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VOICES of Cambodian Women Entrepreneurs



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Introduction

Voices of Cambodian Women Entrepreneurs





Women entrepreneurs are important contributors to private enterprise development in Cambodia. A significant number of micro and small business owners in Cambodia are women and they are important creators of jobs, especially in smaller communities and rural areas where job creation is crucial.

However, despite their importance, the achievements of women entrepreneurs are largely unrecognized. As studies show, while women have equal rights according to the law, they face considerable challenges in starting, operating, and expanding a business.

Due to their usually lower levels of education and training, women find it harder to access and interpret regulatory information. They also find it harder to negotiate with predominantly male authorities, and to borrow money. In addition, their unequal share of family responsibilities hampers women from networking and other business development activities that occur outside working hours. Conservative

views about the role of women being limited to the family also make it difficult for businesswomen to penetrate the ‘old boys’ network. With so many challenges facing them, it is not surprising that women-owned businesses usually remain small and largely in the informal sector.

Due to all of these factors, women entrepreneurs are not fulfilling their potential as creators of jobs, developers of human resources, payers of taxes and ultimately, contributors to economic growth and poverty reduction.

In order to raise awareness of both the successes and the challenges faced by women business owners, *Voices of Cambodian Women Entrepreneurs* summarizes the findings of an exploratory study which asked women entrepreneurs about the challenges they face and how these problems could be resolved. In the course of this study, 101 businesswomen from four provinces – Kampong Cham, Kampot, Phnom Penh and Siem Reap – were

interviewed. Thirty-three of these women provided in-depth interviews and 68 participated in one of eight discussion groups.

The entrepreneurs covered here own a cross section of businesses from micro-enterprises in rural areas, to larger businesses in urban centers. The majority of women interviewed have only a secondary education, some even less, and a few are illiterate. Almost all the women interviewed are married and have

children; the exceptions being a few widows and divorced women.

This study is divided into three chapters:

- 1) *Starting and Operating a Business* discusses challenges posed by the business environment;
- 2) *To Grow or Not to Grow* highlights constraints that prevent or discourage business expansion; and
- 3) *Trading Across Borders* discusses the challenges involved in exporting.



Following these three chapters is a chapter on *Final Thoughts* that is meant to leave the reader with the main conclusions of the study. At the end of each chapter are recommendations aimed at helping government, donors and businesswomen to gain understanding and address the many challenges facing businesswomen in Cambodia.

Profile of Women Entrepreneurs

Private enterprise is the main driver of economic development in Cambodia, accounting for 92% of the country's total jobs. Women play an important role as entrepreneurs in the private sector in Cambodia. In order to understand how they contribute to the economy, it is necessary to look at the percentage of businesses which are owned by women, and the size and type of their businesses.

However, there is limited reliable data on women business owners as no nation-wide study has ever been carried out which counts all the enterprises in Cambodia and identifies whether these are owned by men or women.

The Provincial Business Environment Scorecard (PBES) survey, which was conducted in ten provinces in 2006, can be used as a proxy for estimating the percentage of women business owners, the size of their businesses, as well as the sectors they work in.¹ As part of this survey, a census was taken of a large number of private businesses which identified the gender of each business owner. Since the ten provinces covered by the PBES represent 75% of Cambodia's GDP and contain 64% of the total population of Cambodia, the PBES provides a good indicative profile of women entrepreneurs.

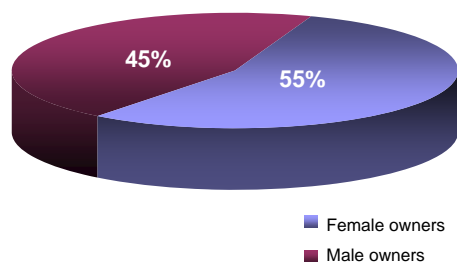
According to the PBES data, women accounted for 55% of all private business owners (Figure 1). Although women business owners are numerous, most women own micro

¹ The PBES study, which was published in March 2007, was jointly undertaken by IFC MPDF and The Asia Foundation (with funding from AusAID). The PBES was conducted in Cambodia's ten most economically active provinces and municipalities to identify business environment problems that hamper private enterprise, and especially SME development. Based on results of the PBES study, the ten provinces were compared on key measures of 'business friendliness'.



and small businesses. Cambodia's medium-sized and large enterprises are primarily owned by men. (Figure 2).²

Figure 1: Firms by Gender



The largest number of women entrepreneurs (29%) are engaged in commerce (import, export, distribution, and retail businesses). The second largest group of businesswomen (23%) operate service businesses (food services, maintenance activities, and professional activities such as private hospitals, medical clinics, dental clinics, law firms and private schools). The smallest percentage of women entrepreneurs are found in manufacturing and construction (2%), and natural resource exploitation (1%) (Figure 3).

² It should be noted that the government defines micro-enterprises as businesses with fewer than 10 employees; small businesses as having between 11 and 50 employees; medium-sized businesses as having between 51 and 100 employees and large enterprises are those with over 100 employees.

Most women entrepreneurs conduct business within Cambodia, rather than focusing on the international market. Thus, the majority of exporters are men. Women entrepreneurs interviewed for this study say they focus on the national rather than the international market because family responsibilities mean they do not have the extra time required to navigate the complexities of exporting. Also, unless their businesses are registered, they are barred from exporting.

This profile of women entrepreneurs shows that although women entrepreneurs are more numerous than male entrepreneurs in Cambodia's most economically active provinces, the smaller size and narrow market focus of their businesses demonstrate that women are at a disadvantage in expanding their businesses. Given these findings, it would appear that women face even greater challenges than men in starting a business, expanding a business and trading across borders. In the three chapters to follow, we will explain the nature of these challenges.

Figure 2: Size of firms

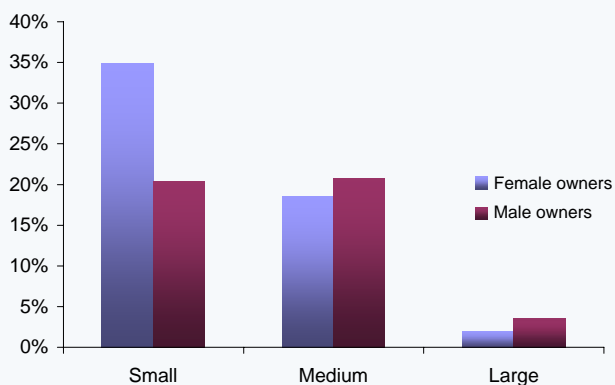


Figure 3: Firms by Sector

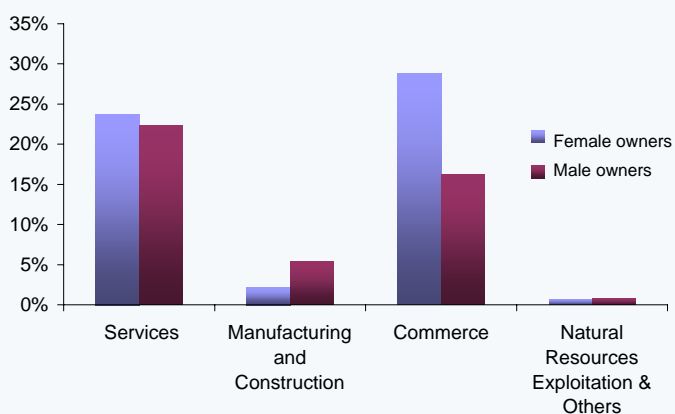
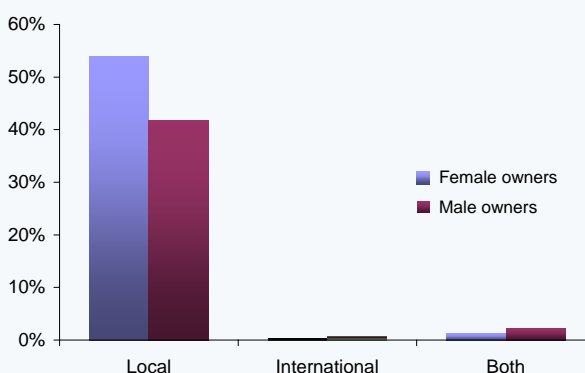


Figure 4: Business Focus



Chapter 1

Starting and Operating a Business





As the previous chapter shows, women's enterprises are primarily small and in the informal sector. As this chapter explains, there are many reasons for this.

BUSINESS ENTRY

Although formally starting a business in Cambodia is difficult for all entrepreneurs, it is especially so for owners of smaller businesses and even more challenging for women entrepreneurs. In *Doing Business 2008*, the World Bank Group's annual survey on indicators of the ease of doing business conducted in 178 economies around the world, Cambodia ranked unfavorably, at 145. The cost of starting a business here is nearly double per capita income. Getting the licenses required to operate a business is also time consuming. On average it takes 86 days to obtain all the licenses needed to legally start a business.

High official and unofficial fees are another deterrent to business registration. These are just three

examples of the barriers that discourage business owners from registering their businesses or even starting a business at all.

Women entrepreneurs interviewed for this study state that due to the high cost of business registration, they either do not register their business or use a paid facilitator to assist with registration procedures. Unless they need to get a bank loan, a business license or export, which all require registration, businesswomen often do not see the importance of registration. For many women, illiteracy or limited education makes the paper work involved in starting a business too great a challenge.³

³ The gap between boys and girls in the education system in Cambodia increases markedly as they progress to higher levels of education. While almost equal numbers of boys and girls are enrolled in pre-school and primary school, only 63 girls are enrolled for every 100 boys in lower secondary school. In upper secondary and tertiary-level education, less than 50 girls are enrolled for every 100 boys. Of adult women, 45% are completely illiterate. Source: *A Fair Share for Women, Cambodia Gender Assessment*. April 2008.

Norm Bunnak established **Villageworks** in 2000. Villageworks produces and sells silk products locally and exports to overseas markets. In 2008, Bunnak wanted

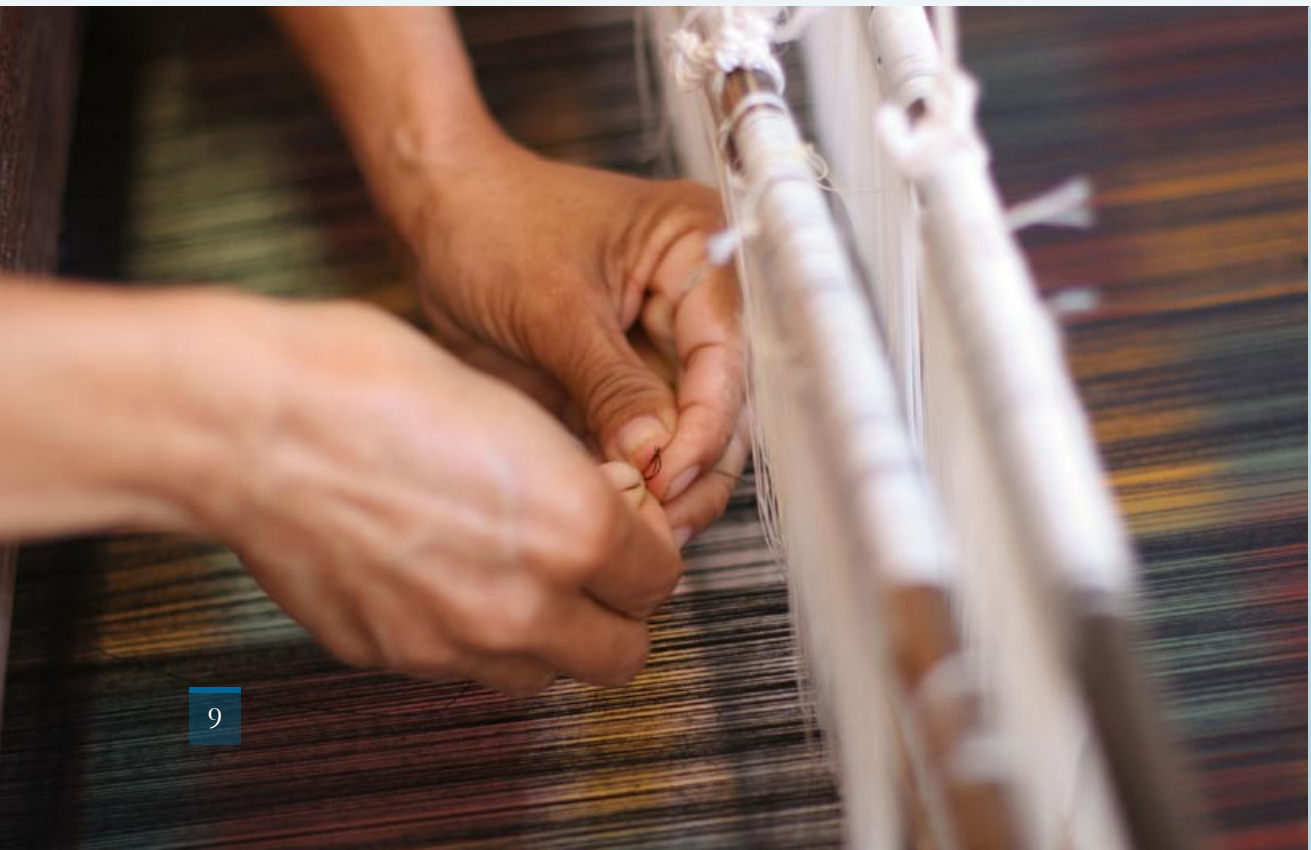
Norm Bunnak said

I did not know how to undertake the registration procedures. If I undertook the registration work by myself, I believe it would have taken longer than a broker, as officials would have demanded more and more documents from me. Moreover, access to information on registration procedures depends on relations with officials. Building these relations requires time and money.

to expand her export activities and decided to formalize her business in order to obtain a Certificate of Origin. This certificate would allow her to export to the United States and European Union markets with low or no tariffs charged to those importing her products. In registering her business, Bunnak found it hard to register by herself due to complicated procedures required by government agencies, and she commissioned a broker to register for her.

It was less costly for me in terms of time and money to register my company by paying a broker to do it.

Lack of access to business information is another barrier that impacts women entrepreneurs.



Business regulations governing particular industries are not readily available to anyone except the staff working in these ministries or offices. Although summaries of business regulations are published in the Royal Gazette and on the Internet, few women have easy access to either of these sources of information.

Men face fewer barriers in gaining access to business information. First, they usually have higher levels of literacy and education than women, which helps men in finding the best sources of information and interpreting it. Second, as women interviewed for this study noted, while men can ‘wine and dine’ male government officials outside of working hours in order to get the information they need, cultural norms for women discourage them from doing so. Also family responsibilities mean that women are usually occupied at home in the evening.

Men are also better able to engage in business networking. With fewer family responsibilities, they have more time to gain valuable information and contacts for business deals through networking. Also, it is more culturally appropriate and safer for men to participate in activities held in the evening.



BUSINESS OPERATIONS

In addition to greater challenges in starting a business, Cambodian women entrepreneurs usually face greater challenges than men in operating a business on a day-to-day basis. The majority of women interviewed stated that unlike men, they did not have prior experience or training for their line of business. Most say they started their business without researching the market or understanding the kinds of challenges their business might face. Because women entrepreneurs are forced to learn through ‘trial and error,’ they believe their businesses are at greater risk than those operated by better educated and

more knowledgeable men. Although a few women interviewees indicated they had tried to learn more about their business before starting it, they found few sources for the information they were seeking.

Negative attitudes towards women managers are another disadvantage listed by the women in this study. Interviewees indicate that men often see women as less capable managers and, as a rule, most men do not want to work for a woman boss. According to interviewees, men see women supervisors as



Chum Sokha, owner of a construction company, **Chum Sokha Enterprise**, and a farm, **Samnang Serey Vath Farm**, where she employs 150 staff, believes that if she were a man, her business would be more successful. *My businesses require many male workers and men respond better to a male boss than to a woman. However, when it comes to ability or talent in management, I believe that men and women are equal.*



more temperamental, and they lack respect for women. This negative cultural stereotype, together with women's lower levels of education, training and experience, cause women difficulties in managing their businesses. Women interviewees report that difficulties in managing male staff make hiring and retaining qualified staff a never-ending challenge, and some consider this the greatest obstacle for women business owners.



Eng Sok Kech, 32 years old, married with two children, operates **Gravel, Stone and Sand Enterprise** in Siem Reap. *I employ more than 80 workers. Seventy-five are male and 8 are female. My business requires specialized equipment and skilled workers, and I find it a constant challenge to recruit and retain qualified staff. Because most of my staff are men, gaining their respect takes a long time. To overcome this problem, I rely on my male relatives to assist me in running the company.*

In addition to the challenges of managing staff and business operations, women entrepreneurs believe they face greater disadvantages

than men when dealing with public officials. One respondent gave an example of the problems she faces each time she has to deal with the police.

Eng Sok Kech of Gravel, Stone and Sand Enterprise stated *my business sometimes faces challenges and unfair competition due to cumbersome regulations and weak enforcement of regulations. Sometimes I have to rely on my male relatives and husband to assist me in getting permission to transport and dig for sand. In my business, women are especially disadvantaged because we are not respected as business owners and leaders.*

One respondent stated:

When a tourist at my guesthouse loses a personal item through theft, we report this to the police. In order to file an insurance claim, the tourist wants a copy of the police report. The police provide the report needed by the tourist, but then ask me to pay for the time spent preparing the report. The police pressure us into paying by accusing our guesthouse of not providing adequate security, even though this is the responsibility of the police. As a woman, I feel intimidated when dealing with the police.

Women respondents complain frequently of government agencies coming to inspect their operations, often with no advance warning, and charging them unofficial fees. Women consider themselves at greater risk of this than men due to their lack of knowledge about business regulations. Limited knowledge, as well as a lack of assertiveness, mean that women likely pay more unofficial fees than men in order to maintain good relations with government officials. Women interviewees also felt that they were at greater disadvantage compared to men because the majority of government inspectors are men. Women entrepreneurs tend to have greater fear of confrontation than men and are more easily intimidated into paying when asked for bribes.

One respondent complained, *running a business today is more expensive than before. Now senior authorities and institutions often demand money. Although we want to report this to higher authorities, we don't because if we push too hard, the corrupt officials will find ways to make our lives difficult. Each time they come, we must pay up. If we don't, we may be soon stopped from doing business. Also if we do not pay and we need officials' help to solve some problem, they will ignore us. Many unofficial fees are needed in order to obtain public services or protection, and we are forced to pay extra, even for trash collection.*



The vast majority of all businesses report that they pay a considerable amount in informal taxes and fees. According to one survey, small and medium enterprises paid 5.5% of their revenues as bribes.⁴ The requirement to pay unofficial fees to numerous government inspectors is yet another incentive for women business owners to remain small and informal. A number of interviewees said that they were greatly discouraged by the growing level of corruption they face.

DISPUTE RESOLUTION

Enforcing contracts in Cambodia can be costly and time consuming. There are 44 procedures to follow when enforcing a contract and these can take more than 400 days on average. Out of 178 countries surveyed for *Doing Business 2008*, Cambodia ranked 145th, making it one of the hardest countries to enforce a contract.⁵

Accusations of judicial corruption are widespread in Cambodia and public confidence in the judiciary is very low. Going to court to settle a dispute is expensive, time consuming and the outcome uncertain. One may spend more money and time going through this process than the amount which was originally in dispute. As



a result, when a dispute occurs, the disputing parties tend to find other means than the court system to resolve their disagreement. In most cases, and especially for micro and small enterprises, the case is brought to a third party such as the village or commune chief, police officer or other respected or powerful figure. This third party acts as an informal mediator or arbitrator. The success and fairness of these traditional means of dispute resolution depend

⁴ *Cambodia Seizing the Global Opportunity: Investment Climate Assessment & Reform Strategy*, World Bank Group, August 2004.

⁵ *Doing Business 2008, Comparing Regulation in 178 Economies*, 2007.



Eng Sok Kech, owner of Gravel, Stone and Sand Enterprise

says, in general we sell on credit and about 30% of our customers cause problems in paying us. We lose about 10% of our revenues annually for this reason. If a customer owes a large debt, and we bring the case to court, we only get about 80% of what we are owed. Even more frustrating is the fact that we must pay court costs as well as lose on the money we are owed.

advantage over women. Women often lack the powerful connections men have. In fact, widowed and divorced women stated in this survey that they prefer to resolve problems on their own, without having to ask male relatives to negotiate on their behalf. They say they have the intelligence to resolve disputes by themselves, but the male-dominated system forces them to rely on male relatives when settling disputes.

Some interviewees believe that femininity is a double-edged sword. On the one hand, women see themselves as eloquent negotiators, able to gain trust through building relationships. However, at the same time, if women rely too much on verbal commitments and friendship, rather than written contracts, they will be at a serious disadvantage if a dispute arises.

Illiterate women are likely to be especially disadvantaged if a dispute occurs because they have to rely on others to find and read documents for them.

strongly on the connections of each disputing party and the power of those who serve as mediators.

Interviewees report that in using these informal means of dispute resolution, men again have an



TAXES

The Tax Law requires that all businesses pay tax. There are two primary ways that taxes are collected or calculated: 1) Real Regime where businesses file taxes based on their financial statements and 2) Estimated Regime where taxes are paid on a monthly lump-sum basis through negotiation between the tax collector and the taxpayer at the provincial or district level.

One of the problems with the tax system is that it is unclear how taxes are calculated and charged to businesses. **Chheng Somala**, owner of **Chheng Somala Rice Mill**, says that while she pays taxes every

month, tax officials frequently try to increase the amount of tax she has to pay, without providing any explanation of how they calculated the amount. *As an illiterate person, I cannot review the published rules or regulations to know how much tax I should pay. Therefore, the only choice I have is to negotiate with the tax official to lower the amount, but this is not always successful.*

As with other aspects of doing business, women entrepreneurs consider themselves at a disadvantage with regard to paying taxes. Although all businesses face problems with taxes, women entrepreneurs believe that men are better able to negotiate with tax officials because, as men, they command more respect and

are more assertive in conducting negotiations. Although women may keep good financial records for their businesses, they rarely have any formal training in accounting and, as a result, their records may not conform to official requirements. In these cases, women are at a serious disadvantage when challenging the taxes they are being asked to pay.

RECOMMENDATIONS

Despite the many challenges listed above, women entrepreneurs are resourceful and have found effective ways to overcome the obstacles

they face. Unfortunately, they have to do this alone or only with the support of their family. In order to provide a more supportive business environment for women entrepreneurs, policy changes need to be initiated by a variety of stakeholders.

Laws and regulations must be implemented and enforced with transparency. Government officials should strive to make regulatory information easily accessible to all business owners and should hold information sessions specifically targeted at women, which take into



account their usually lower levels of literacy, lack of business experience and limited experience working with government agencies.

Business associations should encourage more businesswomen to join and provide specialized programs to meet their needs. In doing so, business associations should collaborate with government agencies to ensure that information on policies and regulations reaches businesswomen. Also, efforts to advocate for improvements in the business environment should take into account the needs of women business owners and ensure that their voices are heard.

Due to problems with the court system, other methods of resolving disputes need to be developed such as arbitration. To ensure women utilize the arbitration system, arbitrators need be trained to understand the disadvantages commonly faced by women when they are trying to resolve business disputes.



Chapter 2

To Grow or Not to Grow





Many businesswomen report stable or growing revenues from their businesses. They also say that running a business has benefited them and their families tremendously. Not only do their profits finance their children's education and enable them to make charitable donations, by running a successful business women say they gain respect in their communities, create jobs for others and they are proud of becoming financially independent. For women who are widowed or divorced, financial independence is especially important.

However, despite their successes, when it comes to business expansion, women entrepreneurs list many obstacles. In addition to internal disadvantages such as their lack of education and business skills, businesswomen face serious external challenges. These include lack of infrastructure, cultural biases, corruption and the inability to access financing, especially the longer-term financing that would enable their businesses to upgrade and grow. All of these challenges limit women-

owned businesses from achieving their potential. These are also often the main reasons why businesses run by women tend to be small and informal.

In considering how to help women entrepreneurs overcome the problems they face, it is important to realize that if their enterprises remain small and informal, not only do they lose, but society as a whole loses. Due to their many constraints, women-owned businesses are not achieving their potential as creators of jobs, developers of human resources, payers of taxes and contributors to overall economic growth and poverty reduction.

INFRASTRUCTURE

Access to physical infrastructure, including roads and electricity, is often a major constraint to private sector development as it increases the cost of doing business. For example, the poor quality of roads reduces agricultural producers' access to markets. However, in the last decade, the government of



Hay Leang Eng, the owner of an ice factory, stated *the main challenges in my business are transportation and the high cost of fuel. Delivering ice to customers over great distances takes time, especially when roads are bad. Also, the cost of gasoline to fuel my generator is very high, which increases my cost of operating. As a woman, I have no access to decision makers to advocate for the policy changes that could lower the cost of fuel. The inability to impact change is common to both men and women, but women frequently feel more helpless because they are invisible in the eyes of policy-makers.*

Cambodia deserves credit for having significantly improved national roads all over the country. Improvements are still needed though for provincial roads. For women owners of small businesses, bad road conditions increase delivery costs, which in turn reduce profits. Women entrepreneurs interviewed for this study also complained about high energy costs pushing up their production costs.

SECURING FINANCING

Banks in Cambodia lend money based almost entirely on fixed collateral (land and buildings). In addition, lenders only want collateral that is located in Phnom Penh or a major provincial town, and generally they will only lend between 30% to 50% of the value of land and buildings pledged as collateral. Also banks are reluctant to provide the longer-term financing that businesses need to upgrade and expand. The information banks require of borrowers is another hindrance. Few women have experience in developing the business plans required by banks. This combination of the high demands from lenders, plus women's limited education and business skills, prevents most women from accessing bank loans. Thus, the majority of Cambodian women entrepreneurs start a business with



their own capital or they borrow from family and friends. Taking out a bank loan to start a business is rare for women.

Borrowing to expand a business is also challenging. Lack of knowledge about how to prepare proper financial statements creates problems in borrowing, even though a woman's business is well managed and is clearly making a good profit. **Keo Davy**, owner of Craft Souvenirs said, *I started my business with personal funds but as the business grew I reinvested the profit back into the business and eventually received a loan from a bank for expansion. I used my home as collateral. But the*

bank's estimate of the value of my home was 30-40% lower than the market value.

Although undervaluing property may be a typical practice, most women feel that this is unfair as it limits their ability to borrow. Also, their lack of knowledge about bank lending procedures exacerbates women's anxiety when borrowing.

Because of their difficulties in accessing bank loans, women must resort to informal sources of financing. If not able to borrow from family members, women go to money lenders who do not require collateral, but charge much



higher interest rates than financial institutions. The advantage of borrowing from money lenders is that the funds can be accessed relatively quickly. However, the cost of borrowing is so high that

it is impractical for the longer-term financing needed to upgrade and expand. Also, the high cost of borrowing from money lenders reduces the profitability and sustainability of a business.

Kuoch Sak Hun, 37 years old, has been selling children's clothes since 1993. Most of the time, she depends on her own profits to finance expansion of her business, but, in May 2008, she was looking for other sources of money. She applied for a loan from a commercial bank, but gave up due to the complicated procedures required by the bank.

With my house as collateral, I applied for a \$20,000 loan. But after two months of administrative processes, the bank offered me only \$10,000. The process of getting a large loan from a commercial bank is complicated and time consuming, and required me to provide a lot of formal documents. To get an authorization letter, I had to deal with local authorities (both village and commune level) and this took about a week of my time and required me to pay \$10, in addition to the bank's service fee of \$100. The bank also required financial statements that I never prepare as part of my business.

CULTURAL ASPECTS

Underlying gender inequalities continue to limit women's choices and options in Cambodia. In this hierarchical society, women are still considered of lower status than men. These negative perceptions of women continue to undermine women in business. Some participants in this study argue that society does not appreciate women fully, especially widows, divorced women and single, unmarried women.

Even a very successful woman like Ung Sitat Sokuntheary, 46 years old and owner of **Star Cable TV** in Siem Reap, has experienced discrimination because she is a widow. She believes that widows who lack her social status and financial independence face the worst treatment. However, as a result of more success and visibility,

Sokuntheary is now fearful for her personal safety and she is also conscious of greater public scrutiny. She says she must always tread cautiously and be discreet in her business affairs. She believes too that her male counterparts do not need to be as concerned about safety and appearances.

Negative perceptions about women continue despite the fact that they play an increasingly important and visible role as income providers for their families and are significant contributors to economic development.



Women in business face more difficulties than men and they have more responsibilities. They are farmers, child care providers, house keepers, etc. When I have to go to the market, I must wake up very early to cook for my family before I leave the house. As women, we have to divide our time between household chores and our businesses. **Chheng Somala**, owner of **Chheng Somala Rice Mill**, also says that one of the reasons she went into business was to allow her to stay home and take care of her children. She said *fortunately, I haven't heard any criticism of me as a business owner. Some people have even complimented me that I can afford to send my children to school.*



Eam Phiny (Salt Craft, Kampot District) is 59 years old, and a widow with seven children. Phiny started her salt business in 1990. Prior to that, she worked as a public servant in the salt production sector. Today, her business employs 20 people, all of whom are women. The company produces approximately 20,000 sacks of salt annually.

One of my biggest challenges as a widow is finding a balance between

my business and my seven children. I overcame this by asking my children to share the household chores so that I can spend more time overseeing the business. My life has improved greatly since I started my business. I now own a two-storey house and receive praise from other community members who appreciate that as a widow I'm able to provide for my family.

As women become more and more successful, they also defy the stereotype that they are weaker. As demonstrated by the women in this study, women business owners recognize that they have certain strengths as women. These include tolerance and communication skills which women believe give them a competitive advantage. In addition, they have reduced the constraints of being a woman and used their natural talents to achieve economic success. Despite their self-awareness, women believe they still have a long way to go, given the many constraints to doing business in Cambodia.



Ung Sitat Sokuntheary, owner of **Star Cable TV** in Siem Reap says she started the cable TV business because she wanted Cambodians to stay abreast of world news and also to be exposed to other languages. Additionally, she had close friends in Thailand who gave her guidance on how to set up the TV Company. She used her own money to purchase the equipment needed to start her business.



My business employs 28 people (two females and 26 males). At the beginning I had difficulties managing employees because most of them were men. Except for the team leaders, many lacked experience and had low levels of education. Even though I am the boss with more knowledge than my staff, it took a while for my employees to trust

and respect me. Like all effective managers, I provided incentives such as bonuses or overtime pay, etc. which helped motivate staff to work harder. As a woman, I have to work twice as hard to earn respect from my employees.



Keo Davy, 45 years old, owner of **Craft Souvenirs**, Phnom Penh, is married with three children. Davy started the business at the encouragement of her friends who live abroad and thought that exporting crafts would be successful. As a government worker with a low salary, she felt that having a business would supplement her income as well as help to employ other women. Davy buys 98% of her supplies from local producers and 2% from Thailand.

Holding down a job and running a business keeps me very busy. I rely on trained staff to supervise the other staff. My two daughters also help with design. Now that I have more income, I can afford to hire a housekeeper to do the housework. If I were a man, my business would be more successful because men are physically

stronger and they feel safer when delivering products to customers. As a woman, it's not safe for me to travel alone, nor can I express my opinions freely without being challenged.

RECOMMENDATIONS

For a number of reasons already discussed, many women small business owners want to remain small and in the informal sector. In interviews for this study, women said they do not have the cultural freedom or the powerful networks and alliances that men have in Cambodian society. Their alliances and connections enable men to navigate the complexities of the business environment more easily.

An important policy recommendation for government agencies, particularly in partnership with the Ministry of Women's Affairs, is the promotion of more women into decision-making positions in government, and for women already in leadership roles in government to develop strategic policies that support women entrepreneurs. This could be achieved through funding and through training that impacts a number of women entrepreneurs. Successful women entrepreneurs also need to be promoted as role models

and efforts should be made to dispel common negative stereotypes about women.

Securing adequate financing for business expansion is an obstacle for all the women in this study. Although they often begin their businesses at home, expansion usually requires moving to a larger facility and this, in turn, requires capital that few women can obtain. Lending institutions should simplify the loan application process for business expansion and take into account the successful track record of a business, in addition to the availability of collateral.

With regard to collateral, there are improvements on the horizon as

Cambodia is now making it possible to borrow against moveable and intangible assets such as machinery, vehicles, inventory and accounts receivable. Once the regulatory framework is in place, if a woman's business is legally registered, the Law on Secured Transactions should help it get financing with moveable and intangible assets, even if it lacks land and buildings to use as collateral.

To reduce some of the hurdles women entrepreneurs face, all the women interviewed for this study agreed that government should support women's entrepreneurship centers where women business owners and would-be business owners, can get business advice, training and other opportunities.



Chapter 3

Trading Across Borders





As a member of the World Trade Organization, Cambodia has greater access to international markets. WTO membership helps Cambodia to benefit from 'Most Favored Nation' treatment by other member countries, especially large markets such as the United States, the European Union and Japan. In addition, the United States' Generalized System of Preferences and the European Union's 'Every Thing But Arms' schemes have provided Cambodia with tariff-free and quota-free access to the US and EU markets.⁶

Despite these opportunities, women entrepreneurs who usually own small, informal businesses, find it difficult to take advantage of external markets. First, as previously explained, if a business is not registered as a limited liability company, it cannot obtain an export license. Second, women usually have poor access to information on export procedures because these often fall under several different government agencies with overlapping responsibilities,

resulting in conflicting requirements. Third, navigating complex export procedures is very time consuming. As a result, women lacking connections to government officials who could help them understand export requirements and fees, are discouraged from exporting.

Seng Takakneary, 45 years old, established **Sentosa Silk** in February 2004 in Phnom Penh with \$15,000. Sentosa Silk offers three ranges of products and services (soft furnishings, tailoring and gifts & accessories). The enterprise employs nine staff (5 females and 4 males) and 40 tailors.

The activities of Sentosa Silk include selling their products in Cambodia and exporting, primarily to the US and EU markets. Because of difficulties in exporting, exports represent only 10% of the profits of

⁶ *A Summary of Cambodia's WTO Agreement*, Business Issues Bulletin No 6, IFC MPDF, 2006.

the business, and Takakneary leaves it up to overseas buyers to arrange these exports.

I sell my products to buyers who then obtain any export permits/certificates they require by themselves. I decided to keep my business small and operate in an informal manner because my export activities are small and generate little profit. It does not make sense for me to spend a lot of time and money dealing with complicated export procedures. Also becoming formally registered would reduce my profits.

To benefit from tariff free or low tariff rates when exporting to the EU and/or US markets, a Certificate of Origin is required. Obtaining this certificate from the Ministry of Commerce is complex and costly.

First, the firm has to register with the Ministry of Commerce and second, obtain a patent tax license from the Tax Authority. For Sentosa Silk, obtaining the Certificate of Origin would cost the business around \$1,000 a year, in addition to business registration and patent tax costs.



RECOMMENDATIONS

In order to encourage women entrepreneurs to export, it is important to increase the transparency of export regulations and simplify export procedures. This will reduce costs and increase

opportunities for all entrepreneurs, but especially for women. Cambodia as a whole will benefit because by simplifying and clarifying export procedures, officials will have fewer opportunities to extort unofficial payments and exports should increase.⁷

⁷ *Informal Charges Hinder Business Growth in Cambodia*, Business Issues Bulletin No 13, IFC MPDF, 2007.

Final Thoughts





Although the women profiled in this study say they have gained self-esteem, satisfaction and financial success through operating their own businesses, a lack of supporting services means that their businesses have not achieved their potential.

When asked how many successful business women there are in Cambodia, participants in this study's focus groups could only name one or two in their community. This is a clear indication that women lack good role models in business who can challenge the stereotypes that block women's advancement in the private sector. Until women have the opportunity to participate in the private and public sector on an equal footing with men without gender prejudices, their success will remain within the confines of their families and limited circles in their communities. Even though the contributions of women entrepreneurs are significant, their overall impact on the economy and society will continue to be small unless steps are taken to reduce persistent barriers to their businesses' growth.

This study raises questions about whether the challenges women face in doing business in Cambodia are unique to women. Although individuals may possess the motivation and determination to start a business, as this study shows, cumbersome laws and regulations and unofficial and unpredictable fees serve as important barriers to success. In many cases, operating a business here, as in other developing countries, is daunting for everyone, regardless of gender.

Although there appear to be no obvious regulatory obstacles blocking the path of women entrepreneurs, cultural biases, the lack of education and training, limited access to information, and a shortage of opportunities to network are significant barriers. As this study shows, while women can start businesses and operate them well when they are small, if women owners want to expand, many obstacles block their path. As a result, we believe it is harder for women to develop and grow their businesses in Cambodia. This makes it far more likely that they will remain



small-scale entrepreneurs than if the businesses were male owned.

In conclusion, as with women around the world, Cambodian women entrepreneurs deserve praise and recognition for the successes they have achieved and their qualities as managers. In making decisions, women entrepreneurs often consider the needs of both family and business before they make a decision. They also effectively juggle many personal and professional demands. Women are usually considerate too of the needs of their employees, and manage their company's resources well. Because women make investing in their business a priority, they are less likely than men to waste money

on lavish entertaining or other public displays of success. Women are also usually good at solving problems and they understand the importance of building strong relationships with their customers.

In many ways, the women who took part in this study are pioneers, and we hope that the concerns they have raised here will inspire decision makers to take the actions necessary to remove the barriers now faced by women. We also hope that the women profiled here will serve as role models and encourage other women to join Cambodia's fast growing and vibrant private sector, and help Cambodia's economy to grow.



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