

A STUDY OF WOMEN ENTREPRENEUR DEVELOPMENT IN SMALL AND MEDIUM ENTERPRISES IN CAMBODIA: CHALLENGES AND OPPORTUNITIES

UNE ÉTUDE SUR LE DÉVELOPPEMENT DES FEMMES ENTREPRENEURS DANS LES PETITES ET MOYENNES ENTREPRISES AU CAMBODGE: DÉFIS ET OPPORTUNITÉS

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ABSTRACT

Millennium Development Goal Number 3 aims to promote gender equality and empower women. Although Cambodia is a signatory country and is determined to achieve this goal, it is very difficult to change the mindset of people who generally believe that men are superior to women. In fact, women play very important roles in Cambodian families. They are the ones who take care of children's schooling, food and relatives as well as family finances. Women are becoming entrepreneurs of small and medium enterprises (SMEs) and play a crucial role in the economic growth of the country by generating income and employment contributing to governmental poverty eradication policies. In-depth interviews explore the challenges and opportunities faced by the women in a high context culture such as Cambodia. The study shows that women entrepreneurs faced distinctive challenges in the early part of SME development in terms of social problems, marketing problems, lack of government assistance and financial problems. The findings lead to some suggested strategies to contribute to greater success rates for women entrepreneurs.

KEY-WORDS: Cambodia, Small and Medium Enterprises (SMEs), entrepreneurs, gender issues

1. INTRODUCTION

After several decades of war, Cambodian industry and infrastructure was totally destroyed. Lacking foreign investment in heavy industry and the presence of multinational enterprises (MNEs), micro and small enterprises (MSEs) development was considered an appropriate strategy to create more job opportunities as well as promote local productivity in order to push economic development in an era of globalization and liberalization. The majority of the actors working in MSEs have been found to be women who act as owners, entrepreneurs and managers, as well as employees, home-workers and unpaid family labour (Corner, 1998).

Previous research into cultural values and its implications toward business practices in Cambodian society (Ty, 2008) found that Cambodia has a strong tendency toward matrilocality, which leaves women in a position of relative strength. The fact that women control family finances may not be regarded as much of a sign of superiority but does represent real power in practical terms. However, women have much less access than men to the highest positions of political and economic power.

In Cambodian society, women are supposed to take care of family welfare, including domestic services as well as assuring that education and healthcare is available. They are also responsible for day to day cash management and savings. To promote family finances, many women enter the labour market in addition to their existing duties. Women with sufficient education will enter the formal sector (e.g. government, private company, non-governmental organizations (NGOs)), while others would work in the informal sector (e.g. construction, street vending, hairdressing), where demand for labour is constantly strong.

In addition to complex multi-tasking roles women are required to sustain, they also face problems in running competitive businesses owing to lack of education or skill, low status, access to finance and obtaining support from public and private institutions. They must prove their abilities in the face of their families in order to gain the support they need to continue. This study aims to investigate the challenges and opportunities faced by Cambodian women in this area.

2. CONTEXT OF SMEs IN CAMBODIA

Cambodia is at the crossroads of economic development. Development is taking place in an increasingly competitive regional and international marketplace, making it imperative that SME issues and challenges are successfully identified and addressed. However, Cambodia does not have a legal definition of what constitutes an SME. The problem with defining a small industry on the basis of the extent of capital is that the cut off point needs to be revised over time in order to allow for inflation. However, because not all firms revalue their capital in a uniform manner, inconsistencies can also arise. An additional problem with defining SMES is that any definition must serve several purposes. Cambodia does not yet have a legal definition of what constitutes an SME. Instead, they have been variously defined in terms of either value of fixed assets excluding land, size of employment or a combination of the two. The lack of a definition of SMEs has led to uncertainty and confusion. According to the Ministry of Industry, Mines and Energy, one definition could be based on employment and another on size of capital in real terms. SMEs in Cambodia are divided into three sectors:

- Production sector including agricultural processing, manufacturing, and mining
- Service sector
- Trading sector including wholesales and retails

There are four types of enterprises which are defined according to the number of employees and the value of fixed assets (excluding land), such as micro enterprises, small enterprises, medium enterprises and large enterprises. Micro enterprises employ fewer than 10 people and have fixed asset values of less than US\$50,000; small enterprises consist of not more than 11-50 employees and fixed assets value between US\$50,000-250,000; medium enterprises have between 51-100 employees with the value of fixed asset around US\$250,000-500,000; and finally large enterprises employ over 100 people and have fixed assets value of more than US\$500,000 (Sub-Committee on Small and Medium Enterprises & SME Secretariat, 2005, p.13).

3. WOMEN ENTREPRENEURS IN CAMBODIA

“The majority of Cambodian men believe that Cambodian women are naturally timid, docile, and less capable than they are. The fact that these same men may have wives, mothers and sisters who run businesses, work in private and government organizations, and share equally in family decision-making has nothing to do with the dominant notion of abstract Cambodian womanhood. This view permeates to the highest levels of the political apparatus (Jacobsen, 2008, p. 270).”

Cambodian women, historically, have played an important role in society not only as family chiefs but also as contributors to key sectors of Cambodia's economy such as agriculture, garments industry, local markets and the informal economy. That role was greatly increased by the effects of the Pol Pot era, when many more men than women were killed and remaining women had to struggle with the social and personal implications of the gender imbalance and with the need to take a greater role in the labour market (Boua, 1982). According to research conducted by the Asian Development Bank (ADB) (Cambodia: Sustainable employment for women, Feb. 2008), Cambodian women's earnings cover more than half of household expenditures. Women comprise 52% of the population, with 80% living in rural areas. They make up half of the economically active population; and have the highest labour force participation rate (75%) in Southeast Asia (Cambodia: Sustainable employment for women, Feb. 2008). The same report mentioned that about 79% and 82% of female employment involves being self-employed or unpaid family workers respectively (Cambodia: Sustainable employment for women, Feb. 2008).

Cultural barriers define the role of women in the economy. They are expected to work inside the house in providing domestic services while men are expected to be household leaders and to work outside the house. This situation, ambivalent as it is, nevertheless determines the opportunities women have to receive education and to gain inherited income for entrepreneurial activities and they have to struggle against the expectation that they will confine

themselves to household duties. Women, consequently, have tended to end up in low-skill and low-income jobs, both because of restricted choice and because women's work tends to be lowly valued (Ministry of Economy and Finance, 2006, p. 34). These gender issues are embedded in the culture and structural in nature (Ty, 2008). Since Cambodia is a hierarchically ordered society with strong notions of power and status, this reflects both on the condition of social relations and the relations of production. Not only is it very difficult for women to control the resources necessary to organize a business effectively, they must also defer to social norms in their choices in the personal sphere. Consequently, it is socially unacceptable that Cambodian woman marry to a man who has lower education. This attitude limits girls in pursuing further education since it reduces their ability to marry and is rarely supported by their families. Further, women are not encouraged to have higher position than their husbands, although it is acceptable for women to be involved in trade to support the family and also allow their husbands to maintain a low salary but high status government position. Cambodian women are expected to confine themselves to the domestic world and there is little if any concept of them seeking fulfillment in outside the house activities. This is directly antithetical to the Schumpeterian concept of entrepreneurialism as a form of administration of creative destruction that requires constant monitoring of market activities. Research among street vendors in Bangkok, for example, indicates the importance of constantly interacting with actual and potential customers in order to understand the nature of changing and evolving demand (Maneepong and Walsh, 2008).

Although Cambodian women comprises 52% of the active population and 74% of women are in the labour force, their representation varies considerably in different areas of the labour market. For example, less than 9% of senior managers and national decision makers are women, while 66.8% of primary employment in manufacturing and 74.5% of employment in wholesale and retail trade is taken by women. Two types of constraints that women engaging in micro and small enterprises have been facing are (1) economic constraints such as lack of information, technology, credit, land and markets; and (2) socio-cultural constraints, for example 49% of women are illiterate; while 35% of literate women have only completed less than the primary school level of education, thus they suffer from low self-confidence; limited choices; multiple demands on resources and time (Ministry of Women's Affairs [MoWA] and ADB, 2001). However, despite these problems, the International Labour Organisation (ILO) reports that Cambodia is one of only two countries in the Asia Pacific region to report a decline in income inequalities between 1990-2000, when data became available (ILO, 2008, p.9), although this seems to have resulted from the improvement in salaries at lower levels by increase in foreign investment in low labour cost manufacturing projects. This tends to benefit women more than men, in terms of income generation, since so many of the new jobs are aimed at women.

4. METHODOLOGY

The study makes use of both published secondary sources and a primary survey. The study was conducted, in the Cambodian language, in Phnom Penh municipality, capital city of the Kingdom of Cambodia. There are several reasons for choosing Phnom Penh as the study area: (1) many SMEs are actively concentrated in the city where abundant population and economic activities exist and (2) it is easily accessible for the researchers. 61 women entrepreneurs were selected as the sample by using face-to-face interviews and semi-structured questions as well as convenient snow-balling technique for choosing one interviewee to another via the introduction of the previous respondent. In the study, a fairly large number of women entrepreneurs are pursuing a variety of activities such as tailoring, handicrafts, small restaurant, hairdressers' services, education services, etc. Phnom Penh has, since the desolation inflicted by the Khmer Rouge, increasingly become a city characterised by change driven principally be commercial activities (e.g. Osborne, 2008). The survey is exploratory in nature because of the low level of knowledge that still exists about women entrepreneurs in Cambodia, especially those operating businesses which are not of the street vending nature. The nature of interviews was semi-structured in that the core questions were asked of each respondent in the same way so as to provide a basis for comparison. However, space was provided during each face-to-face interview for respondents to explore issues in greater detail or to raise additional issues not originally included in the questionnaire. The questionnaire itself was developed as a result of initial exploratory research informed by other survey instruments developed for use elsewhere.

5. STUDY RESULTS AND ANALYSIS

5.1 Respondents' Personal and Business Profiles

The majority of the sample of women entrepreneurs were between 21 to 50 years old (65.6%). The remaining 29.5% were 51 to 60 years old, and 4.9% were above 60. More than two thirds were (67.2%) were married, 24.6% were single, 3.3% living separately and the remaining 4.9% were divorced. The women in the sample were better educated than average, with 45% having a university degree and only 6.6% having no more than primary school education.

Most respondents had more than one job or duty. The living costs in Cambodia have become comparatively high recently, especially because so many important items, including clothing, office supplies, machinery and manufactured items have to be imported from Thailand, Vietnam or China. Economic freedom has grown and people have greater aspirations for consumer goods and future opportunities and so women are more likely to take on second jobs. This study found that 25 women entrepreneurs claimed to work for the private sector, 27 for the informal sector, 3 work for the government and 5 for NGOs or International NGOs.

Most businesses were comparatively young, with 6 entrepreneurs having started their business within the past year, 21 between 1-3 years, 14 between 3-5 years, 10 between 5-8 years, 5 between 8-10 years and the remaining 3 longer than that. At start-up, most businesses with low levels of employment (fewer than 10) had more men than women. For larger start-ups (more than 10 employees), women employees were more common than men. A similar although slightly less evident pattern exists with current employment patterns. This suggests that the entrepreneurs perceive that specific jobs or types of work are more suited to one of the genders. Most of the businesses surveyed had increased in size in terms of numbers of people employed, both male and female, as would be expected from businesses which had survived.

The range of businesses operated included manufacturing, retail and services. Ten entrepreneurs offered educational services, which have become popular since the opening of the economy has shown the possibility of improvement for those Cambodians who can speak English and Chinese, in particular, with Korean and Japanese also becoming more popular (Sokchea, 2008). Other popular areas included construction materials (7 businesses), food production (7), import and export (5), transportation (5) and commodity retail (4). A wide range of other businesses, largely in the retail service sector, was also observed. The most common form of corporate governance was partnership or co-ownership (16), with another 8 operated as family businesses. Seven businesses were in the form of limited liability companies and 6 more were sole proprietorships. However, that so many (19) did not specify their form of organisation suggests that many of them were unofficial in nature.

When asked why they had chosen the type of business they did, 32.8% talked in terms of personal knowledge and experience, with equally large proportions (27.9%) reporting the entry of a new product/service in the market or else the low start-up investment costs. 50.8% of respondents answered further that they began business because they felt it was better than remaining idle or wasting their time in a salaried position. Meanwhile, 21.3% felt they had a natural entrepreneurial spirit and 13.1% replied that they were following the advice of family or friends. Only a very small proportion of entrepreneurs replied that they had been forced or compelled to establish their business.

5.2 Challenges faced by woman entrepreneurs

Problems that women entrepreneurs face are many and varied and change in time and geographical location. Respondents were asked to identify problems and challenges, if any, at start-up, decision-making behaviour, mobility constraints, financial problems, marketing constraints and government assistance. Previous research had indicated that these areas were of considerable importance for women entrepreneurs in establishing their operations (Southiseng et al., 2009 forthcoming).

The principal problem involved at start-up centred on the personal and family situation. 47.5% of respondents reported a problem of balancing work with being a housewife, while 23% answered that they had no support from their families. 14.8% of respondents reported resistance from their husband's families and 9.8% spoke of the indifferent or hostile attitude of society towards women entrepreneurs. General backbiting by other people was reported by 3.3% of respondents.

In terms of decision-making, the majority of respondents (67.2%) preferred to make decisions together with their business partners or family members, while 29.5% preferred to make decisions independently. It appeared that the women were more likely to make their own decisions when they had more experience and the stakes were lower in terms of amount of capital invested. Nevertheless, most of the women seemed content to be part of a partnership of some sort and to spread responsibility.

Mobility constraints is another area of relevance to women entrepreneurs, since Khmer culture historically dictated that even when women were permitted to become involved in business, they should do so close to their home and family. Single women should remain in the proximity of their parents and married women in the proximity of their husbands. In the sample, 55.7% of women answered that they would be prepared to move to help their business. This indicates the element of liberation which it is possible to achieve through entrepreneurialism. Of the remainder, 9 respondents of 21 spoke about lack of resources and another 8 the lack of a fully-formed business mind. It is possible that some of these women would be able to have the resources they might need if greater support were available but it is not possible to be certain.

Most of the entrepreneurs established their business with their own funds or those of their families or partners (or some combination of these sources). 19.7% used their own savings, 16.4% were sponsored by their families, the same proportion jointly invested with their friends and 14.8% relied on partners making investments. 23% were able to use external sources, whether money lenders or bank loans. In terms of financial problems, the most commonly reported problem (32.3%) is that they were unable to provide collateral security to obtain finance – a problem previously highlighted by the influential work of de Soto (2001). Another 29.5% complained about the tight repayment schedule, 21.3% that they could not understand issues involved in borrowing and repaying money and, finally, 16.4% felt that institutions were reluctant to lend money to women entrepreneurs.

When respondents were asked what were the principal marketing-related problems that they faced, they produced a variety of different issues. 21.3% had difficulties in distinguishing between genuine and pirated items available in the market, 13.1% that they did not have resources to conduct advertising, 11.5% that they faced lack of interest in their products from customers, 9.8% that they lacked information on market conditions and the same amount spoke about problems related to collecting payments, while another 8.2% bemoaned their own lack of pro-active entrepreneurial attitude. 6.6% would prefer to move their location but lacked the resources to do so. It is clear that government action could reduce or remove some of these problems.

Although government has begun to provide services for SMEs and entrepreneurs, few (8) of the respondents questioned in this study had actually been able to obtain them. Those that did either received training (4) or advice and support from a business association (4). Respondents claimed that obtaining access to government services was difficult, time-consuming and expensive. Corruption was commonly cited as a problem, as well as discrimination against women, although this was much less frequent. Excessive paperwork was also cited. The government has launched the 'One Village One Product' night market project and invited producers to sell their projects directly through this outlet for free. However, those entrepreneurs who wished to take advantage of this opportunity, which was anticipated to be popular with foreign tourists, found that they had to pay a number of different fees for licenses and other reasons which they believed were just bribes. This is just one example of a pervasive problem.

6. CONCLUSION AND RECOMMENDATIONS

The women entrepreneurs interviewed for this study indicate that they have had many problems to overcome in establishing their businesses. Some of these are common to all entrepreneurs and some are specific to women. Throughout history, Khmer women have been responsible for both the internal and external affairs of their families. Their efforts have helped to keep society bound together to the extent that it has been. This took place even though women were not accorded equal rights as men and had much fewer opportunities to receive education. Indeed, education was often considered to be an impediment to a girl obtaining a good husband and family, which was considered to be her principal goal in life. In the modern world, education is the main means by which more women might be able to become entrepreneurs and hence help in job creation and poverty eradication. Such education has both formal and informal components. Formal education provides skills and knowledge necessary to perform a job and also widens the horizon of opportunities which may subsequently be pursued, as well as assisting in providing

greater self-confidence. Informal education, which takes place outside the classroom or other location where formal education takes place, helps provide such abilities as management skills for SME development, financial management, marketing skills, personal interaction and human resources skills and other important business and life skills. A well designed training and study curriculum would be a good tool to cater to the needs of all entrepreneurs and should, preferably, be open access and free for all those people who would like to take advantage of it.

Most of the women entrepreneurs who are able to establish contact with their customers are usually able to provide a reasonable or high level of satisfaction to their customers. This will increase if a greater degree of rule of law is enforced over commercial activities in Cambodia, especially in the capital city of Phnom Penh. Intellectual property rights protection and enhanced transparency of decisions by regulatory bodies will be important areas in this attempt.

It is recommended that some successful women entrepreneurs should be promoted as role models which other women might like to emulate. This will provide other women with both practical information and an uplifting example and might help persuade those who wish to do so to take the opportunity to embark upon an entrepreneurial career. Promotion would also need to focus on the women following dual roles, including domestic duties as well as entrepreneurialism so as to convince husbands and other important family members that their roles will not be undermined and will be more supportive of the woman's activities. Where possible, therefore, the woman will be freed from some of the duties of the dual role, although this will take a long time to achieve.

Acquiring financial credit from the banking system remains a challenge for both men and women entrepreneurs in Cambodia because of the complexities involved in loan document preparation and the weak financial infrastructure. Adequate arrangements must be made for credit facilities at appropriate concession rates for women entrepreneurs in view of their growing needs. Women entrepreneurs should work in groups in order to maximize their strength to cover the loan borrowing and repayment requirements.

Additionally, one important stakeholder who should not be forgotten is the government agency. The Secretariat of SMEs Committee should finalize the SME framework, providing regulations and laws to reduce the complexity of administration for SMEs entrepreneurs who wish to register legally. As mentioned earlier, the SME secretariat could not define the number of SMEs in the country because most of them are unlicensed due to complicated and long application processes and widespread corruption. Government agencies generally need to be strengthened and provided with additional necessary resources and technical capacity to carry out their mandated functions appropriately.

It is hoped that future research will feature a more extensive quantitative survey of entrepreneurs in different locations throughout Cambodia.

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