

INSIGHTS FROM EMERGING MARKETS

MSMEs and Digital Tool
Use amidst the COVID-19
Pandemic

CAMBODIA COUNTRY BRIEF



Shaping a more livable world.

November 2021

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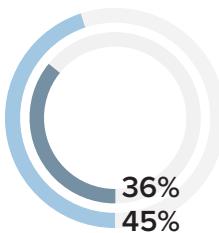
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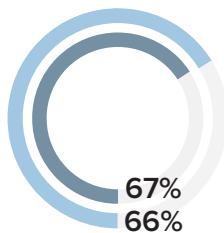
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EXECUTIVE SUMMARY

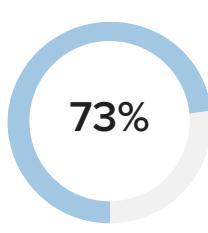
KEY FINDINGS



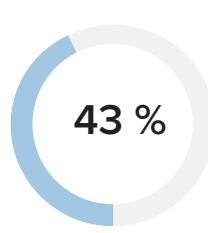
Surveyed MSMEs in Cambodia increased their usage of digital tools to run their businesses during COVID-19: while 36 percent of surveyed micro, small, and medium enterprises (MSMEs) reported using digital tools for business purposes prior to the COVID-19 pandemic, 45 percent used digital tools for business purposes in the past year.



Enterprises recognized the importance of new digital tools during COVID-19: surveyed online MSMEs reported that Facebook appsⁱ (67 percent), and specifically Facebook (66 percent), helped them adapt to the COVID-19 environment.



Online respondents looked favorably on digital tool use during the pandemic: more than half (73 percent) of surveyed online MSMEs reported that digital tools were important or essential to keeping their business running during COVID-19.ⁱⁱ



Surveyed MSMEs used a variety of both online and offline tools to manage business activities, with Facebook apps emerging as critical tools for conducting multiple business activities. Forty-three percent of online MSMEs reported that they used Facebook to communicate with customers in the past 30 days.

Cambodia is the seventh largest economy¹ in Southeast Asia, with a large micro, small, and medium enterprise (MSME)ⁱⁱⁱ sector underpinning its consistent growth until the COVID-19 induced economic slowdown in 2020.² By allowing some MSMEs to quickly pivot online and maintain their core business functions, digital tools (defined here as internet-based technologies) have become increasingly important to Cambodia's MSME community during the pandemic.³ A survey conducted by DAI and Ipsos between June and July 2021^{iv} shows

that surveyed MSMEs in Cambodia increasingly used digital tools to run their businesses during COVID-19: while 36 percent of surveyed MSMEs reported using digital tools for business purposes prior to the COVID-19 pandemic, 45 percent reported using digital tools for business purposes in the past year during COVID-19. Additionally, more than half (73 percent) of surveyed online MSMEs reported that digital tools were important or essential to keeping their business running during COVID-19.

ⁱ The term "Facebook apps" refers to Facebook, WhatsApp, and Instagram.

ⁱⁱ Not all MSMEs who reported ever using digital tools for business purposes were considered "online" for the purposes of this survey. Surveyed MSMEs that did not report using digital tools in the past year were considered "offline," regardless of their use of digital tools over a year ago and/or prior to the COVID-19 pandemic. Because this subset of MSMEs no longer actively uses digital tools, they are not considered online MSMEs.

ⁱⁱⁱ This brief uses the term "micro, small, and medium enterprises" (MSMEs) to refer to the businesses surveyed for this research, in line with terminology used by multilateral institutions such as the International Finance Corporation and the United Nations. Although many countries have different official definitions of MSMEs (including Cambodia, where the government of Cambodia officially classifies MSMEs by their total employees) DAI applied a standardized definition for consistency across all survey countries, based on the number of full-time, part-time, or seasonal employees or workers (including the respondent): micro (1 employee), small (2–9 employees), and medium (10–249 employees).

^{iv} This survey collected evidence directly from 997 MSME owners and top-level managers in Cambodia to understand how MSMEs have used digital tools to carry out business activities, how their digital tool use changed during the COVID-19 pandemic, and the challenges both offline and online MSMEs face in using digital tools.

MSMEs also recognized the importance of embracing digital tools during COVID-19. More than half (67 percent) of surveyed online MSMEs cited that Facebook apps helped them adapt to the COVID-19 environment, and 66 percent specifically cited Facebook. Online MSMEs reported using Facebook apps across the spectrum of business activities, such as communicating with customers (43 percent), marketing to customers (35 percent) and communicating with suppliers (35 percent). Additionally, a higher percentage of online MSMEs reported that Facebook apps were more important than other digital tools for each business activity about which they were surveyed. For example, 23 percent of online MSMEs reported that Facebook apps were very important for communicating with customers, while four percent of online MSMEs reported that other digital tools were very important for the same purpose.

Both online and offline MSMEs reported facing similar difficulties when using digital tools, though their most frequently cited difficulties varied. Online MSMEs most frequently reported that poor or no connectivity (54 percent) was a difficulty their business faced in using digital tools; online MSMEs (14 percent) also highlighted this as their *most* challenging difficulty. In contrast, offline MSMEs most frequently reported a lack of knowledge as a difficulty their business faced (36

percent), followed by a (perceived) lack of relevance (24 percent) and lack of access to a mobile phone, tablet or computer (21 percent). This difference highlights the need for targeted interventions by stakeholders in the public, private and development sectors that address common roadblocks for both online and offline MSMEs, such as information sharing and capacity building activities to expand awareness and usage of digital tools, while also addressing key enabling environment barriers such as connectivity and affordability.

With concentrated efforts by policymakers and other stakeholders to address the key barriers faced by both online and offline MSME segments, Cambodia's MSME sector will be well-positioned to increasingly integrate and harness the power of digital tools to improve business outcomes and build resilience to future economic shocks. These efforts have the potential to help entrepreneurs and business owners across the MSME sector to equitably access and use digital tools to support key business functions. This will, in turn, enable Cambodia to accelerate its inclusive economic growth outcomes aligned to the United Nations Sustainable Development Goals (SDGs), a collection of 17 interlinked global development goals agreed to by United Nations Member States in 2015.

METHODOLOGY OVERVIEW

This research was conducted as part of a broader cross-national study of MSME digital tool usage across emerging markets in South America, South Asia, and Southeast Asia. This brief provides an overview of findings from face-to-face surveys that Ipsos conducted with 997 micro, small, and medium enterprises (MSMEs) in Cambodia via computer-assisted personal interviewing (CAPI) from June 14 to July 23, 2021. Eligibility for the survey was restricted to owners or top-level managers of businesses with 249 or fewer employees operating from a storefront, booth, or with signage. As such, home-based businesses and other businesses without obvious storefronts, booths, and/or signage were not captured in the sample. Official statistics from the National Institute of Statistics of Cambodia including the Cambodia Inter-Censal Economic Survey (2014) and the Economic Census of Cambodia (2011) were used to set targets for the number of completed surveys by categories of business size, as defined by the number of employees: micro (one employee), small (2-9 employees), and medium (10-249 employees) businesses.^v A random walk method was implemented to conduct interviews in urban, suburban, and rural areas in four of Cambodia's 24 provinces, capturing businesses across key segments including subnational geography, owner gender, and business sector. The final survey results presented in this report were weighted based on geography and differential non-response rates by province, urbanity, and gender. Due to the limitations of the sampling and the availability of official statistics, the sample should not be considered to be representative of the entire MSME formal and informal business population in Cambodia. A complete explanation of the sample design and research methodology is found in Appendix I.

^v Across all business size groupings, employees include the respondent (an owner or top-level manager of the MSME), any full-time employees or workers, and any part-time or seasonal employees or workers.

INTRODUCTION AND BACKGROUND

Cambodia is the seventh largest economy⁴ in Southeast Asia, with a large micro, small, and medium enterprise (MSME)^{vi} sector underpinning its consistent growth until the COVID-19 induced economic slowdown in 2020.⁵ By allowing some MSMEs to quickly pivot online and maintain their core business functions, digital tools (defined here as internet-based technologies) have become increasingly important to Cambodia's MSME community during the pandemic.⁶

A new survey conducted by DAI and Ipsos in June and July 2021 collected evidence directly from 997 MSME owners and top-level managers in Cambodia to understand how MSMEs have used digital tools to carry out business activities, how their digital tool use changed during the COVID-19 pandemic, and the challenges both offline and online MSMEs face in using digital tools. Research findings also delve into differences in digital tool use across key business segments within Cambodia, such as women-owned MSMEs, microenterprises, and MSMEs in specific business sectors.

When entrepreneurs across the MSME sector can equitably access and use digital tools in support of key business functions, Cambodia will accelerate its inclusive economic growth outcomes aligned to the United Nations Sustainable Development Goals (SDGs), a collection of 17 interlinked global development goals agreed to by United Nation Member States in 2015.



How This Research Aligns with the Sustainable Development Goals (SDGs)

In 2015, United Nations Member States adopted 17 Sustainable Development Goals (SDGs) as a cornerstone of their 2030 Agenda for Sustainable Development, articulating a shared vision of urgent global priorities for the planet and its people. Recognizing the importance of their urgent call to action, this survey framework and findings tie back to multiple SDGs to inform policy and programs targeting these global goals. After assessing how online and offline MSMEs conduct basic business functions, the survey identified challenges that such MSMEs face in regard to their digital tool usage, or lack thereof. These insights tie to SDG 9: Industry, Innovation, and Infrastructure, which calls for a significant increase in access to information and communications technology and for universal and affordable internet access. The survey also looked at how online MSMEs use digital tools for business purposes; specifically, it explored how their digital tool usage changed during the COVID-19 pandemic. By examining how MSMEs developed their economic resilience through the use of digital tools during the pandemic, this line of inquiry links to SDG 1: No Poverty and SDG 8: Decent Work and Economic Growth. Reporting on the women-owned MSME segment also sheds light on SDG 5: Gender Equality, with women-led enterprises using digital tools to enter the marketplace and contribute to the global economy. Similarly, reporting on the manufacturing and industry sector provides insights on SDG 9: Industry, Innovation, and Infrastructure, and reporting on the agriculture and food production sector aligns to SDG 2: Zero Hunger and SDG 12: Sustainable Production and Consumption. By concluding with suggested interventions for public, private, and development sector actors to address MSME challenges in using digital tools, the spirit of the survey embodies SDG 17: Partnerships for the Goals.

vi This brief uses the term “micro, small, and medium enterprises” (MSMEs) to refer to the businesses surveyed for this research, in line with terminology used by multilateral institutions such as the International Finance Corporation and the United Nations. Although many countries have different official definitions of MSMEs (including Cambodia, where the government of Cambodia officially classifies MSMEs by their total employees) DAI applied a standardized definition for consistency across all survey countries, based on the number of full-time, part-time, or seasonal employees or workers (including the respondent): micro (1 employee), small (2–9 employees), and medium (10–249 employees).

COVID-19 AND MSMEs IN CAMBODIA

The COVID-19 pandemic hit Cambodia's economy hard: its economy shrank by -3.1 percent in 2020, the largest drop for the Cambodian economy in decades.⁷ MSMEs form the backbone of Cambodia's economy - the Ministry of Industry and Handicraft (2018) noted that MSMEs account for 99 percent of Cambodia's enterprises and contribute over 70 percent to employment and 58 percent to GDP.⁸ Key sectors for MSMEs mirror those of Cambodia's economy as a whole, with 60 percent of Cambodian MSMEs in 2014 (the most recent year data is available) working in wholesale and retail trade, 27 percent in other services, and 14 percent in manufacturing.⁹ Given that they represent 97.6 percent of all MSMEs in Cambodia and employ 58 percent of the local labor force, microenterprises play an especially important role in Cambodia.¹⁰

According to the World Bank's September 2020 Business Pulse Survey of over 500 firms, MSMEs felt the impacts of the pandemic more acutely than large firms – MSMEs saw their sales decrease by an average of 30-37 percent, compared to less than 15 percent for large firms.¹¹ A July 2020 Asia Foundation survey of approximately 1000 tourism businesses in Cambodia saw similar results, with 55 percent of MSME owners reporting that their business was at high risk of failure.¹²

Research also provides clear evidence that the pandemic prompted Cambodian MSMEs to increase their use of digital tools – of the 12 percent of MSMEs who reported adapting their business models on the Asia Foundation survey, 44 percent began reaching customers online and on social media.¹³ The November 2020 Business Pulse Surveys showed that 47 percent of respondent firms had increased their use of digital platforms, typically for marketing and sales, though two-thirds of firms did not report any digital sales.¹⁴ This aligns with the 2020 Global State of Small Business Report, with 47 percent of small and medium-sized businesses^{vii} in Cambodia reporting that 25 percent or more of their sales were made digitally in the last month; 21 percent reported that their proportion of digital sales had increased compared to before the pandemic.¹⁵

^{vii} If citing other literature that uses another term to refer to MSMEs, such as small and medium enterprise (SME) or small and medium-sized business (SMB), we use the term cited in the source document. This is why the term "SMB" appears here.

SAMPLE OVERVIEW

This survey had 997 MSME respondents comprised of business owners and top-level managers; the below percentages provide detail on the sample.



Gender

78% of MSMEs reported that the business had **female owner/s**

65% of MSME respondents were **female**

35% of MSME respondents were **male**



Urbanicity

79% of MSMEs were located in **urban areas**

21% of MSMEs were located in **rural areas**

0% of MSMEs were located in **suburban areas**



Sector

34% of MSMEs reported that their primary product or service was in the **retail and e-commerce** sector

19% of MSMEs reported that their primary product or service was in the **hospitality** sector

15% of MSMEs reported that their primary product or service was in the **manufacturing and industry** sector

3% of MSMEs reported that their primary product or service was in the **agriculture and food production** sector

3% of MSMEs reported that their primary product or service was in the **professional services** sector



Customer base

76% of MSMEs reported that their business primarily **served consumers**

18% of MSMEs reported that their business **served both businesses and consumers**

6% of MSMEs reported that their business primarily **served other businesses**



Business owner education

67% of MSMEs had business owners with a **secondary education or higher**

33% of MSMEs had business owners with **less than a secondary education**



Business owner age

72% of MSMEs had business owners **aged 18-44**

28% of MSMEs had business owners **aged 45+**



Bank account access

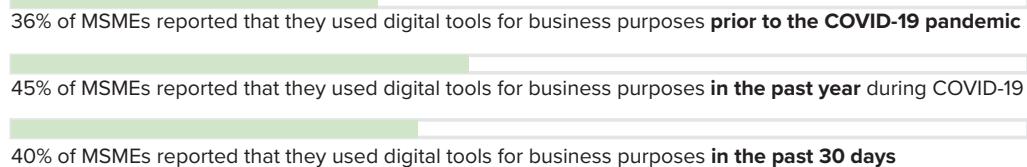
33% of MSMEs reported that they had access to a **bank account**

MSMEs AND DIGITAL TOOL USE: SNAPSHOTS IN TIME

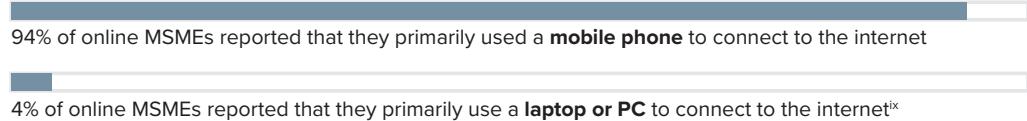
Surveyed MSMEs in Cambodia increasingly used digital tools to run their businesses during COVID-19. Online MSMEs^{viii} primarily used their mobile phones to connect to the internet, highlighting the importance of mobile phones in doing business among Cambodia's online MSMEs.



The use of digital tools for business purposes rose in the past year during COVID-19. Usage has declined slightly in the past 30 days, but remains higher than before the pandemic^{ix}:



A vast majority of online MSMEs reported using mobile phones to connect to the internet:



^{viii} Not all MSMEs who reported ever using digital tools for business purposes were considered "online" for the purposes of this survey. Surveyed MSMEs that did not report using digital tools in the past year were considered "offline," regardless of their use of digital tools over a year ago and/or prior to the COVID-19 pandemic. Because this subset of MSMEs no longer actively uses digital tools, they are not considered online MSMEs.

^{ix} Difference in use of digital tools for business purposes in the past year and use of digital tools for business purposes prior to COVID-19 is statistically significant per Chi-squared goodness of fit test, adjusted $p < 0.05$. Difference in use of digital tools for business purposes in the past year and use of digital tools for business purposes in the past 30 days is statistically significant per Chi-squared goodness of fit test, adjusted $p < 0.05$.

^x Other answer options included tablets, don't know, or refused.



A higher percentage of online women-owned MSMEs reported that digital tools were important or essential to keeping their business running during COVID-19 than online men-owned MSMEs

A higher percentage of surveyed men-owned MSMEs reported business-related digital tool usage than women-owned MSMEs prior to COVID-19, during COVID-19, and in the past 30 days.^{xi} More specifically, 35 percent of women-owned MSMEs and 42 percent of men-owned MSMEs reported that they had ever used digital tools for business purposes prior to the COVID-19 pandemic, which increased to 43 percent in the past year during COVID-19 for women-owned MSMEs and to 52 percent for men-owned MSMEs.^{xii} However, these percentages each decreased in the past month: 39 percent of women-owned MSMEs reported that they had used digital tools for business purposes in the past 30 days, compared to 46 percent of men-owned MSMEs.^{xiii} These findings align with the 2019 AfterAccess survey, which saw a 34 percent gender gap in internet use in Cambodia.^{xiv}

However, nearly the same percentage of online women-owned MSMEs and online men-owned MSMEs reported using digital tools for business purposes across all three time periods.^{xv} More specifically, 72 percent of online women-owned MSMEs and 74 percent of online men-owned MSMEs reported ever using digital tools for business purposes prior to the COVID-19 pandemic, which increased to 100 percent (for each group) in the past year during COVID-19, and then fell again slightly to 90 percent for online women-owned MSMEs and 88 percent for online men-owned MSMEs in the past 30 days.^{xvi} Despite nearly equal rates of reported digital tool usage for business purposes among online women-owned and online men-owned MSMEs, a higher percentage of online women-owned MSMEs (75 percent) than online men-owned MSMEs (68 percent) reported that digital tools were important or essential to keeping their business running during COVID-19.^{xvii}

-
- ^{xi} Digital tool use in the past year by gender of owner is statistically significant per Chi squared test of independence, adjusted $p < 0.05$. Digital tool use prior to COVID-19 and in the past 30 days by gender of owner is not statistically significant per Chi squared test of independence, adjusted $p > 0.05$.
 - ^{xii} Difference between digital tool use prior to COVID-19 and digital tool use in the past year among women-owned MSMEs is statistically significant per Chi squared Goodness of Fit , adjusted $p < 0.05$. Difference between digital tool use prior to COVID-19 and digital tool use in the past year among men-owned MSMEs is statistically significant per Chi squared Goodness of Fit , adjusted $p < 0.05$.
 - ^{xiii} Difference between digital tool use in the past year and digital tool use in the past thirty days among online women-owned MSMEs is statistically significant per Chi squared Goodness of Fit test, adjusted $p < 0.05$. Difference between digital tool use in the past year and digital tool use in the past 30 days among online men-owned MSMEs is statistically significant per Chi squared Goodness of Fit test, adjusted $p < 0.05$.
 - ^{xiv} Digital tool use in all three timeframes by gender of owner is not statistically significant per Chi squared test of independence, adjusted $p < 0.05$.
 - ^{xv} Difference between digital tool use prior to COVID-19 and digital tool use in the past 30 days among women-owned MSMEs is statistically significant per Chi squared Goodness of Fit test of independence, adjusted $p < 0.05$. Difference between digital tool use prior to COVID-19 and digital tool use in the past 30 days among men-owned MSMEs is statistically significant per Chi squared Goodness of Fit test of independence, adjusted $p < 0.05$.
 - ^{xvi} Not statistically significant per Chi squared test of independence, adjusted $p > 0.05$

(continued)

Survey results also showed that online women-owned and men-owned MSMEs faced a similar set of challenges in using digital tools, as did offline women-owned and men-owned MSMEs - but that there was little overlap in the most frequently reported challenges among online and offline women-owned MSMEs. More specifically, the top reported difficulties that online women-owned and men-owned MSMEs reported facing in using digital tools were poor or no internet connectivity (53 percent for online women-owned MSMEs, 56 percent for online men-owned MSMEs), a lack of knowledge (24 percent for online women-owned MSMEs, 21 percent for online men-owned MSMEs^{xvii}), and high cost (22 percent for online women-owned MSMEs, 23 percent for online men-owned MSMEs).^{xviii} In terms of offline MSMEs, the top reported difficulties - when disaggregated by gender - were a lack of knowledge (36 percent for offline women-owned MSMEs, 35 percent for offline men-owned MSMEs); a lack of relevance (24 percent for offline women-owned MSMEs, 28 percent for offline men-owned MSMEs); and access to a mobile phone, tablet, or computer (20 percent for offline women-owned MSMEs, 22 percent for offline men-owned MSMEs).^{xix} The only difficulty most frequently cited by both online and offline women-owned MSMEs was a lack of knowledge, which indicates the extent to which needing more knowledge about digital tools affects MSMEs across the online/offline spectrum. This finding suggests that investments in tackling this one area of common difficulty for both online and offline MSMEs (lack of knowledge) can have compounding positive effects. For example, investments in MSME digital upskilling have the potential to bring more offline MSMEs online, while also expanding digital tool use among online MSMEs.

xvii 21 percent of online men-owned MSMEs also reported that lack of customer interest was a difficulty their business faced in using digital tools, tied for third-most frequently reported answer option among online men-owned MSMEs.

xviii Percent reporting poor or no internet connectivity as a difficulty among online MSMEs by gender ownership: not statistically significant per Chi squared test of independence, adjusted p > 0.05.

Percent reporting high cost as a difficulty among online MSMEs by gender ownership: not statistically significant per Chi squared test of independence, adjusted p > 0.05.

Percent reporting lack of knowledge as a difficulty among online MSMEs by gender ownership: not statistically significant per Chi squared test of independence, adjusted p > 0.05.

xix Percent reporting lack of knowledge as a difficulty among offline MSMEs by gender ownership: not statistically significant per Chi squared test of independence, adjusted p > 0.05.

Percent reporting lack of relevance as a difficulty among offline MSMEs by gender ownership: not statistically significant per Chi squared test of independence, adjusted p > 0.05.

Percent reporting lack of access to a device as a difficulty among offline MSMEs by gender ownership: not statistically significant per Chi squared test of independence, adjusted p > 0.05.

KEY INSIGHTS FOR POLICYMAKERS

Survey findings demonstrate that MSMEs in Cambodia increased their business-related digital tool use during COVID-19. While 36 percent of surveyed MSMEs reported using digital tools for business purposes prior to the COVID-19 pandemic, 45 percent reported using them during the pandemic. Although their reported use decreased slightly over the past 30 days, to 40 percent, their overall usage remained higher than before COVID-19's onset. These findings align with the findings of the World Bank's June 2020 and September 2020 Business Pulse Survey in Cambodia, which stated that 47 percent of surveyed firms had increased their use of digital platforms, but that the uptake of digital solutions had slowed between the two surveys.¹⁷ Despite this recent fluctuation, the DAI/Ipsos survey results demonstrate that there is a critical mass of MSMEs that have already begun their digital transformation during the time of the pandemic. This presents a promising opportunity for public, private, and development sector stakeholders

to directly engage those online MSMEs that are not yet maximizing their digital tool use, especially to help them keep pace with market changes and to continue to stay competitive in a marketplace that is digitizing rapidly.

Throughout emerging markets, mobile phones are a key way that individuals access the internet.¹⁸ According to the survey results, online MSMEs in Cambodia were no exception. A vast majority of online MSMEs (94 percent) reported that they primarily used mobile phones to connect to the internet. Cambodia boasts among the highest levels of mobile phone usage in the world, even compared to fully developed economies, with the number of mobile connections far outnumbering the total population.¹⁹ Given such high levels of mobile penetration in the country, public, private, and development sector stakeholders could look for opportunities to enhance MSME use of mobile internet as an accessible 'on ramp' for expanding digital tool use amongst offline MSMEs.



HOW MSMEs MANAGE KEY BUSINESS ACTIVITIES

Surveyed MSMEs used a variety of both online and offline tools to manage business activities, with Facebook apps emerging as critical tools for conducting multiple business activities. Despite the reported importance of Facebook apps^{xx} and other digital tools for conducting business activities, offline methods had a strong foothold in MSMEs' operations suggesting that digital tools augmented and amplified, rather than replaced, more traditional offline methods.

An interview with the owner of small business Queen Bird's Nest Shop shows the evolution of her digital tool use, from first using her personal Facebook page to post photos of her products to eventually using Facebook Business to increase her new customers by 50 percent. See [page 20](#) for full case study.



More than one-third of MSMEs used Facebook for customer- and supplier-facing activities:

35% of online MSMEs reported that they used Facebook to **market to customers** in the past 30 days

43% of online MSMEs reported that they used Facebook to **communicate with customers** in the past 30 days

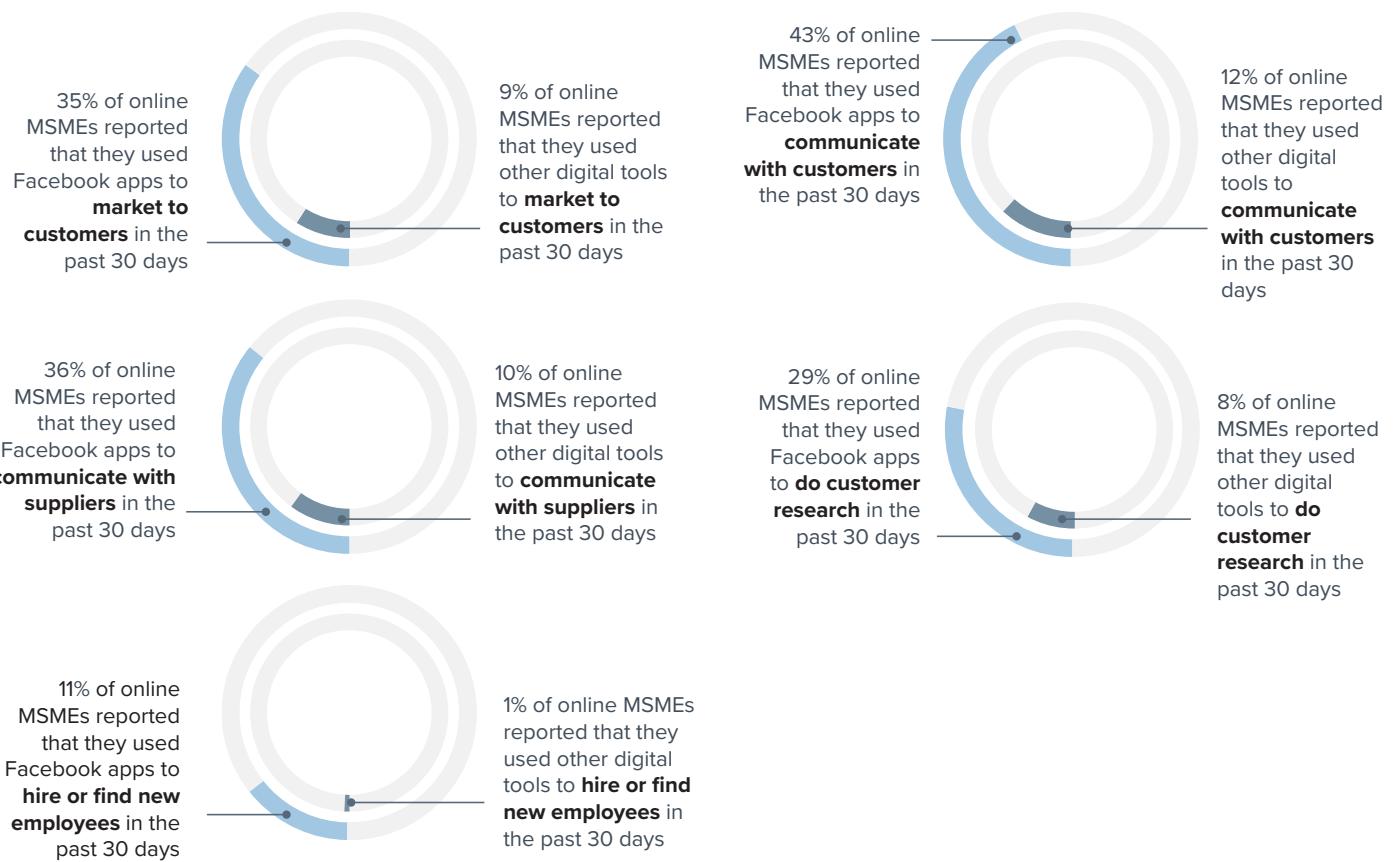
35% of online MSMEs reported that they used Facebook to **communicate with suppliers** in the past 30 days

28% of online MSMEs reported that they used Facebook to **do customer research** in the past 30 days

11% of online MSMEs reported that they used Facebook to **hire or find new employees** in the past 30 days

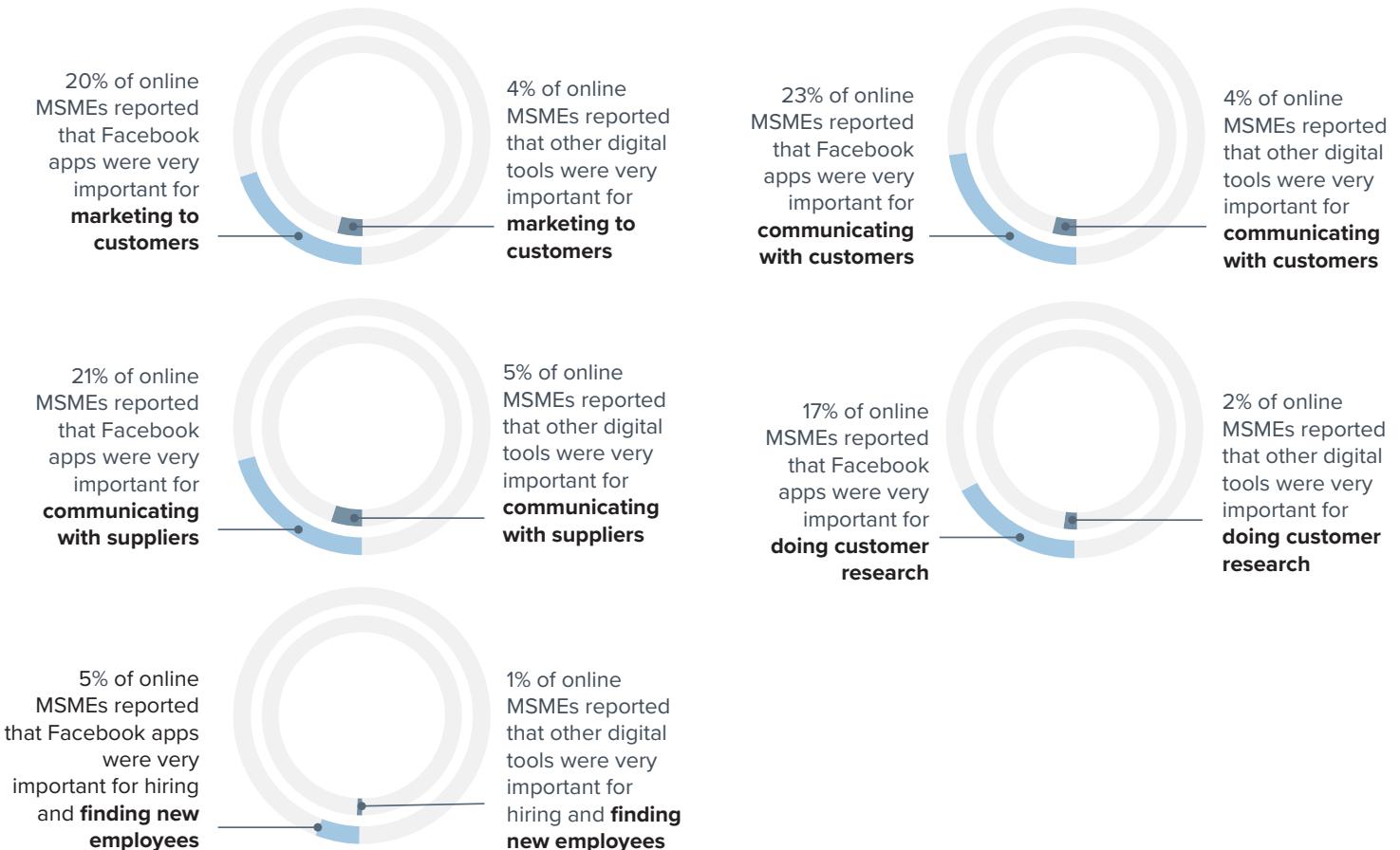
^{xx} Facebook apps" refers to Facebook, WhatsApp, and Instagram.

A higher percentage of online MSMEs reported using Facebook apps than other digital tools to conduct each business activity^{xxi}...

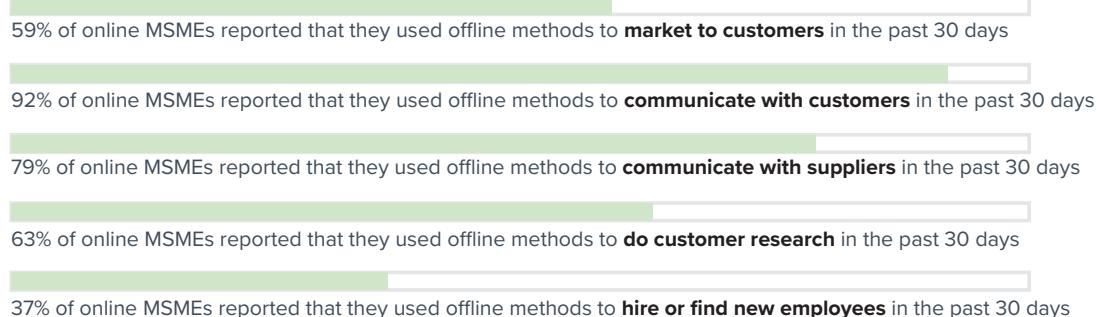


^{xxi} Difference between use of Facebook apps and use of other digital tools for each business activity in question is statistically significant per Chi-squared goodness of fit test, adjusted p < 0.05.

...And a higher percentage of online MSMEs stated that Facebook apps were very important for each business activity than other digital tools^{xxii}...



 ...but offline methods^{xxiii} were the most popular method for online MSMEs to conduct each business activity:



^{xxii} Difference between percent reporting Facebook apps as very important and percent reporting other digital tools as very important for each business activity in question is statistically significant per Chi-squared goodness of fit test, adjusted $p < 0.05$.

^{xxiii} The term “offline methods” includes face-to-face interaction; paper-based methods such as letters, fliers or billboards; and through a telephone call, SMS, or text message (does not include WhatsApp).

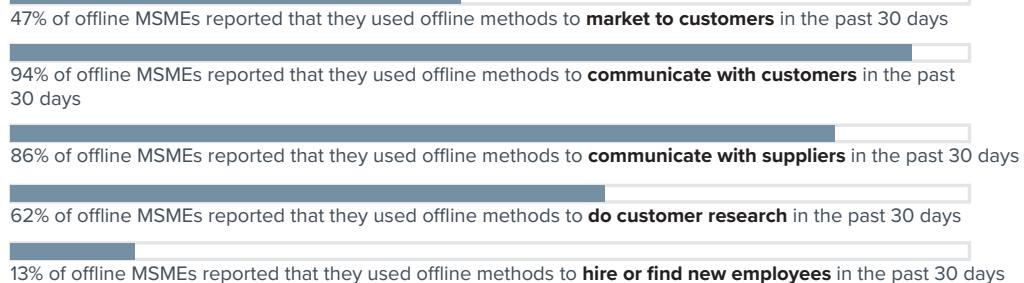


MSME Digital Tool Use To Sell Goods and Services Increased During COVID-19

Selling goods and services is a key business activity for all MSMEs. In the survey, 32 percent of MSMEs reported that they have ever used digital tools to sell goods and services. More specifically, survey results showed a modest increase in the use of digital tools to sell goods and services during the COVID-19 pandemic. 22 percent of MSMEs reported that they used digital tools to sell goods and services prior to COVID-19, which then increased to 27 percent during COVID-19.^{xxiv} However, there was a slight decrease in the percentage of MSMEs who reported using digital tools to sell goods and services in the past 30 days, to 24 percent.^{xxv} This recent decrease in digital tool use for selling goods and services may indicate that surveyed MSMEs only temporarily increased their digital tool usage for sales purposes, though it is also important to note that the percentage of MSMEs who reported using digital tools to sell goods and services remained higher in the past 30 days (24 percent) than prior to COVID-19 (22 percent).^{xxvi} This finding could indicate that at least some surveyed MSMEs have decided to make permanent their decision to use digital tools for sales.



Offline MSMEs reported using offline methods to communicate with customers and suppliers more frequently than for other business activities^{xxvii}:



^{xxiv} Difference between use of digital tools to sell goods and services in the past year and prior to COVID-19 is statistically significant per Chi-squared goodness of fit test, adjusted p < 0.05.

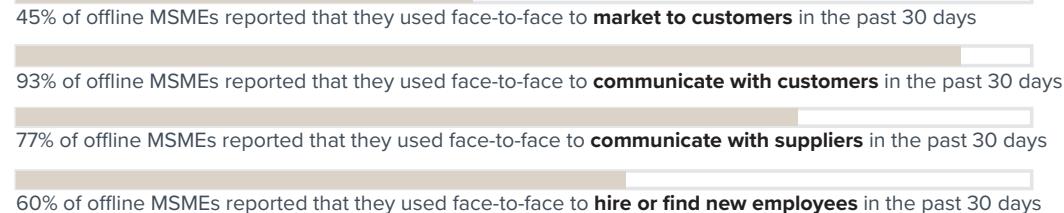
^{xxv} Difference between use of digital tools to sell goods and services in the past year and in the past 30 days is statistically significant per Chi-squared goodness of fit test, adjusted p < 0.05.

^{xxvi} Difference between use of digital tools to sell goods and services prior to COVID-19 and in the past 30 days is not statistically significant per Chi-squared goodness of fit test, adjusted p > 0.05.

^{xxvii} Difference between use of offline methods for communicating with suppliers (the lowest of the bottom two) and use of offline methods for doing customer research (the highest of the bottom three) is statistically significant per Chi-squared goodness of fit test, adjusted p < 0.05.



Offline MSMEs reported using face-to-face interactions at high rate across the spectrum of key business activities:



Surveyed MSMEs reported ever having difficulty with customer research and external communications at a higher rate than other business activities^{xxviii}:



^{xxviii} Difference between difficulty in communicating with suppliers (the lowest of the top three) and difficulty in marketing to customers (the top of the bottom two) is statistically significant per Chi-squared goodness of fit test, adjusted $p < 0.05$.



A higher percentage of medium-sized enterprises consistently reported using digital tools for their businesses than small enterprises or microenterprises

Surveyed microenterprises reported consistently lower levels of business-related digital tool usage than small or medium-sized enterprises prior to COVID-19 or during COVID-19. More specifically, 29 percent of microenterprises reported that they had ever used digital tools for business purposes prior to the COVID-19 pandemic, in contrast to 46 percent of small enterprises and 73 percent of medium-sized enterprises.^{xxix} This percentage increased across all three business sizes in the past year during COVID-19, to 38 percent for microenterprises, 55 percent for small enterprises, and 82 percent for medium-sized enterprises.^{xxx} This same pattern also held across virtually every digital tool about which MSMEs were asked. For example, 26 percent of microenterprises, 41 percent of small enterprises, and 68 percent of medium-sized businesses reported that they had ever used Facebook apps for business purposes prior to the COVID-19 pandemic.^{xxxi} These figures increased to 33 percent, 51 percent, and 76 percent in the past year during the pandemic.^{xxxi} This finding indicates that surveyed medium-sized enterprises used digital tools for their businesses at a higher rate than small enterprises, who were using digital tools at a higher rate than microenterprises.

Faced with the lowest digital tool usage rates for business purposes, surveyed online and offline microenterprises reported facing a largely different set of challenges affecting their digital tool use. For example, the three most frequently cited difficulties that online microenterprises reported that their business faced in using digital tools were poor or no internet connectivity (53 percent), a lack of knowledge (26 percent), and high cost (23 percent). On the other hand, the three most frequently reported difficulties for offline microenterprises were a lack of knowledge (35 percent); a lack of relevance to their business (25 percent); and access to a mobile phone, tablet, or computer (21 percent). Across both groups, a lack of knowledge was the only common top reported difficulty. At the same time, however, online and offline microenterprises shared the same top three interests in learning more about digital tools: 58 percent of online microenterprises and 41 percent of offline microenterprises reported that they were interested in learning more about digital tools to find new customers. Similarly, 57 percent of online microenterprises and 43 percent of offline microenterprises reported the same about marketing their business, as did 56 percent of online microenterprises and 46 percent of offline microenterprises about communicating with existing customers. Even though surveyed online and offline microenterprises reported sharing areas of common interest in learning about digital tools, their largely distinct sets of difficulties in using digital tools indicates that tailored programming addressing the distinct business needs of each microenterprise segment is more likely to increase microenterprise digitalization overall in Cambodia.

^{xxix} Statistically significant per Chi squared test of independence, adjusted p < 0.05

^{xxx} Statistically significant per Chi squared test of independence, adjusted p < 0.05

^{xxxi} Statistically significant per Chi squared test of independence, adjusted p < 0.05

^{xxxi} Use of Facebook Apps in the past 30 days and use of Facebook apps in the past year by business size: statistically significant per Chi squared test of independence, adjusted p < 0.05

KEY INSIGHTS FOR POLICYMAKERS

The survey results indicate that Facebook apps were an important tool among surveyed online MSMEs in Cambodia for key business activities. For example, a higher percentage of online MSMEs reported using Facebook apps - compared to other digital tools - across all business activities about which they were surveyed. For example, 43 percent of online MSMEs reported that they used Facebook apps to communicate with customers in the past 30 days, compared to 12 percent of online MSMEs that reported using other digital tools for this purpose. Similarly, a higher percentage of online MSMEs reported that Facebook apps were very important for each business activity, compared to other digital tools. To illustrate this comparison, 23 percent of online MSMEs reported that Facebook apps were very important for communicating with customers, compared to four percent about other digital tools.

Online and offline MSMEs alike reported frequently using offline methods to conduct all business activities. Among online MSMEs specifically, offline methods

were the most frequently reported method used to conduct each business activity. For example, a vast majority (92 percent) of online MSMEs reported using offline methods to communicate with customers in the past 30 days. Across all offline methods, offline MSMEs reported using face-to-face interactions most frequently for communicating with customers (93 percent) and suppliers (77 percent). The survey data highlighted a number of areas where both online and offline MSMEs could benefit from the broader use of simple and intuitive digital tools. Stakeholders in the public, private and development sector can consider how best to demonstrate to MSMEs that digital tools can help them more efficiently communicate with customers and suppliers and simplify the process of marketing to specific customer segments. Given online MSMEs' broad use of Facebook apps for these purposes, stakeholders can consider how to demonstrate these efficiencies (and their business value) to offline MSMEs, encouraging their uptake of digital tools.



CASE STUDY

QUEEN BIRD'S NEST SHOP



[www.facebook.com/
NaturalBirdNestFromKohKong/](https://www.facebook.com/NaturalBirdNestFromKohKong/)



RETAIL &
E-COMMERCE



SMALL
ENTERPRISE



URBAN



SDG 5:
GENDER EQUALITY

After nearly 10 years as an accountant for the Cambodian government, Sar LeakKanha decided to take over her family business selling edible birds' nests, birds' nest drinks, and malva nut juice drinks. Considered delicacies in Cambodia, bird's nest products and malva nuts are known for their health benefits and immune boosting properties. She soon realized the market potential for birds' nest products and expanded her sales from her storefront in Koh Kong to a network of wholesalers working in Siem Reap, Sihanoukville, and Phnom Penh. As a female entrepreneur, Sar LeakKanha advances progress on SDG 5: Gender Equality by using technology to build her own enterprise and contribute to Koh Kong province's entrepreneurial ecosystem.

She credits digital tools with helping her sustainably grow her family business into an MSME that closes sales in multiple cities across Cambodia. Customer demand initially prompted her to create an online presence for Queen Bird's Nest Shop, after her customers began inquiring about shareable photos of her products. First using her personal Facebook profile for business purposes, then creating a formal business page in 2019, Sar LeakKanha now primarily uses Facebook Business and Messenger to promote her company. Like her customers requested, Facebook Business enables her to post and share high-quality photos showcasing the variety and benefits of her birds'

nest treats. Since she started using Facebook Business, Sar LeakKanha reports that her business promotions have led to a 50 percent increase in new customers and facilitated her business's expansion into wholesale markets in Siem Reap. Although her competitors also use social media platforms to promote their products, she credits Facebook for allowing her to accurately represent her business to the public and build trust with her customer base.

During the COVID-19 pandemic, she continues to rely on digital tools to keep her business afloat. Though the pandemic has slowed her sales and forced Sar LeakKanha to reduce her staff down to three people, she continues to sell her goods online to Cambodian and Chinese wholesales using Facebook as a means to redirect to e-commerce websites. She recently took a course on how to use Facebook Business more effectively, crediting it with giving her a better understanding of the available tools and features to improve customer engagement. In the future, she wishes to expand the video content on her page and learn more about how she can reach new customer segments and



expand to other cities in the region. Sar LeakKanha's journey as the owner of a small family business operating only in Koh Kong to an international entrepreneur embodies the idea that digital tools enable entrepreneurship and, in turn, resilient economic growth.

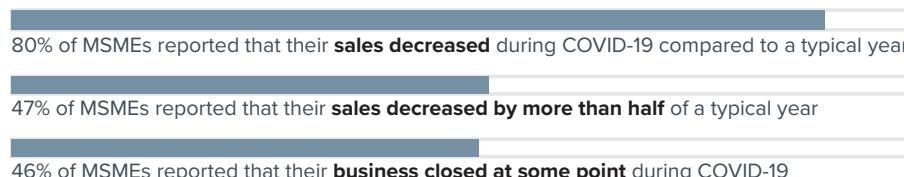
"Facebook is important for the business as it can promote my products to new customers. The more people know about my products, the more markets [in which] I can expand."

MSMEs DURING THE COVID-19 PANDEMIC

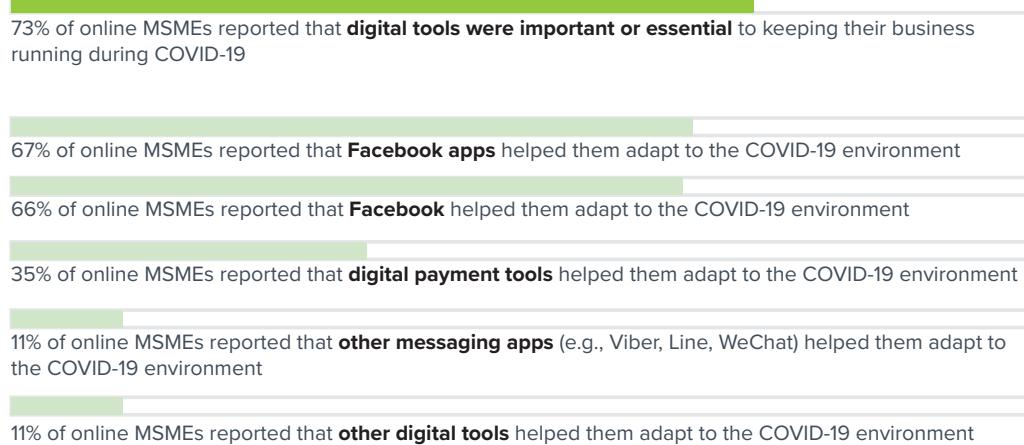
The COVID-19 pandemic was challenging for MSMEs in Cambodia. Struggling with difficult economic conditions in which their sales decreased substantially, surveyed MSMEs embraced digital tools, and Facebook apps in particular, when adapting to the new economic environment. More than half of online MSMEs reported that digital tools were important or essential to keeping their business running during the pandemic.



MSME sales decreased considerably during COVID-19:



Digital tools helped many online MSMEs adapt to the COVID-19 environment:





A higher percentage of MSMEs in the professional services sector reported business-related digital tool use during the pandemic than MSMEs in other sectors

Surveyed MSMEs in the professional services sector and the manufacturing and industry sector reported using digital tools at the same rate prior to COVID-19, though a higher percentage of MSMEs in professional services reported using digital tools during COVID-19. More specifically, 40 percent of MSMEs in the professional services sector and in the manufacturing and industry sector each reported using digital tools for business purposes prior to COVID-19.^{xxxiii} However, a higher percentage of MSMEs in professional services than in manufacturing and industry reported using digital tools for business purposes in the past year since COVID-19 - 54 percent versus 50 percent.^{xxxiv} At the same time, 58 percent of MSMEs in the professional services sector reported that their business closed at some point during COVID-19, compared to 45 percent in the manufacturing and industry sector.^{xxxv} These two findings together suggest that surveyed MSMEs in harder-hit sectors may have turned to digital tools during COVID-19.

However, a different usage pattern emerged when looking specifically at Facebook apps for business use. Initially, a higher percentage of MSMEs in the manufacturing and industry sector (38 percent) reported ever using Facebook apps for business purposes prior to the COVID-19 pandemic than MSMEs in the professional services sector (34 percent).^{xxxvi} However, these percentages were nearly equal in the past year during COVID-19 - 46 percent of MSMEs in the professional services sector and 45 percent in the manufacturing and industry sector reported using Facebook apps for business purposes during this time period. This finding indicates that MSMEs in the professional services sector and the manufacturing and industry sector increased their business-related Facebook apps' usage during the pandemic.

A consistently lower percentage of MSMEs in the retail and e-commerce sector than either the professional services sector or manufacturing and industry sector reported using digital tools across both time periods.^{xxxvii} More specifically, 27 percent of MSMEs in the retail and e-commerce sector reported that they had ever used digital tools for business purposes prior to the COVID-19 pandemic, which increased to 31 percent in the past year since COVID-19.^{xxxviii} Though this survey finding is lower than expected, it may be due to retail and e-commerce MSMEs being combined into a single sector category, rather than two separate categories. This same pattern also holds when looking at Facebook apps for business use. Twenty-four percent of MSMEs in the retail and e-commerce sector reported that they had ever used Facebook apps for business purposes prior to the COVID-19 pandemic, which increased to 28 percent in the past year since COVID-19.^{xxxix} This finding indicates that MSMEs in the retail and e-commerce sector increased their use of digital tools during the COVID-19 pandemic.

^{xxxiii} Not statistically significant per Chi squared test of independence, adjusted p > 0.05

^{xxxiv} Not statistically significant per Chi squared test of independence, adjusted p > 0.05

^{xxxv} Not statistically significant per Chi squared test of independence, adjusted p > 0.05

^{xxxvi} Not statistically significant per Chi squared test of independence, adjusted p > 0.05

^{xxxvii} Use of digital tools prior to COVID-19, in the past year and in the past 30 days between retail and e-commerce sector and manufacturing and industry and professional services sectors: statistically significant per Chi squared test of independence, adjusted p < 0.05

^{xxxviii} Among MSMEs in the Retail & E-Commerce sector, the difference between digital tool use in the past year and digital tool use prior to COVID-19 is statistically significant per Chi-squared goodness of fit test, adjusted p < 0.05.

Among MSMEs in the retail and e-commerce sector, the difference between digital tool use in the past 30 days and digital tool use in the past year is not statistically significant per Chi-squared goodness of fit test, adjusted p > 0.05.

^{xxxix} Among MSMEs in the retail and e-commerce sector, the difference between Facebook apps use in the past year and Facebook apps use prior to COVID-19 is statistically significant per Chi-squared goodness of fit test, adjusted p < 0.05.

Among MSMEs in the retail and e-commerce sector, the difference between Facebook apps use in the past year and Facebook apps use in the past 30 days is not statistically significant per Chi-squared goodness of fit test, adjusted p > 0.05

KEY INSIGHTS FOR POLICYMAKERS

Survey results show that the COVID-19 economic environment negatively affected many surveyed MSMEs' sales throughout Cambodia. A large majority (80 percent) of MSMEs reported that their sales decreased during COVID-19 compared to a typical year. Of these, nearly half (47 percent) reported that their sales decreased by more than half of a typical year; nearly the same percentage (46 percent) reported that their business closed at some point during COVID-19. These survey results align with the findings of the World Bank's September 2020 Business Pulse Survey in Cambodia, which showed that a majority of surveyed firms remained open, though they experienced an average drop in sales of 30 percent.²⁰

Despite reported decreases in sales among surveyed MSMEs, many online MSMEs reported that digital tools helped them adapt to the new economic landscape. For example, nearly three-quarters (73 percent) of online MSMEs reported that digital tools were important or essential to keeping their business running during COVID-19. More than half of survey respondents (67 percent) also reported that Facebook apps in particular



helped them adapt to the COVID-19 environment. Among these online MSMEs, Facebook was most frequently cited as helping them adapt to the COVID-19 environment (66 percent). After Facebook apps, digital payment tools were the second-most frequently cited digital tool (35 percent), followed by messaging apps and other digital tools (11 percent each, respectively). In line with the well-documented phenomenon of technological leapfrogging, by which entrepreneurs in emerging markets bypass the use of established technologies in favor of innovative ones,²¹ online MSMEs in Cambodia appeared to favor newer digital tools, such as social media and digital payments, to help them adapt to the COVID-19 economic environment. Stakeholders in the public, private, and development sectors can support offline MSMEs with the training and skills needed to keep up with online firms that have already leapfrogged into the use of such innovative digital tools as digital payments. This kind of support has the potential to fill the gap between online and offline MSMEs, increasing the likelihood that offline MSMEs can benefit from increased digitalization during Cambodia's journey towards economic recovery.

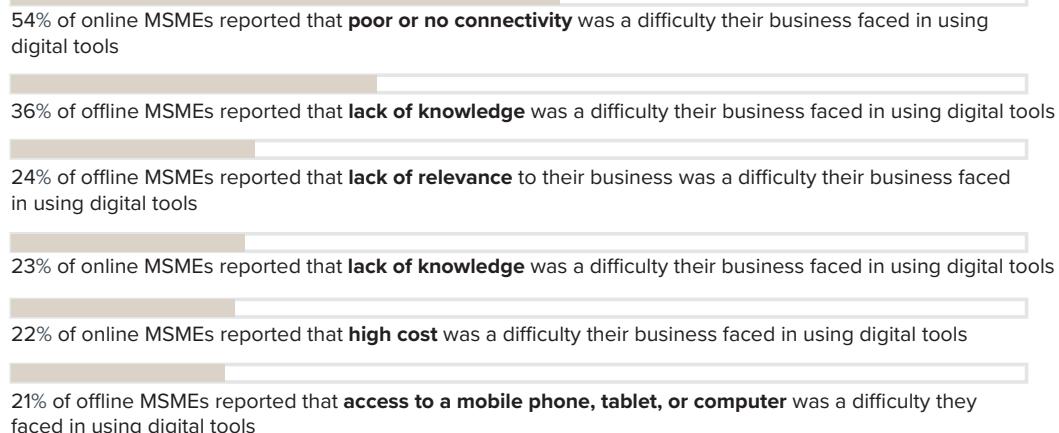
BARRIERS TO THE ADOPTION AND USE OF DIGITAL TOOLS

Internet connectivity was a major barrier faced by both online and offline MSMEs when using digital tools. Online MSMEs additionally reported a lack of knowledge and the high cost of digital tools as further difficulties. While offline MSMEs most cited a lack of knowledge as their most challenging difficulty, they also reported a (perceived) lack of relevant digital tools and difficulty accessing mobile phones, tablets or computers as additional challenges. Both online and offline MSMEs were eager to learn more about using digital tools in their customer-facing work.

An interview with the owner of Kang LakHeng Rice Mill illustrates the challenges that offline MSMEs face when beginning to come online for the first time. It also shows how offline MSMEs in Cambodia are gaining the knowledge they need to use digital tools. See [page 28](#) for full case study.



Poor or no internet connectivity was the most frequently reported difficulty that online MSMEs reported in using digital tools, while offline MSMEs most frequently cited lack of knowledge as a difficulty:





While the largest percentage of online MSMEs reported that poor or no internet connectivity was the most challenging difficulty their business faced in using digital tools, offline MSMEs cited needing more knowledge:

14% of online MSMEs reported that **poor or no internet connectivity** was the most challenging difficulty their business faced in using digital tools

10% of offline MSMEs reported that **needing more knowledge** was the most challenging difficulty their business faced in using digital tools

Both online and offline MSMEs were interested in learning more about digital tools to enhance their customer-facing work:



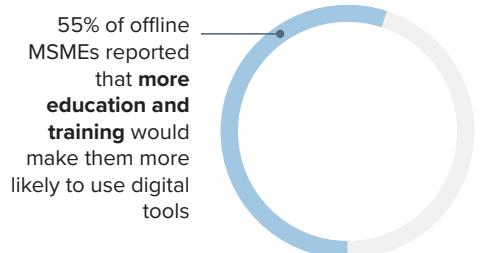
43% of offline MSMEs reported that they were interested in learning more about using digital tools to **find new customers**



46% of offline MSMEs reported that they were interested in learning more about using digital tools to **communicate with existing customers**



46% of offline MSMEs reported that they were interested in learning more about using digital tools to **market their business**





A higher percentage of online MSMEs reported feeling confident in using various aspects of digital tools than offline MSMEs^{xli}:

45% of online MSMEs reported that they **felt confident** using a phone app or computer program to make a voice call or send a voice note

18% of offline MSMEs reported that they **felt confident** using a phone app or computer program to make a voice call or send a voice note

35% of online MSMEs reported that they **felt confident** using the internet to find information or help

12% of offline MSMEs reported that they **felt confident** using the internet to find information or help



A higher percentage of online MSMEs reported being self-taught or relying on friends and family to learn how to use digital tools than offline MSMEs^{xlii}:

65% of online MSMEs reported that they learned how to use digital tools from their **family or friends**

42% of offline MSMEs reported that they learned how to use digital tools from their **friends and family**

71% of online MSMEs reported that they were **self-taught** on how to use digital tools

33% of offline MSMEs reported that they were **self-taught** on how to use digital tools

^{xli} Statistically significant per Chi squared test of independence, adjusted p < 0.05

^{xlii} Statistically significant per Chi squared test of independence, adjusted p < 0.05

KEY INSIGHTS FOR POLICYMAKERS



Both online and offline MSMEs reported facing similar difficulties when using digital tools, though their most frequently cited difficulties varied. Online MSMEs most frequently reported that poor or no connectivity (54 percent) was a difficulty their business faced in using digital tools; the largest percentage of online MSMEs (14 percent) also highlighted this as their most challenging difficulty. The next most frequently reported difficulty for online MSMEs was a lack of knowledge (23 percent), followed closely by high costs (22 percent). In contrast, offline MSMEs most frequently reported a lack of knowledge as a difficulty their business faced (36 percent), followed by a (perceived) lack of relevance (24 percent) and lack of access to a mobile phone, tablet or computer (21 percent). These findings suggest that stakeholders in the public, private and development sectors could consider investments that address common roadblocks for both online and offline MSMEs, such as information sharing and capacity building activities to expand awareness and usage of digital tools. By enabling a greater number of MSMEs to come online with fewer disruptions and difficulties, investments that address limited connectivity and the high costs of data and devices could also encourage more MSMEs to come online and/or increase their use of digital tools.

Survey results showed that both online and offline MSMEs were interested in learning more about digital tools to enhance their customer-facing work. For example, more than half (64 percent) of online MSMEs and less than half (43 percent) of offline MSMEs reported an interest in learning more about using digital tools to find new customers.^{xlvi} A similar percentage of online and offline MSMEs also reported an interest in learning more about using digital tools to communicate with existing customers and market their business. Though offline MSMEs consistently reported less interest than online MSMEs in learning about digital tools, over half (55 percent) of offline MSMEs reported that more education and training would make them more likely to use digital tools. In addition, slightly more than half (51 percent) of offline MSMEs also reported that training on how to use digital tools to communicate with existing customers would benefit their business. These survey results indicate that MSMEs in Cambodia are open to learning about the benefits of digital tools and, in some cases, already understand the value-add to their businesses. It is therefore important to work directly with MSMEs to build their digital literacy and specific skills in their areas of interest, such as engagement with new and existing customers, to quickly demonstrate how digital tools can help them efficiently run their businesses and manage their operations.

^{xlvi} Statistically significant per Chi squared test of independence, adjusted p < 0.05

CASE STUDY

KANG LAKHENG RICE MILL

AGRICULTURE
& FOOD
PRODUCTIONMICRO-
ENTERPRISE

SUBURBAN

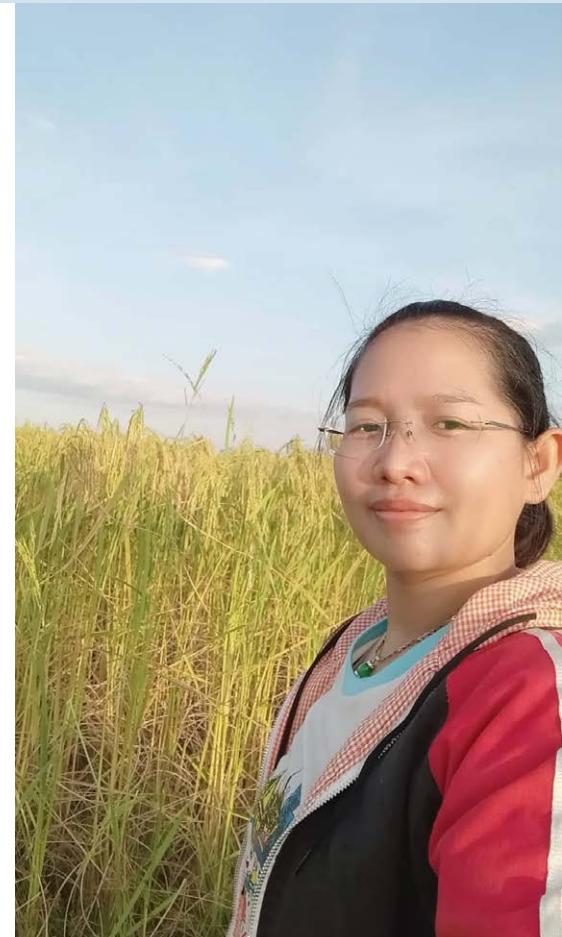
SDG 12:
RESPONSIBLE
CONSUMPTION
& PRODUCTION

Sum Chanzo's family rice mill business sells rice directly to customers in Phnom Penh and internationally to wholesale businesses in Vietnam. In operation for over 30 years, Chanzo's farm employs 30-40 people part-time to harvest crops and four full-time employees to manage the machines. Recently procuring a milling machine to separate refined rice grains, her new equipment produces more high-quality rice products using only compost fertilizer. Kang LakHeng Rice Mill's use of organic methods for harvesting and milling rice directly supports SDG 12: Responsible Consumption and Production. With a limited water supply in the region, Chanzo refrains from using additive fertilizers or chemicals and instead utilizes sustainable agricultural methods, such as composting, to grow organic rice.

As a family business, Chanzo's rice mill depends on the trusted connections and customer networks that her father built over the last 30 years. Instead of using digital tools, she relies on more traditional methods of sales, communications, and hiring, like telephone calls and SMS. However, the COVID-19 pandemic created more demand for Chanzo's rice crops. She plans to increase production capacity, so she would like a better way to identify and reach out to potential new customers. In order to grow her business and meet the growing demand, Chanzo recently participated in a USAID-funded Digital Literacy Training with SHE

Investments. At the training, she learned how to create a personal Facebook page, share information, and post photos. By strengthening her digital literacy skills, Chanzo can better understand how to use digital tools to receive more orders, manage internal resources, and reach suppliers more efficiently.

Though she reported little knowledge or awareness of other Facebook tools and features that would allow her to effectively use the platform to promote her business, Chanzo is interested in using digital tools to promote her business by showcasing her products and attracting visitors to her farm. She also wants to use digital tools to share her organic and environmentally sustainable farming practices with Cambodia's farming community. Overcoming barriers such as limited knowledge about digital marketing resources can empower MSME owners, like Chanzo, to effectively use technology to improve business outcomes and to withstand shocks or shifts in economic activity.



"I do not know much about technology, so I don't know what to expect. But I want to expand my business in the future, so I need a better way to reach out to new customers and Facebook might be the answer to this."

CLOSING REMARKS

With continued improvements in internet connectivity, and targeted interventions to improve digital literacy, Cambodia's MSME sector will be well-positioned to harness the power of digital tools to improve business outcomes and become more resilient to future economic shocks. While less than half of MSMEs surveyed in this study were online, those that were largely recognized the importance of digital tools in keeping their businesses running during COVID-19. These findings present a rich opportunity for policymakers and other stakeholders to make a case for greater uptake of digital tools among MSMEs, and to identify targeted solutions addressing poor connectivity and low digital skills. With Facebook apps far outpacing other digital tool usage amongst online respondents, stakeholders could take advantage of the network effect to draw offline businesses into the online world.

Both online and offline MSMEs report a need for training: online businesses surveyed reported a desire for additional training in specific aspects of using digital tools for business, while offline businesses surveyed reported a desire to learn how to use digital tools for business, recognizing that such training would benefit their business. Looking ahead, it will be important to provide targeted, appropriate interventions to address connectivity and digital literacy barriers while continuing to enhance the skills of online MSMEs to further amplify their use of digital tools. Promoting equitable digital tool usage within Cambodia's MSME sector will help build a Cambodian economy that is resilient to the COVID-19 pandemic and future shocks. MSMEs that are poised to grow and scale as the pandemic recedes will accelerate economic growth outcomes and support Cambodia in achieving its SDG commitments. Ensuring that the MSME sector can participate in and benefit from digital transformation is crucial to fostering the inclusive and resilient growth of Cambodia's economy.

APPENDIX I: METHODOLOGY

OVERVIEW OF THE SURVEY DESIGN

Between June 14 and July 23, 2021, Ipsos conducted 997 in-person interviews of enterprises via computer-assisted personal interviewing (CAPI) to better understand their use of digital tools as well as their challenges and barriers to digitization.^{xliii} The sectors of focus for the research included agriculture, food and beverage, retail/wholesale, and processing manufacturing.

The sample for the study was defined to include and be limited to Cambodia's micro (one employee), small (2 to 9 employees) and medium (10 to 249 employees) business populations^{xliv} (summarized as "business size" in the text). Official statistics from the National Institute of Statistics of Cambodia²² including the Cambodia Inter-Censal Economic Survey (2014) and the Economic Census of Cambodia (2011), were used as a basis to estimate the proportion^{xlv} of businesses for each business size and to establish targets by business size (measured by the number of employees). The lists were also used to set targets by province and urbanicity (urban, suburban and rural) within Cambodia.

The targets for business size were set to approximate the distribution of the business population by business size across all of Cambodia, however these estimates are imperfect as the official statistics on which they are based do not include informal businesses and are not sufficiently recent to account for the impact of COVID-19 on business operations. Due to the lack of reliable official statistics, the data is not considered to be representative of the entire MSME formal and informal business population in Cambodia.

Further, a minimum target of 150 women-owned businesses was set for the sample. This means that if 150 interviews were not reached when the final sample size was achieved, then additional interviews would be conducted to ensure the sample included 150 interviews with women-owned businesses. In Cambodia, this minimum was achieved naturally and no oversample was required.

Based on these estimates, the sample targets were allocated as shown in the figure below, which also shows the actual counts achieved from fieldwork:

BUSINESS SIZE		GEOGRAPHIC COVERAGE				BUSINESS OWNER GENDER		
	TARGET	ACTUAL		TARGET	ACTUAL		TARGET	ACTUAL
Micro	770	751	Urban	700	783	Women	Min 150	795
Small	130	145	Suburban	N/A		Men		202
Medium	100	101	Rural	300	214	Unspecified		

Sample proportions in Cambodia

^{xliii} This is one in a series of 12 country reports about micro, small and medium-sized enterprises' (MSMEs) use of Digital Tools in South America and Asia. The forthcoming global report will contain a complete description of the research and survey methodology.

^{xliv} Across all business size groupings, employees include the respondent (an owner or top-level manager of the MSME), any full-time employees or workers, and any part-time employees or workers.

^{xlv} These were considered estimates, as the official statistics do not include informal businesses and are not sufficiently recent to account for the impact of COVID-19 on business operations.

SAMPLE DESIGN

The sample design is a multistage stratified cluster sample. This means that the population was divided into geographic blocks (a “cluster”) and then through stages, each time selecting a more limited geographic unit until the final sampling unit for interviewing was selected. Specifically, the two geographic units and the sampling unit defined at each stage were the following:

- **PSUs:** Ipsos designated eight provinces as PSUs out of 25 eligible PSUs. Four of the eight were selected due to their importance as commercial centers (Phnom Penh, Siem Reap, Battambang, Kampong Cham). Four additional PSUs (Kandal, Kampong Thom, Banteay Meanchey, and Prey Veng) were selected randomly from the remaining provinces .
- **SSUs:** Ipsos then stratified the PSUs into urban, suburban and rural districts. These districts are the secondary sampling units (SSU). In total, 26 SSUs were selected out of a total of 83 districts in the PSUs. These 26 SSUs were selected randomly within the PSUs.
- **Individual businesses:** Within each city and rural area, enumerators identified businesses to contact by using the random walk method. That is, after beginning at a random spot within a demarcated geographic area selected by the project management team based on their knowledge of local business districts, enumerators counted off and approached every ‘Xth’ business, where ‘X’ was a randomly selected number provided on their interview sheets. First, they walked on the right-hand side of the street and turned right until they had walked around the entire perimeter, then they repeated the same process on the left side of the street. For the purposes of this survey, Ipsos enumerators only made contact with businesses with a storefront, booth or signage.

Once a business was identified, enumerators proceeded to gain consent for the interview. If the respondent agreed, the enumerator administered the screening questions and, if qualified, conducted the survey. If a business was not available, or the respondent requested that the interview be rescheduled, enumerators made three attempts to reach the business. If the enumerator was unable to reach the business after these three attempts, then that business was marked as a refusal (see figure below). Survey participation was completely optional, dependent on explicit respondent consent, and non-compensated. Enumerators administered the screening and survey using pre-programmed tablets for data entry, ensuring consistency in the questionnaire administration.

	CAPI
Contacts	2635
Completes	997
Refusals	1097
Response rate	37%
Refusal rate (refusals / contacts)	42%

Response and refusal rates in Cambodia^{xlvi}

^{xlvi} By showing only the response rate and refusal rate, this figure shows a limited set of the outcomes possible. The full set of dispositions includes outcomes such as ineligible respondent (e.g., not owner or top-manager), ineligible company or suspended interview. The response rate and refusal rate calculations are not inclusive of the complete set of outcomes and therefore do not add to 100%. Please see [AAPOR Response Rate 3 methodology](#) for more details.

The target allocation and actual completes by regions are detailed below:

DISTRICT	TARGET	ACTUAL
Banteay Meanchey	68	71
Battambang	100	100
Kampong Cham	155	152
Kampong Thom	57	57
Kandal	108	108
Phnom Penh	293	291
Prey Veng	91	90
Siem Reap	130	128
Total	1,002	997

Sample Weighting

Based on the fieldwork dispositions, the raw survey data was weighted to account for the variation in non-response by urban and rural designations and by gender. Specifically, Ipsos applied the following:

- **Design weight:** A weight by strata (province) was applied to adjust the sample to be proportionate to the number of people within each province, as determined by the 2019 Census data.²³ Data on population counts, such as this Census data, is considered to more closely align with estimates of total (including informal) business counts.
- **Non-response weight:** Weights were applied by urbanicity (urban / rural) and gender of respondent within strata based on response rates. For example, if an enumerator approached a business in province X with a female respondent, and they were ultimately marked as a refusal, the enumerator would still keep track of the fact that a female respondent was approached. During weighting, province X would be weighed to reflect the number

of female and male respondents who were approached. Without these weights, the survey results would be biased by propensity to respond based on respondent gender and urbanicity.

These two weights were combined to create one overall final weight applied to all data points. The design effect for Cambodia is 1.08.^{xlvi}

Ipsos carefully considered a broad spectrum of additional weights to be applied, but was limited by a lack of reliable data sources to weigh on. For example, weights were not applied by company size as there are no reliable population statistics that define the proportion of businesses throughout Cambodia by company size. Cross-national weights were also not applied. The purpose of a cross-national weight would be to make the data in this report comparable to data for other country reports in this series. Similarly, there was no reliable data source that could account for country sampling differences in fieldwork timing and survey modes.

^{xlvi} The design effect is the ratio of an actual variance of an estimator that is based on a sample from some sampling design, to the variance of an alternative estimator that would be calculated (hypothetically) using a sample from a simple random sample (SRS) of the same number of elements. A design effect less than one indicates that the sample design has a smaller variance (is more efficient) than the hypothetical SRS design, whereas a design effect greater than one indicates that the sample design has a greater variance (is less efficient). Kish, Leslie (1965). "Survey Sampling". New York: John Wiley & Sons, Inc. ISBN 0-471-10949-5."

A weight by business size was not applied as the actual counts achieved through natural fallout closely matched the targets by business size set using the National Institute of Statistics of Cambodia²⁴ (see figure on page 30).

Finally, a modal weight was not applied. Weighting by mode was rendered moot as there was only one mode used in the study for interviewing: namely, in-person CAPI interviewing.

Due to the limitations of the weighting strategy discussed here, the sample should not be considered to be wholly representative of formal and informal businesses in Cambodia.

COVID-19 Protocols

Extensive COVID-19 protocols were observed during CAPI interviews: only 2-3 people were allowed at each interview location, two meters apart. Enumerators wore masks and gloves during all interviews – which they removed, cleaned, and stored or disposed of after every six hours of wear – and sanitized their hands before and after every interview.

Limitations to the Survey Design

While every effort was made to ensure representativeness of the data, there are several limitations to the survey design. In terms of coverage limitations, the use of random-walk sampling methods in urban and non-urban areas could mean that MSMEs associated with certain characteristics could have a higher likelihood of agreeing to participate in the survey - for example, a grocery store owner would be more apt to agree to participate in a survey during slow business hours than an MSME owner engaged in physical labor. This may lead to overcoverage or undercoverage of certain business sector types. Another key coverage limitation relates to the exclusion of any household-based businesses without signage or storefronts and the geographic coverage; F2F interviews were conducted with businesses with a storefront, stand or stall and/or signage. The random walk methodology may also limit the inclusion of multiple businesses at the

same location. For multi-story buildings, enumerators were instructed to treat the building as part of the random walk and choose one MSME (or multiple depending on the interval and building size) from the location for screening and consent; however, if multiple businesses are operating from one space or location in the building, only one would be eligible. This limitation would also apply to multiple businesses sharing a stand or booth as only one of the business owners or top-level managers would be screened for qualification and consent.

In terms of geographic coverage limitations, firms selected for interviews were from the targeted SSUs listed above; all firms outside of these areas were not included in the sampling frame.

There were also limitations resulting from COVID-19 specific challenges. These included the impact of social distancing-related restrictions on response and completion rates and the impact of COVID-19 on respondent business outcomes and behavior. Although this study accounts for unit non-response weighting on certain characteristics, there is no way to weigh on unobservables such as individual propensity to participate in a survey during a pandemic.

An additional key limitation related to weighting was the lack of post-stratification weights, particularly for national level calculations and estimates. Without complete data on formal and informal MSMEs for benchmarking, it was not possible to implement post-survey adjustments to reflect the true composition of Cambodia's MSME structure. Although the sampling process captured variation in Cambodia's MSME structure regarding size, industry, and individual characteristics of business owners, any national level figures were not adjusted or corrected to reflect business population characteristics.

Finally, the use of two-stage cluster sampling represents a limitation on the precision of estimates. This may have led to larger standard errors for estimation at a detriment to the overall precision of results.

NOTES ON ANALYSIS

The primary methods of analysis used in this report are ratio estimations and Rao & Scott's Chi-squared test of Independence to determine statistical significance. All questions required a response to be entered, enabling the interviewer to continue to the next question. All questions included a "don't know" option code and a "refused" option code. These were considered valid responses and were included in the base for a question. The percentage of respondents that refused to answer a question for which they were eligible ranged from 0-6%, depending on the question.

Reported survey results were calculated with a base of all respondents (the total sample), or on all surveyed online MSMEs or surveyed offline MSMEs. The base is specified for each data point. The sample size of online MSMEs and offline MSMEs are both smaller than the base of all surveyed MSMEs. Certain data points may

also reflect the results for a subgroup of respondents, such as women-owned businesses or those within a region.

Footnotes are included throughout the report to make note of the analyses conducted, including the corresponding statistical tests and associated outputs. For all tests of statistical significance, the results should be interpreted as levels of association and not causality. Our main criteria for determining statistical significance is the 95% confidence level. For each disaggregate percentage estimation highlighted in the report, the p-value in relation to alpha (less than or equal to .05 or greater than .05) is reported as a footnote.

Additionally, findings and results reported here should not be considered representative of Cambodia's MSME sector due to the limited geographic scope of the survey, among other considerations.

APPENDIX II: SUMMARY OF MSME AND RESPONDENT CHARACTERISTICS

CATEGORICAL VARIABLES		UNWEIGHTED N	UNWEIGHTED %	WEIGHTED %	UNWEIGHTED STDERROR	WEIGHTED STDERROR
Online Status	Offline	556	55.8	54.9	1.57	1.63
	Online	441	44.2	45.1	1.57	1.63
Gender Ownership	Men-owned	202	20.3	22.1	1.27	1.4
	Women-owned	795	79.7	77.9	1.27	1.4
Urbanicity	Rural	214	21.5	21.4	1.3	1.29
	Suburban	2	0.2	0.1	0.14	0.08
	Urban	781	78.3	78.5	1.31	1.29
Business Size	Micro	751	75.3	74.7	1.37	1.44
	Medium	101	10.1	10.7	0.96	1.05
	Small	145	14.5	14.6	1.12	1.16
Business Vertical	Agriculture and food production	28	2.8	2.7	0.52	0.51
	Hospitality	196	19.7	19.4	1.26	1.27
	Manufacturing and industry	144	14.4	15.4	1.11	1.21
	Professional services	27	2.7	2.6	0.51	0.52
	Retail & eCommerce	341	34.2	33.8	1.5	1.49
	Other	261	26.2	26	1.39	1.43
Region	Banteay Meanchey	71	7.1	9.6	0.81	0.28
	Battambang	100	10	11.1	0.95	0.11
	Kampong Cham	152	15.2	10	1.14	0.18
	Kampong Thom	57	5.7	7.6	0.74	0.06
	Kandal	108	10.8	13.4	0.98	0.14
	Phnom Penh	291	29.2	25.4	1.44	0.24
	Prey Veng	90	9	11.8	0.91	0.11
	Siemreap	128	12.8	11.3	1.06	0.08
Owner Education	No formal education or less than primary education	39	3.9	3.9	0.61	0.63
	Primary education	292	29.3	29.3	1.44	1.5
	Secondary education	516	51.8	52.1	1.58	1.65
	University education or higher (degree)	128	12.8	12.7	1.06	1.08
	Vocational or technical education or training	10	1	0.9	0.32	0.31
	Don't Know	12	1.2	1.1	0.35	0.34

	18-24	65	6.5	6.3	0.78	0.8
	25-34	306	30.7	30.2	1.46	1.51
	35-44	351	35.2	35.2	1.51	1.57
Owner Age	45-54	163	16.3	16.3	1.17	1.21
	55-64	94	9.4	9.9	0.93	0.99
	65 or older	15	1.5	1.7	0.39	0.45
	Don't Know	3	0.3	0.3	0.17	0.18
	No formal education or less than primary education	40	4	4	0.62	0.64
Respondent Education	Primary education	296	29.7	29.5	1.45	1.51
	Secondary education	524	52.6	53	1.58	1.64
	University education or higher (degree)	126	12.6	12.4	1.05	1.07
	Vocational or technical education or training	11	1.1	1	0.33	0.33
	Banked	327	32.8	32.6	1.49	1.53
Banking Status	Unbanked	662	66.4	66.6	1.5	1.54
	Don't Know	4	0.4	0.4	0.2	0.21
	Refused	4	0.4	0.4	0.2	0.19
Respondent Role	Owner	966	96.9	97	0.55	0.56
	Top-level manager, not an owner	31	3.1	3	0.55	0.56
	Both businesses and individuals	173	17.4	17.9	1.2	1.23
Client Type	Primarily Individuals such as consumers or customers	750	75.2	76.5	1.37	1.29
	Primarily businesses	74	7.4	5.6	0.83	0.6

NUMERICAL VARIABLES	UNWEIGHTED N	UNWEIGHTED MEAN	WEIGHTED MEAN	UNWEIGHTED STANDARD DEVIATION	WEIGHTED STANDARD DEVIATION
Respondent Age ¹	997	38.6	38.9	11.2	11.3
Business Age ²	997	6.4	6.4	7.1	7
Number of Owners ³	997	1.6	1.6	2.1	2.1

¹ Other possible response options: Don't Know (0), Refused (0)

² Businesses in operation less than one year (137) coded as 0. Other possible response options: Don't Know (0), Refused (0)

³ Other possible response options: Don't Know (0), Refused (0)

ENDNOTES

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