows for businesses to be customized to specific business needs and integrated with companies' website, with the advantage of eliminating banking fees and settlements by accepting Bitcoin (http://www.cryptoasia.co/payment-gateway/).</p> <p>TrueMoney is a payment provider that enables the "unbanked" population to access financial services using their mobile phone and/or the TrueMoney agent network/Terminal POS.</p> <p>Prasac is the largest microfinance institution (MFI). Its customers can transfer money between their accounts, pay bills, top up their mobile phones, manage their cards, check their balances and get a mini-statement by logging on to their internet banking and mobile banking services.</p> <p>Soramitsu is a Japanese firm, who signed an agreement with the NBC to develop a blockchain-based payment system that could potentially allow for the regulated usage of cryptocurrency. Soramitsu and the NBC are working to co-develop the open source distributed ledger (blockchain) project Hyperledger Iroha. https://soramitsu.co.jp/en/</p> <p>AMK Money transfer allows the sending and receiving of money from anywhere in Cambodia. This service is open to all, for any purpose, including doing business transactions.</p>	<p>BIMA Cambodia aims to enhance financial inclusion by using mobile technology to deliver affordable insurance and health services.</p> <p>Agribuddy creates credit scoring of farmers based on their activities and performance of their crops, and provides them to the bank as credit information. Based on the information, the bank loans funds within the credit limit through farmers' smartphones. According to their website, farmers registered with Agribuddy are expected to see their revenues double. They also have a pilot project with ACLEDA bank to develop an agriloan credit scoring system, and partnerships with Sathapana Bank and AMK.</p> <p>TosFUND is a non-profit crowd funding website based on online donations and rewards. The TosFUND project aims to facilitate fundraising of development projects and social causes in Cambodia.</p> <p>Komchey is the first online SME loan matchmaking platform in Cambodia. Their aim is to enhance SMEs' access to finance.</p>	<p>KiuAsia/Global is an e-commerce platform for trades between vendors from Southeast Asian countries and buyers from all over the world. Kiupay enables SMEs to accept electronic payments and access credit and invoice discounting services. It is KIU's financing and payments processing arm. KIU also provides an Enterprise Resource Planning software to enable SMEs to manage their companies and employees, keep better records, and automatically build a credit history. KIU offers plans starting at \$14/month, making it affordable for smaller businesses, and can be scaled up to meet the needs of the largest companies.</p> <p>KIU cooperates with FI partners to provide better SMEs working capital financing using data and automated credit scoring machine. They provide data credit scoring and use integrated Artificial Intelligence (AI) to calculate financial ratios, non-financial ratios, credibility of the directors/management team, and detect possible fraud. KIU estimates that this helps FIs to reduce the cost of credit assessment by 60-75%.</p> <p>Banhji is a localized digital financial and accounting platform, built for ASEAN SMEs' industry-specific needs. Banhji works with YEAC members to train members on the software, accounting and tax regulations and compliance requirements in order to be able to produce financial statements, thereby improving their chances in securing a loan. Banhji itself is free, but users may have to pay to use third party services and products based on their needs. https://banhji.com/</p> <p>Spean is a loan comparison platform to help banks/MFIs improve operation efficiency and improve financial literacy among borrowers. Spean uses machine learning to build a credit scoring system and evaluate customers' ability to repay. Spean uses the applicants' social media to establish credit scores. https://spean-kh.com/</p>

⁷⁹ The information in the table is based on various sources: company websites, individual interviews as well as Cambodia Fintech Startup Report available at <http://fintechnews.sg/12603/cambodia/fintech-cambodia-startup-report-map-infographic/>; <http://fintechnews.sg/fintech-startups-in-cambodia/>, <http://cambodiafintech.org/an-interview-with-khemara-ros-from-kiu/>

2 Supply and Demand of Finance to Women-owned SMEs

Efficient financial markets reduce the reliance on internal and informal sources of financing, such as family and friends. Instead, they offer a wide range of products and services and facilitate funding for business expansion, purchase of fixed assets, and working capital.

Cambodia's banking sector is highly liquid, and the majority of banks recognize the importance of SMEs for their economic contribution. Nonetheless, a majority of banks perceive the SME sector as particularly risky. As a result, they apply a conservative lending approach characterized by collateral-based credit risk assessment as opposed to cash flow-based lending.

Access to formal credit is challenging for women entrepreneurs in Southeast Asia, particularly in Cambodia, where just 3 percent of women entrepreneurs are well-served as compared to Vietnam (21 percent) and the Philippines (18 percent).⁸⁰

This research concludes that access to finance is a greater barrier for women than for men. In Cambodia, this seems to be due to the lower levels of education and confidence, lack of or insufficient quality of collateral and documented credit histories, and perceptions surrounding financial institutions.

This section also looks into what products and services are available to SMEs, how they are used, and what can potentially be done by banks to address the specific needs of SMEs, in particular women-owned SMEs. The section also outlines the immense potential of ICT and fintech technologies in the context of their exponential development and how these can be applied to enhance access to finance, knowledge, and markets for women-owned SMEs.

2.1 Financial Sector Landscape

Cambodia's vigorous economy is supported by a robust financial sector. In 2017, banking sector assets increased by 20.2 percent from 2016. In 2018, commercial banks and microfinance deposit institutions (MDIs) registered a 22 percent increase in deposits and an 18.8 percent increase in loan portfolios⁸¹. Moreover, non-performing loans⁸² remained relatively low: 3.1 percent for banks, and 5 percent for MFIs⁸³.

In a report released in 2018, the rating agency Standard & Poor's (S&P)⁸⁴ revised the Banking Industry Country Risk Assessment (BICRA) for Cambodia from 'negative' to 'stable', citing the country's macroeconomic stability, and overall improved performance of the banking sector as key factors for awarding a higher rating.

⁸⁰ The Sasakawa Peace Foundation and Dalberg Global Development Advisors. *Growing Women's Entrepreneurship Through ICT in South Asia*. 2017, p. 16.

⁸¹ In 2017, the majority of MFI loans were taken out by small entrepreneurs in the agricultural sector (23.8%), trade (18.2%), service (10.3%), logistics (4.7%) and construction (4.3%), while in the banking sector, most loans went to retail (17.4%), wholesale (11.7%), construction (9.9%), and agriculture, forestry and fisheries (9.8%). <https://www.khmertimeskh.com/50100172/local-bank-mfi-sector-continue-meteoric-rise/>

⁸² The IMF 2018 Article IV Consultation report notes that because profitability, due to lower margins and non-performing loans (NPLs), has increased slightly, 'the true level of non-performing loans may still be understated'.

⁸³ The National Bank of Cambodia's (NBC) Annual Report 2017, published January 4, 2018.

⁸⁴ <https://www.b2b-cambodia.com/news/bankers-agree-2018-a-great-year-for-local-financial-sector/>

The National Bank of Cambodia is the leading regulatory and supervisory authority for the banking and financial sector in Cambodia. Guided by the Financial Sector Strategy for 2011-2020 and the National Strategy on Financial inclusion, the National Bank of Cambodia — supported by the relevant ministries — has worked to develop key regulatory measures such as raising the minimum capital of banks, which have contributed to Cambodia's remarkable economic growth and poverty reduction. Among the objectives of the Financial Sector Development Strategy 2011-2020⁸⁵ are the promotion of a more advanced digital infrastructure, creation of a legal framework conducive to better consumer protection, and maintaining a healthy financial sector in order to support the economy, and bring about financial inclusion and poverty reduction.

Supporting the development of digital financial tools and the promotion of fintech products and services is among the various regulatory enhancements and measures taken by the National Bank of Cambodia to create an environment conducive to a sustained growth of the sector.

Encouraged by the rapid pace of technological development, commercial banks and MFIs have invested in the development of mobile and internet banking services and products to increase market share and improve clients' access to financial services (see below). Last but not least, the National Bank of Cambodia has listed financial literacy as one of its priorities. In 2018, the National Bank of Cambodia announced a joint scheme with the Ministry of Education and Youth (supported by the Asian Development Bank, World Education Cambodia and Good Return) wherein Cambodian students from grades 1-12 will be taught basic financial skills as of the 2019 academic year.

Cambodia's financial sector is very competitive, comprising 42 commercial banks, 15 specialized banks, 79 licensed MFIs, out of which seven are allowed to take deposits from the public, and 273 Rural Credit Institutions⁸⁶. Despite the large number of banks, the Cambodian banking industry remains concentrated in the six largest institutions, whereby the three largest banks account for 40.8 percent of the total bank assets, and the six largest banks for almost 60 percent. ACLEDA Bank, with a 20.3 percent share of total loans, is the largest bank in Cambodia, followed by Canadia Bank and the Cambodian Public Bank⁸⁷.

In fact, the leading MFIs are either competing with banks or have transformed into banks themselves. The rapid growth of microfinance in the past decade has resulted in broad access to finance for most parts of the population⁸⁸. There are growing concerns that the growth of the Cambodian credit market, and in particular the microcredit market, was excessive⁸⁹. Assets and credits at MFIs in Cambodia have risen more than tenfold since 2010, with an increase of the

⁸⁵ Financial Sector Development Strategy 2011-2020, Royal Government of Cambodia, adopted by the Council of Ministers in the Plenary Session on November 25, 2011.

⁸⁶ National Bank of Cambodia, Economic and Monetary Statistics, Series No 299-26th, September 2018.

⁸⁷ National Bank of Cambodia, Annual Report 2017.

⁸⁸ A study of the World Bank from 2011 ("Study on Access to Financial Services for Small and Medium Agribusiness Enterprises in Cambodia") found that 31% of the respondents named access to finance as a constraint, however, referring mostly to high interest rates. The World Bank's Enterprise Survey, with data from 2015, found that 16.9% of SMEs named access to finance a major constraint (among small 13.2% and medium 35.7%). In the survey conducted for this review, 17.7% named access to finance as one of the top three constraints. In general, access to credit is considered established whereas there is always room for improvement - for example, lower interest rates and better conditions in particular to SMEs.

⁸⁹ IMF Article IV Consultation, November 2016.

average loan size from \$200 to \$1,000 — twice the pace of per-capita income. At the end of 2017, the portfolio reached \$2.8 billion, distributed to two million customers⁹⁰. The increase in non-performing loans (NPL), growing from 1.9 percent in 2015 to 2.4 percent in 2016, remained stable in 2017 according to the National Bank of Cambodia⁹¹.

Despite great progress over the past several years, and high profitability of the Cambodian banking institutions with overall return on assets (ROA) at around 1.8 percent and return on equity (ROE) at 10 percent⁹², Cambodia's financial system remains underdeveloped. Over the past two years, Cambodia's financial sector was characterized by consolidation and acquisitions, mainly within Cambodia's microfinance sector due to increasing market competition and tougher requirements, such as larger minimum capital requirements⁹³ from the Kingdom's central bank.

Moreover, in March 2017, an interest cap of 18 percent was imposed on microfinance loans (both new credits and restructured loan and refinancing) as a response to what was seen as abusive loan practices by MFIs, especially with regard to MSME, rural, and agricultural clients. This has impacted the profitability of MFIs. The major MFIs, such as Prasac and AMK, have been acquired by foreign banks, helping them gain easy access to the Cambodian market. It has also pushed MFIs to increase their loan size to capture the lower end of the SME market.

The Cambodian banking sector also has a working credit bureau, which has contributed to reducing the ratio of NPLs and allowing banks to share information on creditworthiness and risk exposure of individual customers. The Credit Bureau Cambodia (CBC) began operating in 2012, yet to date has only tracked individuals, though it plans to include credit reports on businesses in the near future. This would be invaluable for helping banks address the SME market.

The financial sector is also witnessing a rise in alternative financing sources, such as the creation of the Securities and Exchange Commission and business angels. The Cambodia Securities Exchange (CSX) was established in 2011 and is supervised by the Securities and Exchange Commission of Cambodia (SECC). With a market focused mainly on loans, Cambodian SMEs could greatly benefit from the availability of alternative sources of funding, such as joint investment, private equity funds, and venture capital. However, SMEs today still lack the financial literacy to be able to take full advantage of the market. Moreover, their lack of skills in developing business plans or financial acumen has led investors to shy away from the lower end of the sector.

2.2 Serving the SMEs: the Banks' Perspective

The banks interviewed clearly stated that serving SMEs is part of their corporate strategy. However, they cited difficulties in increasing lending to SMEs due to asymmetry of information, lack of credit history, and the banks' own gap in capacities to serve SMEs efficiently, in particular women-

⁹⁰ <https://www.bloomberg.com/news/articles/2018-10-01/Microfinance-runs-amok-in-cambodia-where-everybody-has-a-loan/>, publication date 02 October 2018, Bloomberg.

⁹¹ National Bank of Cambodia, Economic and Monetary Statistics, December 2018.

⁹² Banking shows steady growth, Hor Kimsay and Matthieu de Gaudemar, Publication date April 20, 2017, The Phnom Penh Post. <https://www.phnompenhpost.com/business/banking-shows-steady-growth>

⁹³ The NBC's Parkas said deposit-taking MFIs must have a minimum capital of \$30 million – up from \$2.5 million previously. MFIs that are not licensed to receive deposits must have capital of \$1.5 million, nearly 25 times the previous level of \$62,500, <https://www.phnompenhpost.com/business/foreign-banks-pouring-mfi-sector>

owned SMEs.

Lack of financial records

One of the key barriers for SMEs to access finance, as perceived by the banks, is the lack of financial records. Both desk research and stakeholder interviews confirm this finding⁹⁴. The majority of SMEs have no accurate accounting system in place to provide the respective information. According to one of the banks, *"SMEs are often turned down because of the way they operate their businesses. They have no proper planning, lack financial statements, and proof of business income."*

Some of the banks, for example ACLEDA Bank, started providing advice to SME customers, including women. *"Our loan officers provide consulting, which focuses on accounting, cash management, and developing a business plan,"* said So Phonnary, EVP & Group Chief Operations Officer at ACLEDA Bank during the interview in November 2018. Since this initiative is still at its early stage of implementation, it is difficult to assess the impact. Still, similar efforts of best practice by banks in providing non-financial services pay off and contribute to higher levels of customer onboarding and loyalty, cross-selling, and demand for more complex products⁹⁵.

Lack of credit history

Lack of credit history information is another key barrier mentioned by the banks. It is often the case that collateral is already committed with another bank, as most of the SMEs use at least two banks⁹⁶. Therefore, information asymmetry remains the main challenge preventing financial institutions from properly mitigating risk,⁹⁷ since the CBC is, as of now, a "consumer credit bureau" collecting information and providing data analytics and consumer credit reports on individuals only.

Consequently, banks and MFIs offer collateral-based lending, and most will only accept land titles with values that often far exceed the loan amount needed. This highlights the risk aversion of Cambodian banks, discouraging small business owners from engaging with banks for fear of losing their land, which is often their only asset.

Becoming a "commercial credit bureau", i.e. collecting information on companies, is part of CBC's objectives for 2019/2020,⁹⁸ which is an important measure to address the informational constraints that limit banks from reaching out to largely underserved SME clientele.

Building capacities to serve SMEs

Gaps in understanding the specific needs of SMEs by banks and credit officers and their limited capacity to apply cash flow-based lending are internal barriers acknowledged by the banks

⁹⁴ According to the CIES 2014 survey, out of all the establishments surveyed, only 490 (or 0.1%) kept balance sheets or statements, 48.6% of which were in the manufacturing sector. See Cambodian Inter-censal Economic Survey (CIES), National Institute of Statistics (NIS), Ministry of Planning (2015).

⁹⁵ IFC. IFC Advisory Services. Customer management in SME Banking. A Best-in-Class Guide.

⁹⁶ Most of FGD's participants had accounts with more than one bank, and at least half indicated that they had relationships with more than three banks.

⁹⁷ Credit Bureau Cambodia, posted on August 8, 2018 on SouthEast Asia Globe.

⁹⁸ Interview with Oeur Sothearoath, Chief Executive Officer of Credit Bureau Cambodia (CBC) on November 8, 2018, and Credit Bureau Cambodia, posted on August 8, 2018 on SouthEast Asia Globe.

themselves. “We need training in cash flow lending to build the capacity of our loan officers to serve SMEs”, indicated several banks that were interviewed. In particular, banks that transformed from MFIs face challenges in adopting a lending approach in response to customer needs: “Our staff has no clarity on the profile of SMEs as they come from the micro segment”.

Addressing key constraints through digital banking solutions

Many Cambodian banks are already embracing the exponential development of digital technologies. Most of them provide easy-to-use mobile banking apps that cover most daily banking needs as a standard product⁹⁹.

For example, the number of ABA Bank’s users for online banking services grew from 20,750 in 2014 to 83,507 in the first quarter of 2018, with 155,731 customers using its mobile app since its launch in 2015¹⁰⁰.

Sathapana Bank has been partnering with Wing since June 2018 to provide the bank’s customers the ability to repay loans or transfer funds through Wing’s platforms and services. Clients of the bank can also transfer money through their mobile phones from any location and at any time of day using a Wing kiosk, regardless of whether the receiver has an account with Wing or not¹⁰¹.

Many Cambodian banks are also aware of the potential of partnering with fintechs to compensate the information asymmetry and lack of credit history by using alternative sources of data, such as payment transactions and telecoms data, as well as analytics. This could contribute to better customer profiling, credit risk assessment, and fraud prevention.

Banks can also use the fintech ecosystem to develop new products and services. These include credit, savings, and deposit products based on mobile and digital technology that can provide convenient, accessible, and cost-efficient services beyond just payments and money transfers. As seen from the analysis above, currently, SMEs are not using these services to their full potential.

However, banks are still struggling to increase the number of e-banking users, mostly due to lack of trust issues, specifically related to safety and confidentiality of personal information¹⁰².

Box 5: E-commerce Solution of ACLEDA Bank

ACLEDA’s E-Commerce Payment Gateway offers companies the ability to sell their goods and services on the Internet and allows cardholders to purchase and pay through the e-banking system. ACLEDA Bank and World Bridge International Group (WIG), that launched *My All in One Mall (Maio Mall)*, are partnering to offer large-scale e-commerce to allow users to shop and purchase services, as well as conduct banking and financial operations. Joining forces, World Bridge is handling the logistics and ACLEDA Bank is dealing with the financial operation.

Therefore, the regulatory environment and infrastructure for digital solutions still needs to be

⁹⁹ 7 mobile banking apps tested, by Jacob Gardner, published on March 27, 2018 in The Phnom Penh Post.

¹⁰⁰ ABA Bank Corporative Presentation, 1 H 2018.

¹⁰¹ fintechnews.sg/23022/mobilepayments/cambodia-mobile-payment-industry-growing/

¹⁰² Exploring Cambodian and French attitudes toward mobile banking adoption and use, published on August 28, 2018, in the Conversation. <https://theconversation.com/exploring-cambodian-and-french-attitudes-toward-mobile-banking-adoption-and-use-101751>

improved. This is an area where the Cambodian government and the National Bank of Cambodia planned a number of initiatives¹⁰³.

Interest in unlocking the potential of women SMEs

Since banks do not track gender-disaggregated data, information on women-led SMEs is limited. The banks surveyed for this study roughly estimate that approximately 80 percent of the borrowers in the micro and small segments are women. ACLEDA Bank, for example, reported to have 53.75 percent of loans disbursed to female customers¹⁰⁴.

The majority of the banks believe that there is no difference between men- and women-led SMEs. As a bank representative noted in an interview, *“We don’t believe there are any specific limitations for women coming to the bank, and therefore there is no need to have specialized products or services for them”*. However, some banks do list limited time, mobility, and lack of confidence as the main challenges faced by women entrepreneurs, emphasizing, *“We would like to encourage women to become stronger and more capable to talk to bankers, i.e. making them more bankable”*. The perception that women lack self-confidence and have poor negotiating skills is shared by banks as well as by women themselves. This is, presumably, because of social and cultural stereotypes still persistent in Cambodia.

Of the banks interviewed, only two — ACLEDA Bank and BRED Bank — have developed or are developing a specific approach to women-owned SMEs. Both institutions are supported by IFC. However, highlighting the differences between men- and women-owned SMEs to the banks generated interest. They wanted to know more about gender differences and how women-owned SMEs could be approached to develop a competitive edge. Interview participants offered two noteworthy comments on the subject: *“Although we are piloting a specific SME package, we haven’t thought about having a special package for women-owned SMEs”*, and *“We have a product for youth, why not have a product for women-owned SMEs?”*

2.3 Access to and Use of Banking Services

Access to finance is a major obstacle for starting and growing a business (see Figure 7). This survey did not identify remarkable gender differences in terms of respondent profile regarding access and use of finance. However, it did reveal greater sensitivity of women-owned SMEs to their major enabling factors such as collateral, costs of funding, as well as customer service, particularly, in case of first-time experience.

Overall, 50.49 percent of SMEs do not use banking services. The primary reason given was that they do not feel they need it (27.15 percent), which again stresses the heavy reliance of SMEs on self-funding, while also indicating unused potential by the banks (Figure 14).

As the lack of financing is also being indicated as the top obstacle for operating SMEs, these results could be indirectly interpreted as unwillingness of entrepreneurs to deal with the formal

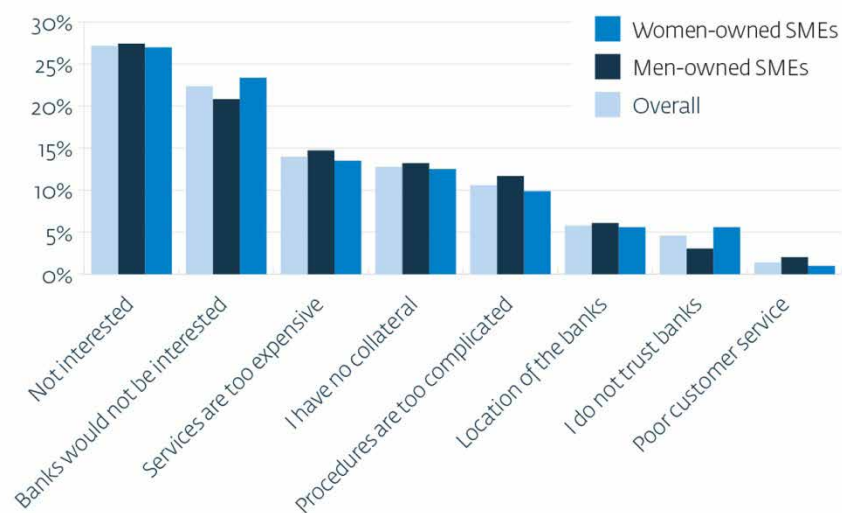
¹⁰³ For example, Cambodia launched the FinScope Consumer Survey in July 2016, which will pave way from a National Financial Inclusion Strategy. The NBC is working on a Payment Service Provider License that could augment or replace the existing license requirements for third-party processors (TPP), which restrict non-bank players’ ability to operate agent networks. Source: Accelerating Financial Inclusion in South-East Asia with Digital Finance, ADB, 2017.

¹⁰⁴ The figure of female loans in SME portfolio was not available or not revealed to the researcher team.

requirements of the banks. Trust in financial institutions does not seem to be the issue so much as the perception of the actual business being too small to be served by the banks (22.36 percent) and, presumably, lack of self-confidence, especially in the case of women-owned SMEs, which tend to be more aware of risks. The most cited reason for women wishing but never trying to obtain a loan was the fear of not being able to repay the loan. This can be attributed to the fact that women are more aware of the risks of lending, and when deciding to borrow, they want to make sure they will be able to repay the loan.

By not even attempting to approach the banks for financing, women are in fact disqualifying themselves as potential customers. This indicates the need for demystifying banking requirements through financial education measures, informational campaigns, and transparent and clear presentation of the relevant information through social media and on the banks’ websites.

Figure 14: Main reasons for not using banking services by gender (106 male, 154 female respondents, based on top three reasons)



Collateral availability vs. cost of funding

To a lesser extent, SMEs, including those owned by women (13 percent), named the absence of collateral as the reason for not approaching banks for financing (Figure 14). Of those that did approach banks for a loan, 66 percent of SMEs were rejected on the basis of the lack of guarantee or collateral. Women encountered more problems in pledging collateral — 13 percent, compared to 9 percent for men. The focus group discussions revealed that while collateral was not mentioned as a major challenge in accessing bank loans, fear of losing assets in the event of business failure was a big concern, especially for women.

From the banks’ perspective, however, collateral is not considered to be difficult to obtain from SMEs. Banks serving the lower end of SMEs and the micro segment are of the opinion that *“collateral is not a problem, also not for women entrepreneurs, as the majority are family businesses and the property belongs to both wife and husband.”*

Indeed, in terms of ownership of the collateral, in the majority of the cases, the collateral pledged belongs to the business owner and his/her spouse (Table 9). However, women (13 percent) share

ownership with their spouse more often than men do (7 percent). Though, according to the findings, women and men are equally able to use the business site as collateral, more women (84 percent) have to rely on the house as collateral compared to 80 percent men¹⁰⁵.

Juxtaposing the perceptions of the banks and SMEs on the availability and value of collateral managed by women sheds light on some of the crucial reasons for the limited access to, and use of, banking services by women entrepreneurs. Understanding the needs and perceptions of women as a specific clientele can help banks design products and services that are more client-centric.

Table 9: Ownership of property pledged (203 male, 312 female respondents)

Ownership of collateral	Men-owned SMEs	Women-owned SMEs
Me	47%	46%
My spouse	16%	14%
Me together with my spouse	7%	13%
My parents	16%	19%
Other family member	5%	1%
My business partner	1%	1%
Me together with my business partner	1%	1%
No formal ownership	1%	1%
Other	6%	4%

According to the research for this study, in response to the difficulties in providing hard collateral, some of the banks started accepting soft collateral for loans, in particular for smaller amounts. ABA bank announced on its webpage that for loans under \$30,000 there is no need to register the title at the Cadastral office¹⁰⁶. However, as shown in Table 10 below, interest rates vary depending on the loan amount and quality of collateral.

Table 10: Interest rates per month by loan amounts and type of collateral

Loan amount (USD)	Hard Title	Soft Title
> 1,000 - 5,000	1.3% and above	1.4% and above
> 5,000 - 10,000	1.2% and above*	1.3% and above
> 10,000 - 20,000	1.13% and above*	1.2% and above
> 20,000 - 30,000	1.11% and above*	1.15% and above

Source: ABA’s website. Note: *for loans above USD 10,000 to 30,000 the minimum interest rate is 1,05% per month if the title deed is registered with the Cadastral office

At the same time, focus group discussion participants stressed the issue of soft and hard titles, with foreign banks in particular disinclined to accept soft collaterals, or accepting them while

¹⁰⁵ The issue of business ownership does not seem to be a major constraint in Cambodia as it is in, for example, Indonesia, where women are in a significantly lower position for providing their own business premises as collateral, as compared to men (47% vs. 61%). Source: IFC “Women-owned SMEs in Indonesia: A Golden Opportunity for Local Financial Institutions” (2016).

¹⁰⁶ ABA Bank’s webpage <https://www.ababank.com/en/business/loans/simple-loan/>

significantly increasing the overall cost of the loan. It is, therefore, not surprising that another major reason for not approaching banks is the high cost of bank services (14 percent)¹⁰⁷.

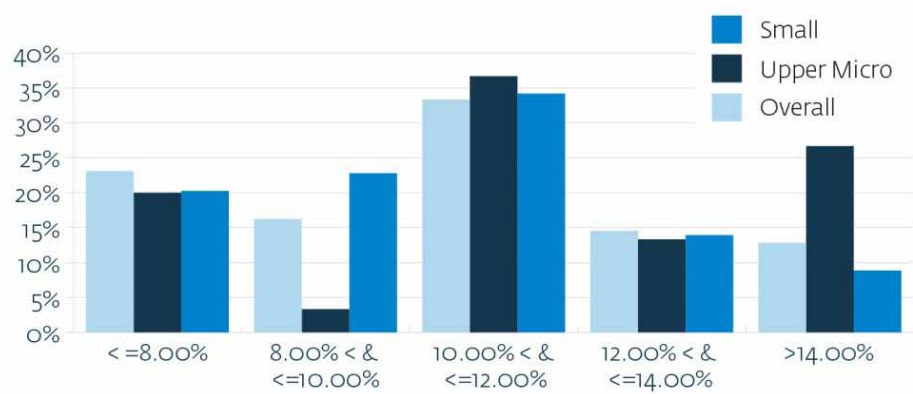
Table 11: Average interest on lending¹⁰⁸

Currency	Dec-15	Dec-16	Dec-17	Dec-18
Riel	16.24%	17.35%	14.50%	11.33%
USD	11.60%	11.90%	11.67%	11.08%

Also, in terms of negative factors in relationships with banks, 23 percent of women and 20 percent of men mentioned high interest rates. At the same time, a significant number of respondents were unaware of the interest rate that they paid on their loan — 35 percent women, 34 percent men. This could be explained by lower financial literacy skills and/or a lack of transparency from the financial institutions.

The majority of the respondents (33 percent) paid an interest rate of 10-12 percent per annum. Some 37 percent of “upper micro” enterprises paid an interest rate of 10-12 percent per annum¹⁰⁹ and 27 percent paid interest rates of more than 14 percent. For small enterprises, 34 percent paid interest rates of 10-12 percent per annum, while 23 percent paid 8-10 percent per annum and 20 percent paid interest rates of less than 8 percent (Figure 15).

Figure 15: Interest rates by size of enterprise (109 total respondents, 30 - upper micro, 79 - small)



While according to this survey, the most preferred type of requested and available collateral remains real estate or land title (84 percent of women, 80 percent of men), some of the banks interviewed indicated that they are piloting collateral-free products, invoice and inventory finance as well as accepting moveable assets such as cars or machinery. However, the majority of financial institutions still accept movable collateral selectively in the absence of a system that gives lenders the right to repossess the collateral, should a problem arise.¹¹⁰

¹⁰⁷ Annual interest rates for SME lending of different banks range between 12% and 18% per year, excluding the present SME campaign of Canada Bank charging interest rates below 10% per year.

¹⁰⁸ Central Bank of Cambodia, Statistics, 2018. The average lending interest rate was calculated based on 11 banks and for loan term of 12 months.

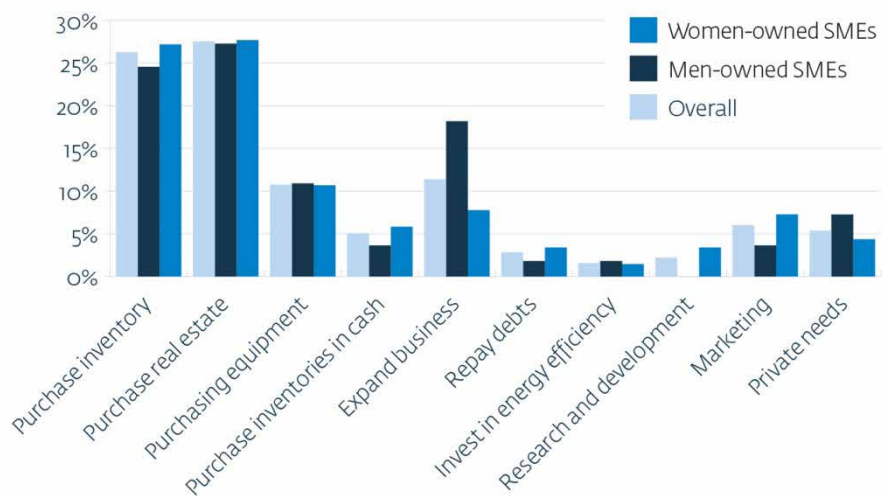
¹⁰⁹ Compared to the regional average (2017) for Vietnam (7.4%), Thailand (4.42%) and Singapore (5.28%), World Bank.

¹¹⁰ Risk puts brakes on movable assets, published by Phnom Penh Post, June 2017, <https://www.phnompenhpost.com/business/risk-puts-brakes-movable-assets>

Usage of bank loans

The majority of the surveyed SMEs used their bank loan to purchase real estate or for refurbishment — 28 percent overall, 27 percent men and 28 percent women (Figure 16). Land is a valued asset in Cambodia - and purchasing land is a preferred form of investment as it can be easily resold - handed down to descendants or used as collateral. There has also been a spike in real estate prices over the last two to five years, boosted by the influx of Chinese investors and the launch of high-level construction projects. The construction sector has been experiencing a boom since the 2008/09 global crisis and experts¹¹¹ feel that a crash is long overdue¹¹².

Figure 16: Purpose of borrowing by gender (68 male, 111 female respondents)



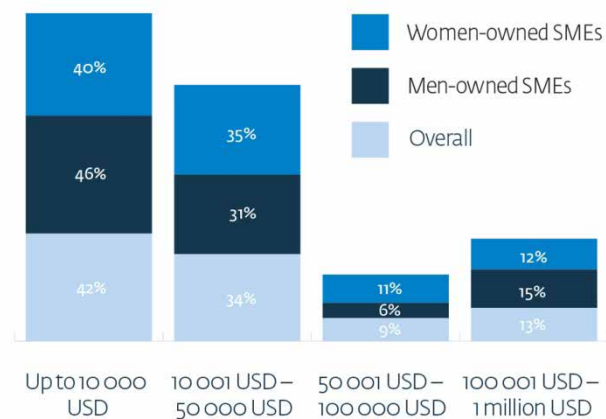
More women (27 percent) than men (25 percent) have used loans to buy inventory and stock. It should be noted, however, that more than twice as many of men- than women-owned SMEs used the funds to expand their business (18 percent vs. 8 percent). This could be explained by the fact that according to stakeholders and desk research, a significant number of women entrepreneurs prefer to run a small business from home, although this was not confirmed by the quantitative research. Using loans for expanding business and for marketing were also common, but more so for small companies rather than for “upper micro”.

Loan terms and conditions

With most of the loans serving working capital needs and the purchase of fixed assets, which indicate the companies are in an upward trajectory, the average loan amounts utilized by SMEs is \$47,284. In general, women had received on average smaller amounts than men (\$45,602 vs. \$50,038).

¹¹¹ WB Economic update October 2018.
¹¹² IMF is already predicting that the sector will slow down in the next five years. <https://www.phnompenhpost.com/post-property/real-estate-growth-slow-next-five-years-imf-predicts>

Figure 17: Loan amounts by gender of enterprise (68 male, 111 female respondents)



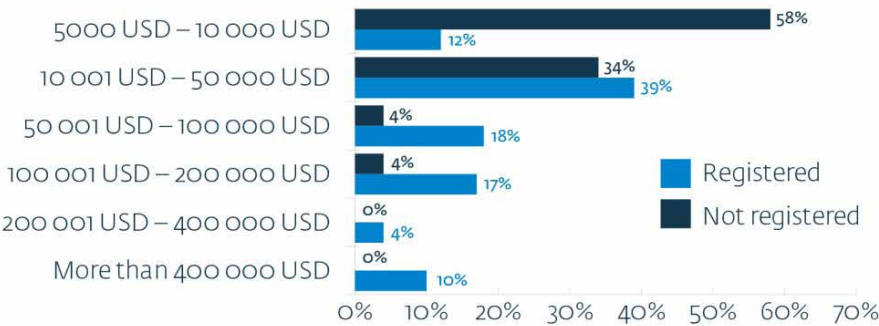
Most of the banks classify SME customers according to loan size proxies (Table 12). A typical SME client would request a loan ranging between \$20,000 and \$50,000. For such a loan, the bank would require an interest rate in the range of 12 percent to 18 percent annually, and a grace period of up to three months. Below \$30,000 would be considered a micro loan, charged with a monthly flat rate of 1.1 percent to 1.5 percent.

Table 12: Definition of SMEs based on loan amount as proxy by the banks interviewed¹¹³

Business segments	Acleda Bank	Canadia Bank	AMK	Prasac	ABA
Micro	Up to 30.000 USD	Up to 200.000 USD	Up to 20.000 USD (served under retail banking)	Up to 15.000 USD	Up to 70.000 USD
Small			20.001 to 50.000 USD	15.001 to 50.000 USD	
Medium	Loan amount up to 5% of networth of the company		Under corporate banking		70.001 to 1 million USD

Business registration and certificates, in general, are required for accessing loans, yet banks seem to show flexibility towards SMEs that do not have official registration. As seen from the analysis, 83 percent of the unregistered enterprises that attempted to obtain a loan were able to receive it. However, loan amounts for informal businesses are generally lower, with a maximum of \$200,000 (Figure 18).

Figure 18: Loan amounts by registration status (108 not registered, 71 registered respondents)



¹¹³ Based on the interviews conducted with the banks during the supply research in Cambodia, November 2018.

Loan maturities range between three and five years, though this might not be surprising considering that most loans are used for purchasing real estate. Yet, even for working capital purposes, the maturities are rather long, as confirmed by the analysis of the conditions that most banks offer (see Annex 1 “Overview of products”).

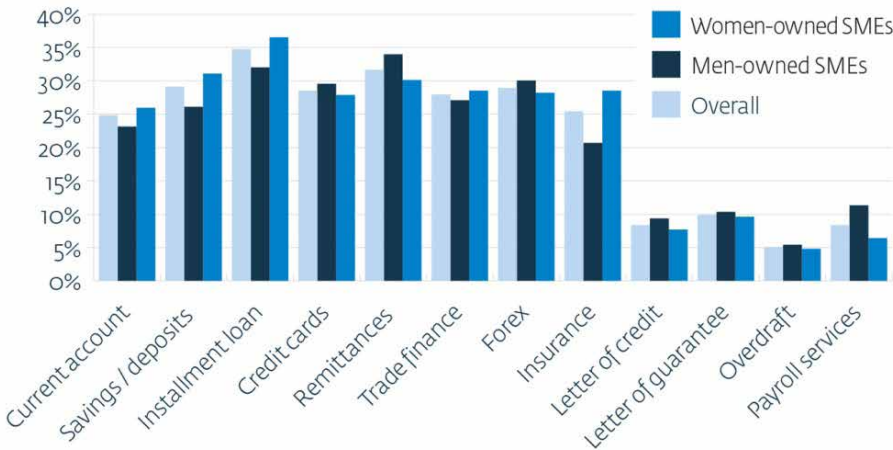
The majority of the loans obtained were for two to five years — 50 percent for women, 44 percent for men (see Figure 21 below). Small enterprises took more long-term loans, though these were also available for “upper micros”.

The majority of the respondents did not receive a grace period — 91 percent for women, 85 percent for men. As these figures show, more men received grace periods than women, which could be explained by their having better leveraging/negotiating power with the banks. Most of the grace periods obtained were of one month or less.

Usage of other banking products

In terms of products, besides loans, most of the banks offer a number of financial products and services to their SME clients. These range from account packages, transfers, deposit and investment products, payroll and POS services to overdrafts and digital solutions. However, according to the survey, the most frequently used products are current account services that include online banking, apps for mobile banking, and savings and deposit products (Figure 19).

Figure 19: Usage of different bank products by gender (203 male, 312 female respondents, per product)



Women frequently use banking services, including deposit and insurance products. This reflects women’s inherent goal to build a “safety nest”, as well as their general attitude towards risk.

SMEs rarely use and hardly know about products such as overdraft, factoring, and insurance. Overall, SMEs do not express much interest in using these products, which indicates the need for further education on how these products can be used to support their business, both on a financial and an operational level.

While many banks seem to offer similar products for working capital, expansion and diversification of business (see Annex 2 “Overview of products”), some banks attempt to be more innovative in developing a targeted value proposition for SMEs (see Box 6).

Box 6: Special SME Loan Package

In September 2018, Canadia Bank, the Kingdom's second largest bank by assets, launched a \$150 million financial package to serve SMEs. The package includes a term loan with a special interest rate of 7.88 percent p.a. in KHR, access to free of charge services such as payroll, remittances within the country, a credit card, and free checkbook.

According to Hong Sokleng, Senior Vice President of Canadia Bank, *"We see a strong potential in SMEs and think that this package will support them in accessing loans to grow their businesses."*

To differentiate themselves and build a competitive edge over their competitors, banks need to develop product packages for SMEs, providing benefits along with competitive interest rates.

2.4 Demand for Bank Loans

In general, this survey confirms a robust demand for credit, claimed by many enterprises. Some 79 percent of men-owned and 72 percent of women-owned enterprises expressed interest in taking a loan from a bank in the future.

An almost equal share of those who are currently using banking services (83.1 percent) and those who have an outstanding loan (82.7 percent) would be interested in obtaining a loan for business purposes. The demand among those who do not use banking services at all or have no outstanding loan is also high — 65 percent vs. 72 percent, respectively.

These figures make a tentative estimation of the MSME finance gap possible¹¹⁴. Thus, the difference between supply and demand for financing is estimated at \$7.7 billion, of which women-owned SMEs account for \$4.2 billion and men-owned SMEs \$3.5 billion. These figures differ from an MSME finance gap calculated by IFC — total MSME finance gap of \$3.7 billion¹¹⁵ and the credit gap of \$3.2 billion estimated by ADB¹¹⁶.

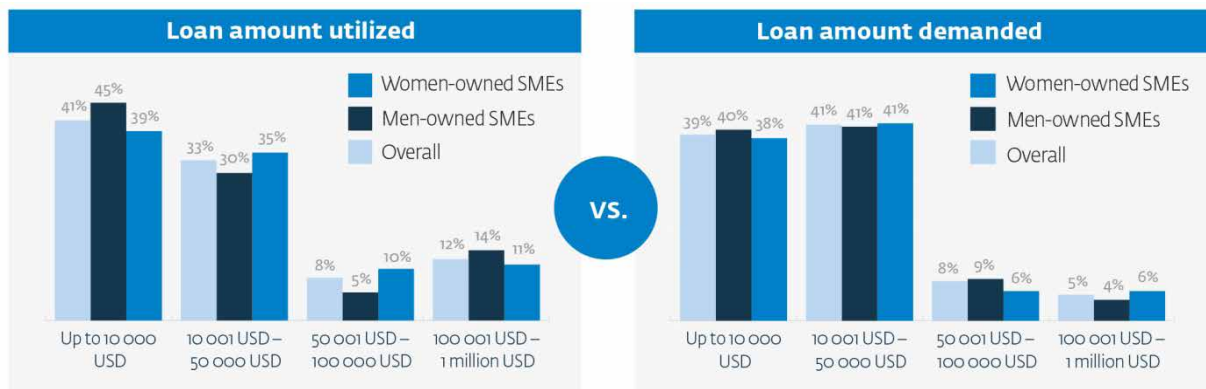
Analyzing actual and expected loan terms and conditions for SMEs, the following conclusions could be made.

¹¹⁴ The calculations are based on the following figures: average outstanding loan amount and percentage of SMEs accessing finance and those interested in it as per the findings of the survey, the number of MSMEs as per the 2014 CIES survey. The estimations of MSME finance gap made in this survey, reported by ADB and IFC differ significantly due to different approaches used for calculations, variations in definitions and statistics applied. For example, IFC's calculations are based on 376,069 MSMEs, whereas this study officially reported 513,759 MSMEs (both registered and unregistered). Furthermore, the figure for the average outstanding loan amount used for the calculation should also be treated carefully due to several outliers (significantly higher loan amounts than the majority) in the sample of the survey. The figures on the amount of bank financing to SMEs could not be obtained from official sources and most of the banks are unwilling to provide such information. This study estimated the supply using the findings of this survey and the official statistics on the number of male and female-owned MSMEs.

¹¹⁵ MSME Finance Gap. Assessment of the shortfalls and opportunities in financing micro, small and medium enterprises in emerging markets (IFC).

¹¹⁶ Accelerating Financial Inclusion in South-East Asia with Digital Finance, ADB, 2017.

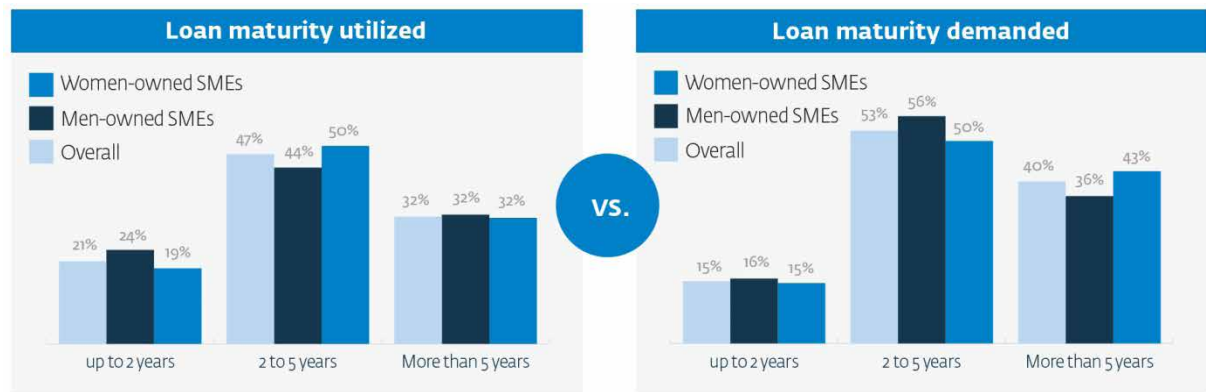
Figure 20: Loan amounts utilized (68 men-owned, 111 women-owned respondents) vs. demanded by gender (160 men-owned, 225 women-owned respondents)



Though there is no significant difference between male and female respondents, overall more SMEs would be interested in bigger loan amounts, with women demanding slightly higher amounts in the range of \$10,000 to \$50,000 (Figure 20). Almost an equal number of SMEs would still be requesting small amounts up to \$10,000.

In general, SMEs have a stronger preference for longer loan maturity. Within the two to five year range, overall, more than 50 percent of SMEs expressed their desire for a loan period between two and five years and more than 40 percent of the SMEs are expecting maturities beyond five years (Figure 21).

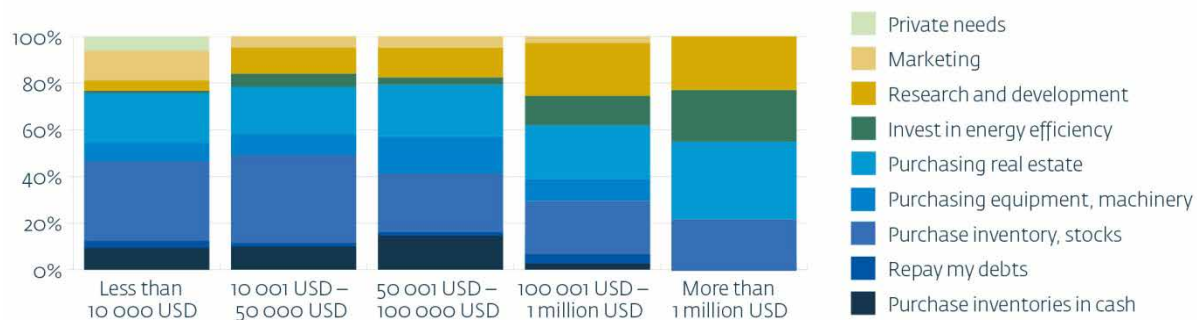
Figure 21: Loan maturities utilized (68 men-owned, 111 women-owned respondents) vs. demanded by gender (160 men-owned, 225 women-owned respondents)



The majority of respondents (43 percent) would like lower interest rates of 4-6 percent — currently, most have interest rates of 10-12 percent per annum (see Figure 15). However, considering the fact that many of the respondents (35 percent) were not really aware of the interest rate they paid, these expectations of the surveyed SMEs should be treated carefully.

A significant gap between offered and expected terms, however, was identified with regard to grace periods. 97 percent wanted to be granted a longer grace period. Respondents were also interested in shorter grace periods of one to three months (24.19 percent) and three to six months (24.19 percent).

Figure 22: Purpose of demanded loan by enterprise turnover (196 male, 283 female respondents)



In terms of the current financing, working capital needs is the biggest use of SME future loans (28.03 percent). Real estate was cited by 19 percent of respondents — 20 percent men, 19 percent women. Enterprises with higher turnovers expressed interest in stronger investment in research and product development (Figure 22). Loans for marketing purposes were also of interest, more so for women enterprises than men — 14 percent compared to 7 percent for men.

Once again, real estate and housing are the preferred form of collateral for both men and women (50 percent). However, SMEs also expressed interest in being able to use their business site as collateral (19 percent overall, 21 percent men, 18 percent women). It is important to note that offering real estate as collateral is a deeply entrenched norm within the banking sector, so banks will need to be given greater securities to change this policy.

To cover the unmet demand of SMEs for financing, certain terms and conditions need to be customized. Although the loan amounts that the banks offer seem to be in line with the demand, there should be greater flexibility in the type of collateral, for example. Moveable assets with proper contract enforcement could be used instead of, or at least in addition to, immovable assets, which would allow banks more leeway in terms of loan sizes and interest rates.

FDG participants indicated the need for flexible repayment plans. In the event of cash flow problems, where customers had difficulty repaying their loans on the due date, banks needed to offer grace periods and be more flexible. For women, specifically, the reduced repayment installments during maternity could be the approach to address their specific needs (see Box 7). There was also a need for banks to explain their rules and regulations in a clear and transparent manner, and ensure that staff could communicate clearly with customers. Customers were often inconvenienced when staff provided incomplete or inaccurate information.

Last but not least, the first-time experience is decisive in relationships with SMEs. This highlights the vast opportunities for banks to approach interested clients with tailored products and services that reflect the clients’ most urgent needs and expectations. Focus group discussions highlighted the challenges of the first-time experience with banks. Most of the respondents felt that they would have had a more positive experience had they been better prepared for the loan application process, or even started with opening a bank account and developing a relationship with the bank prior to applying for a loan. In fact, many of those who were rejected the loan for various reasons, would still be interested in a future loan (19 percent). Moreover, 43 percent of those who never tried to obtain a loan, while relying on informal sources of funding, would still consider approaching a bank for a loan. These findings confirm strong demand and underline the importance of the first-time experience in relationships between banks and SMEs.

Box 7: Examples of Specific Value Proposition for Women-owned SMEs

When it comes to serving women-owned SMEs, offering financial product packages to cater to their business needs as well as their personal and family needs can present an interesting business opportunity for banks in Cambodia. Best international practices have shown that building a value proposition to respond to women’s entrepreneurial and personal needs can yield favorable results.

UniCredit Bulbank¹¹⁷, in Bulgaria, established its “Donna” program in 2011, addressing all women — self-employed or otherwise. The bank offers a suite of branded financial products and non-financial support services supporting women at various stages of their lives.

Financial products designed for women include:

- Donna Mortgage Loan with reduced repayment installments during maternity (for business or personal use);
- Donna Leasing — flexible repayment plans with a 20 percent reduction option during the first year of maternity, including free gifts such as baby seats;
- Donna Term Deposit with an increased interest rate of 0.25 percent until the child turns three years of age;
- Donna Debit Card with free withdrawals at ATMs and discounts in stores.

In terms of **non-financial services**, Bulbank developed a six-session course on leadership, free of charge, for Donna clients to strengthen women’s self-confidence. Additionally, the course supported clients in becoming members of the Council of Women — a prestigious leadership network in Bulgaria.

Delivery model: The bank established a Donna Branch in the capital; in other branches, special service areas such as a children’s corner have been created. A female sales force has been trained, as customer surveys revealed that women customers preferred to be served by female staff members.

Business case:

- 52 percent of the population is female;
- The average revenue of the Donna program is higher than the average revenue of the bank by 4 percent;
- The NPL ratio of the Donna credit products is two times below the average ratio.

TEB is one of the leading SME banks in Turkey. TEB’s innovative approach to SMEs includes, apart from a range of core financial products, a range of non-financial services that aim to turn TEB into the “consultant bank for SMEs”. In 2015, the bank launched its Women Banking Program¹¹⁸, comprising the following four pillars:



Financial products include a Banking Transaction Package, cash loans against gold — building on the traditional value of gold for women — and collateral-free business loans of up to \$42,000 secured by guarantee.

¹¹⁷ Global Best Practices in Banking for women-led SMEs, by EBRD and Women’s World Banking, October 2014 and Bulbank’s webpage.

¹¹⁸ TEB: Leveraging SME capabilities to serve women. Case Study published by Global Banking Alliance.

In terms of **non-financial services**, TEB has developed a number of tools and services, some in collaboration with other partners:

- SME TV Women Channel provides short videos, two to three minutes in length, on topics ranging from 'How to start a business' to 'How to balance being a mother and a boss';
- TEB Women Academy in collaboration with Kadin Academy;
- Network opportunities with the support of WEconnect and Cherie Blair Foundation for Women.

Business case:

- Growing market of women MSMEs in Turkey;
- TEB already serves 74,000 female customers;
- Gender diversification within the bank — 53 percent of employees are women and 43 percent are senior management staff;
- More than 50 percent of women MSMEs financed their business out of their savings and only 18 percent took a bank loan;
- After this program started, loans to women MSMEs increased by 7 percent, and women entrepreneurs showed higher product uptake, leading to higher customer profitability.



3 Conclusions and Recommendations

This study concludes that Cambodia's business and regulatory environment have significantly improved, but still remain challenging for both men- and women-owned SMEs. While the constraints faced by female entrepreneurs may not be immediately apparent, certain gender differences come into play when the social role of women and their lower education and literacy levels are considered. Women tend to face more obstacles in terms of access to markets and information, and operational issues of their businesses, which constrain women's access to finance — the key prerequisite of an enterprise's growth.

This study highlights the importance of targeted incentives for formalization of Cambodian SMEs to help develop the "missing middle" in the country and enable, in particular, women-owned SMEs to move beyond micro economy. Considering women's high level of participation in the economy, government efforts in this regard would have a major impact. The study also highlights the need for clear communication about business regulations and registration, as well as mentoring that could be made available to women in this area.

Access to finance is the top constraint for both men- and women-owned SMEs. Women, however, seem to be more vulnerable in terms of collateral availability and cost of funding. They often require specific support and mentoring in fulfilling the banks' requirements, particularly when it comes to first-time experience. From this perspective, banks could become more active in demystifying the loan application process through financial literacy training or mentoring, and offer other non-financial services as part of a value proposition for women.

Digital solutions can help with women's typical limitations in terms of time and mobility, as well as with the existence of long-standing social norms and perceptions. The government and private and public organizations should play a bigger role in raising awareness on how SMEs can profit from e-commerce and other ICT solutions, along with efforts to improve the infrastructure and regulation for their more effective application by the banks and SMEs.

The study highlights the untapped potential of banking SMEs in Cambodia. More importantly, it shows how banks are missing out on a separate and strategic customer segment — women-owned SMEs — which comprise a significant share of the country's SME market. Women business owners want to borrow from banks in order to invest in their companies and make them profitable. Flexible lending conditions in combination with non-financial services in a value proposition for women would allow banks to capitalize on this potential while responding to the specific needs of this segment.

Recommendations to Government and Its Agencies

Building on the recent progress made to improve the SME business environment in Cambodia, further targeted action should be considered by the government and its agencies to foster a strong policymaking process in support of SMEs.

Improve communication with businesses and coordination between agencies

Discussions with stakeholders and business owners revealed that they had little knowledge of government programs and actions targeting SMEs. Overall, the sentiment is that government efforts have improved but are still limited. The government, therefore, needs to communicate more broadly to ensure that more people are aware of the policies.

While the country has a number of policies and measures in place to address challenges faced by entrepreneurs in general and women entrepreneurs in particular, effective coordination and complementarity across various government agencies is necessary. This will help achieve the government's targets and overall impact on the enabling environment for SMEs. Moreover, MIH's role needs to be better communicated and clarified so that it is recognized as the focal point for SME policies. A concerted effort, under the SME Department's leadership, is needed to ensure greater impact of both financial and non-financial services to the SME sector.

Improve data collection, maintenance, and streamline definition of SMEs

The main challenges in developing and implementing efficient policies to support SMEs remain the lack of reliable up-to-date statistics on SMEs and trained personnel specializing in the sector. The data collection on SMEs is complex due to the absence of clear rules on the registration of enterprises.

Numerous stakeholder interviews and extensive desk research have also made it apparent that in order to compare the SME data collected from the various stakeholders and get a more accurate picture of the SME landscape in Cambodia, it is necessary to streamline the definitions applied. This will ensure that all actors have a common denominator for conducting their research and initiatives. For example, banks and MFIs will need to include data on the number of employees, assets and gender, and integrate them in their reporting and information systems in alignment with the Central Bank of Cambodia. Donors will need to include eligibility and impact assessment criteria in their projects based on the government definition of SMEs.

Moreover, future census surveys will need to segregate data on SMEs and include information on productivity and contribution to GDP. Distribution of the segments based on the number of employees does not reflect the realities of businesses in Cambodia. As confirmed by many studies, most of the businesses consist of no more than 10 employees.

There is also a need to implement monitoring and evaluation programs, which are key components of any SME development framework, to help ascertain the efficiency of the policies and the interventions undertaken.

Improve non-financial services offer and infrastructure

Further developing the SME sector and increasing the competitiveness of SMEs will require overcoming barriers to firm growth. To address these barriers, the government of Cambodia could consider more targeted non-financial services delivered through its private and public infrastructure. SME owners feel there are significant gaps in the areas of accounting, business planning, bank requirements, and self-confidence that limit their ability to promote themselves as good investments to banks.

According to various sources, including focus group discussions and stakeholder interviews, support services mostly offer vocational training that reflects traditional gender roles and not the particular needs of women¹¹⁹. Membership fees for business member organizations are also often prohibitive for women, particularly those from rural areas. Additionally, women may not know about the business training programs available to them despite being willing to pay for such programs.

Non-financial services support should have a stronger focus on training and mentoring on such key areas as bookkeeping, business planning, and human resource management. Topics mostly requested by the survey respondents, such as ICT, marketing, branding, and social media, should also become an integral part of the agencies' offerings, along with leadership, time management and other soft skills training. With regard to the logistics of the training and mentoring being offered, women's specific requirements for child care and household responsibilities should be taken into account.

On a more general level, to better design the non-financial services offer, the government should consider conducting regular SME needs assessments, which could be designed by the federation of SMEs, if set up by the MIH, or any other agency as defined by the MIH. This would allow to better target sectors and segments with regard to which services should be provided for free, which should be co-financed, and which should be offered at market rates.

Improve credit enabling environment

A number of measures to facilitate official registration of entrepreneurs have been launched by the government — online registration, One Stop Shop. Nevertheless, as the study shows, a significant number of SMEs remain unregistered due to lack of tax incentives and clear guidelines on the process. For women-owned SMEs, in particular, the process to formalize a business is too tedious and costly. Many require support and guidance on business registration and tax compilation. The government could consider developing a more effective incentive program for registration, and simplify the process as much as possible. This can be done by consulting international experience in this area, potentially with the support of international financial organizations and donors.

Another important measure to expand access to finance through banks is to modernize laws on secured transactions and improve the contract enforcement framework. This would raise the banks' confidence to accept movable asset collaterals.

Further, finalization of the laws on e-commerce, cyber security, and data and privacy protection, as well as developing a guiding framework on security standards for websites and cloud services, are important for both lenders and SMEs. An established fintech ecosystem would enable banks to develop new products and services such as credit, savings, and deposit products based on mobile and digital technology to provide convenient, accessible, and cost-efficient services beyond just payments and money transfers. SMEs, in turn, could take advantage of the technological and digital age to promote and manage their businesses more efficiently, save time and money, and gain greater access to markets.

¹¹⁹ Women in WASH enterprises: learning from female entrepreneurship in Cambodia, Indonesia and Lao PDR. Working Paper 6, September 2017.

Digital education and building trust in using online solutions instead of cash will require additional resources and awareness building activities/campaigns to enable SMEs to make full use of technological and digital developments.

Recommendations to Banks

Gender awareness and capacity building in SME Finance

The development of a comprehensive capacity-building program for financial institutions to strengthen and build capabilities in knowing and understanding SMEs, particularly women-led SMEs, would help address their typical limitations and better serve small- and medium-sized enterprises. Such capacity building should include training in cash flow-based lending and risk assessment, as well as relationship management, also covering aspects of gender-sensitivity including understanding and addressing unconscious bias.

Gender-awareness training for bank staff is essential to offer a more tailored approach to female clients. Banks are also encouraged to collect and analyze gender-disaggregated data to be able to assess the potential of women-owned SMEs as a distinct segment, and address its needs with specific programs and product packages combining financial and non-financial products and services.

Financial packages could include easy access to opening a business account and internet/mobile banking, combined with revised gender-informed loan products reflecting their specific needs. As confirmed by the study, it is important that the financial package for women is offering best value for money, since they are especially sensitive to the cost of funding and competition. This package should also include savings products, as the study confirmed that women seem to value such products. The banks should work on transparent pricing strategies and, last but not least, complement the financial offer with non-financial services most required by women-owned SMEs in the form of a value proposition targeted and communicated as such to women-owned SMEs.

Complement product offer with non-financial services

As this research shows, both men and women prefer mentoring/advisory services among all other types of non-financial services — networking, information dissemination, and education. The most requested support areas are business planning and financial literacy, marketing, branding, and human resources management. The rise of online business (ICT) and the availability of modern financial technologies and digital solutions make targeted training on ICT and social media essential for SMEs, in order to gain access to local and international markets and be competitive and innovative.

Build upon potential of ICT and fintech solutions

ICT solutions present an opportunity to women entrepreneurs to overcome some of their major constraints, such as time and mobility limitations, and discrimination as entrepreneurs due to cultural and social norms. More and more, women use mobile phones or other devices, which allow access to ICT solutions, ranging from mobile banking to e-commerce.

Banks have recognized this potential and offer mobile apps and online platforms to their clients. Some are partnering with fintech companies to increase their outreach to SME clients — for

example, ACLEDA Bank partners with WIG for its e-commerce solution and Sathapana Bank partners with WING for repayment services. Banks could use the fintech ecosystem more efficiently to develop new products and services for their clients based on mobile and digital technologies. To enhance e-commerce and other digital solutions for women entrepreneurs, fintech companies and banks should work together to improve the respective platforms, facilitate registration, and provide training and education to use the various platforms. To increase outreach to women-owned SMEs and to empower women entrepreneurship in Cambodia, fintechs, banks, and regulators need to work together to encourage greater use of ICT and fintech solutions.

Recommendations to international financial institutions

Capacity building of MIH to strengthen its role in SME policy design, planning, and implementation

As stakeholder interviews and desk research made it apparent, lack of reliable and up-to-date data on SMEs as well as its incompleteness (for example, data is not collected on SME contribution to GDP, no disaggregation into SMEs) is one of the biggest concerns that needs to be addressed to plan and streamline SME policy. The Ministry of Industry and Handicrafts (MIH), responsible for development and implementation of SME policy and data collection, has limited resources and its role needs to be strengthened.

International development institutions could provide capacity building to MIH on methodology and instruments of data collection along with support on developing more effective approaches to enhance company registration procedures, as highlighted above. Further support on conducting SME needs assessments as well as monitoring and evaluation could help streamline government efforts.

Technical assistance to banks in the field of SME lending and lending to WSMEs

As recognized by the banks themselves, they perceive their internal capacities and knowledge in assessing SMEs as insufficient and would require training in cash flow lending and in adapting their lending approach to SMEs in general. Further, loan programs accompanied by technical assistance on gender sensitization could help banks realize and unlock the potential of women-owned SMEs.



Annex 1: Methodology of the Survey

Objective

The objective of the quantitative survey was to collect detailed data on women-owned and men-owned SMEs, in order to analyze their differences in entrepreneur and business profiles, and assess the aspects of finance accessibility — in general and for women-owned SMEs in particular. For this purpose, a sample of SMEs in Cambodia was drawn based on the SME definition and IFC's female/male entrepreneur definition (see below). Structured face-to-face interviews were conducted with at least 500 eligible entrepreneurs, of which 300 were women and 200 men.

Survey Tool

The survey tool was a questionnaire, which included 66 questions covering the following aspects:

1. Profile of entrepreneur (ownership and management structure, gender, age, education, etc.)
2. Profile of business (formality, sector, number of employees, annual sales turnover, etc.)
3. Business start-up phase (financing, motivation and key success factors, challenges, etc.)
4. Current business status (facilities and technology, support of associations and governmental programs, turnover and profitability, general and specific obstacles for women, etc.)
5. Relationship with financial institutions (financial advice and source of financing, positive and negative factors of the experience, etc.)
6. Types and usage of financial products (including mobile phone banking and mobile money products, additional products and services required but currently unavailable, etc.)
7. Current level of financial education and corresponding gaps, level of sophistication of SMEs in the use of remote banking channels, social media, business development support services, etc.

Eligibility Criteria and Definitions

Eligible respondents were female or male entrepreneurs running a small or medium enterprise, and fit into the following definitions.

Female Entrepreneur: A women-owned enterprise is one where ≥ 51 percent owned by woman/women or ≥ 20 percent owned by a woman/women and have ≥ 1 woman as CEO/COO.

Male Entrepreneur: A men-owned enterprise is one where ≥ 51 percent owned by man/men or ≥ 80 percent owned by a man/men and do not have ≥ 1 woman as CEO/COO.

As to the general definition of SMEs, the official/government definition was applied for the survey. However, the definition was adjusted to the findings of the previous studies and of the Cambodia Inter-censal Economic Survey 2014 (CIES 2014) — the only and most current source of statistical data on MSMEs in the country.

The official SME definition disaggregates firms by size and takes into account both the number of full-time employees and, when it is not appropriate, the value of assets (excluding land) (Table 13). However, due to the prevalence of part-time employees and unpaid family members, the application of the “number of employees” criterion does not seem to reflect the reality of many SMEs. Similarly, the definition by assets alone can be misleading in light of the absence of reliable and accurate data on the value of assets at the private sector and ministerial levels.

Table 13: Definition of SMEs¹²⁰

Type	Number of employees	Assets (USD)	Share in number
Micro	< 10 employees	< 50,000	97.6%
Small	11 to 50 employees	50,000-250,000	2.2%
Medium	51 to 100 employees	250,000-500,000	
Large	> 100 employees	> 500,000	0.2%

Source: Cambodia Inter-censal Economic Survey 2014.

Moreover, due to the high level of informality in the sector (out of an estimated 530,000 SMEs nationwide, only 40,000 are registered¹²¹), which makes assessing the SME sector and its structure and characteristics difficult, the definition applied for the sample was designed to exclude the enterprises engaging less than five employees. Therefore, the major share of microenterprises was excluded from the sample for the present survey.

Table 14: Definition of SME for sample

Type	Number of employees	Eligibility
Microenterprises	Less than 5	No
Small enterprises	5 - 50	Yes
Medium enterprises	51 - 100	Yes
Large	>100	No

Selection of Respondents

Due to the informality and lack of statistical data on SMEs in Cambodia, a combination of official data on registered enterprises (as much as was available) and the informal database of the Cambodia Women Entrepreneurs Association (CWEA), obtained through the local network, was used as the sample frame for the survey. The “Business Registration Yearbook, 2015”¹²² which included all the companies registered with the Ministry of Commerce of Cambodia (MoC) was obtained by KANTAR

¹²⁰ According to the SME Development Framework prepared by the SME Sub-committee of Cambodian government, for statistical purposes and policy development and implementation, the definition will be based on full-time employees. For other purposes where the number of full-time employees is not appropriate, total assets excluding land will be used. (Source: “Small and Medium Enterprise Development Framework”, July 29, 2005, p13, Sentence 58 and 59).

¹²¹ Chan, S (2016), 2 SMEs urged to register, Khmer Times, <http://www.khmertimeskh.com/news/31365/smes-urged-to-register/>

¹²² According to the information that became available prior to the study, the list of MoC is the latest available source, since the Ministry stopped publishing the list of registered companies as of 2015.

TNS. Another source of the registered companies was the list of enterprises published by the Chamber of Commerce of Cambodia. Additionally, the membership list of the CWEA (currently up to 300 active female clients) was used as a complementary source to establish a “master list”.

The sampling methodology for the survey was the stratified random sampling¹²³. Eligible respondents were randomly selected from the “master list” of enterprises and consolidated in the potential survey participants list, based on the following strata/quota:

- Gender quota: 60 percent women and 40 percent men.
- Regional quota: data will be collected in three provinces with the highest concentration of enterprises (Phnom Penh, Battambang, and Siem Reap); at least 165 interviews will be completed in each region.
- Business size quota: 80 percent small enterprises and 20 percent medium-sized enterprises.

Survey participants were contacted by the local expert team to arrange a face-to-face interview. The local team sent one meeting request (including endorsement letter) and conducted two follow up calls — three attempts to approach the participant in total. If the participant was unavailable for the interview after three unsuccessful attempts, or his/her contact details were incorrect, the next eligible potential interviewee was selected by the same sampling method from the “master list” — for example, every fifth on the list. Based on the quotas, the sample distribution for the survey is as presented in Table 15 below.

Table 15: Summary of number of interviews completed per city and quota

Region	Phnom Penh	Battambang	Siem Reap	Kampong Cham	Total
Nr. of total interviews	191	128	129	67	515
Small	182	124	128	67	501
Medium	9	4	1	0	14
Women SMEs	131	66	72	43	312
Men SMEs	60	62	57	24	203

Table 16: Response rate of sample

Nr	Province / City	Total number of contacted companies	Total number of successful Interviews	Screened out (wrong contact details)	Screened out (not eligible)	Respondent refused interviews	Total of Unsuccessful interviews	Response Rate (Successful interviews divided by Total # of contacted companies)
1	Phnom Penh	3877	191	258	659	2769	3686	5%
2	Battambang	2261	128	46	715	1372	2133	6%
3	Siem Reap	1376	129	151	225	871	1247	9%
4	Kampong Cham	635	67	0	256	312	568	11%
Total		8149	515	455	1855	5324	7634	6%

¹²³ In a stratified random sample, all population units are grouped within homogeneous groups, and simple random samples are selected within each group. This method allows computing estimates for each of the strata with specified level of precision, while population estimates can also be estimated by properly weighting individual observations.

Representation

Data collection resulted in two representative samples of women-owned SMEs (312) and men-owned SMEs (203), which could be compared against each other. The survey is representative for Cambodia on the 90 percent confidence level, with a 5 percent margin of error¹²⁴.

Limitations of the Study

Considering the availability and quality of the data on SMEs in Cambodia, the survey displayed a number of limitations.

The key limitation of the study is the distribution of sample by size of the enterprises. Difficulties in identifying eligible respondents, particularly in rural areas, resulted in the number of medium-sized enterprises interviewed being well below the target.

The main challenge in identifying the eligible respondents was the low quality of the data on registered enterprises. Thus, the MoC's list does not specify the size of the company, number of employees and/or its assets. Out of approximately 2,000 companies on the MoC's list, more than 80 percent were unreachable at the specified address/contact number. Further, the refusal rate of the identified contacts was also high (see Table 16 above). To improve the response rate, the methodology of the survey has been revised from stratified random sampling to snowball sampling.

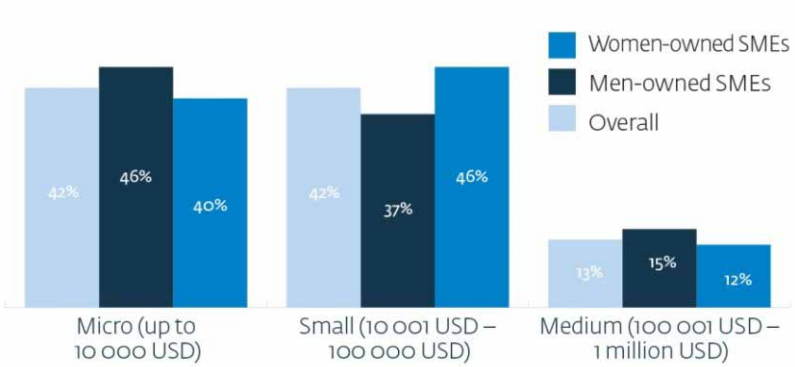
Moreover, the official registration lists and the official statistics available on SMEs (NIS) do not include any information on characteristics of the businesses, such as number of employees, assets, etc. Some entries do include the amount of registered capital, but most of them do not. This makes it difficult to select the participants in accordance with the criteria applied for the SME definition.

Applying IFC's loan size as a proxy¹²⁵ for business size to the survey sample reveals that 42 percent of the surveyed SMEs can be considered as small businesses (37 percent of the men-owned SMEs and 46 percent of women-owned SMEs) and 13 percent as medium enterprises (15 percent of the men-owned and 12 percent of the women-owned SMEs) as shown in Figure 23. As the findings of the qualitative study confirm, IFC's loan size proxy is in line with the loan size proxies applied by the banks for segmenting their clients (see Table 12).

¹²⁴ The sample size for the survey in general and per stratum "men/women" is in line with the sampling methodology used by the World Bank for enterprise surveys, www.enterprisesurveys.org

¹²⁵ To classify SMEs into micro, small and medium-sized enterprises, loan sizes can be used as proxy for defining business size. IFC uses a loan size below 10 000 USD to indicate micro, loan between 10 000 and 100 000 USD for small business segment and loan amounts between USD 100 000 and 1 million as medium-sized companies. Source: IFC. "Verifying Accuracy of IFC's SME Measurement. IFC's SME Loan Size Proxy: a Reliable Predictor of Underlying Small and Medium Enterprises in the IFC's Financial Markets Portfolio".

Figure 23: Definition of the survey sample by IFC’s loan size proxy (203 men-owned, 312 women-owned respondents)



Annex 2: Overview of products¹²⁶

	Bank name	Aceda Bank		Prasac	ABA Bank		Canada Bank	
Micro Segment	SME Portfolio	318,000 SME clients with an outstanding portfolio of USD 2.608 million		389,860 MSME customers with an outstanding portfolio of USD 1.547 million	About 46.000 SME borrowers (micro and small)		SME represents 26% of portfolio, around 4000 customers	
	Product Name	Small-sized enterprise loan as group or individual loan		Micro loan for micro enterprises, mainly family businesses with up to 10 employees	Simple loan for micro business owners	Growth loan to support existing business	Very small loan	
	Amount and Tenure	Up to 60 months for up to KHR 40,000,000 or USD 10,000	Up to 72 months for up to KHR 200,000,000 or USD 50,000	Up to 48 months with loan amount: Up to USD 1,500 / Up to KHR 6,000,000	Up to 7 years with loan amount USD 5,000 to 30,000 with up to 3 months grace period	Up to 8 years with amount USD 30,000 to 70,000	up to USD 50,000	
	Interest rate	n.a.		18% p.a. depending on term and amount	1.11% to 1.5% per month depending on loan amount and collateral	1% to 1.1% per month depending on amount and collateral type	Local Currency 9% p.a.; USD 10% p.a	
	Requirements	Majority shareholder, having a legal business, proof of 20% own capital		n.a.	Soft or strong title real estate property		Soft or hard title as collateral	
SME Segment	Product Name	Medium-sized enterprise loan: Investment and working capital		SME Loan for SMEs with up to 100 employees and assets of USD 50,000 to 500,000	SME loan to finance operating cost, expansion, diversification		Small loan	Medium Loan
	Amount and Tenure	Up to 72 months for loans > KHR 200,000,000 or USD 50,000		Up to 120 months with amounts from USD 1,600 to USD 500,000 / KHR 6,400,000 to 2,000,000,000	Amount USD 70,000 to 500,000		Amount USD 50,000 to 100,000	Amount > USD 100,000
	Interest rate	0.7% to 1.5% per month		12% p.a to 18% p.a -depending on amount and term	Negotiable		Local Currency 8.5% p.a; USD 9.5% p.a	Local Currency 7.88% p.a; USD 8.88% p.a
	Collateral requirements			Land title, land certificate or term deposit certificate	Personal and real estate property with strong title, cash deposit, bank guarantees, assets such as vehicle, equipment		Soft or hard title as collateral	

Source: banks' websites and information obtained in interviews with banks in November 2018.

¹²⁶ Source: banks' websites and information obtained from interviews with banks in November 2018.



Contact

East Asia and Pacific

Rubin Japhta

Tel: +62 212 994 8001

Email: Rjaphta@ifc.org

Washington D.C.

Joanna Romero

Tel: +1 202 458 7656

Email: Jromero@ifc.org

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