

# INSIGHTS FROM EMERGING MARKETS

MSMEs and Digital Tool  
Use Amidst the COVID-19  
Pandemic

CAMBODIA COUNTRY BRIEF

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Shaping a more livable world.

February 2022

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*This Final Report has been prepared solely for the purposes of studying the utilization of digital technologies in the small and medium enterprise sector in developing markets. This includes the business implications of this usage of digital technologies for accelerating and facilitating economic development, inclusion, resilience, and growth post the COVID-19 pandemic, as set out in the Contract.*

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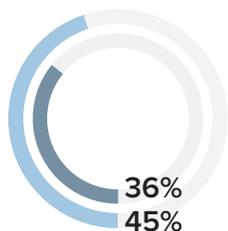
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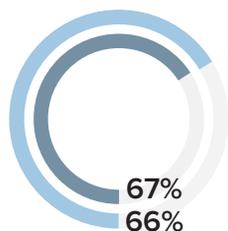
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# EXECUTIVE SUMMARY

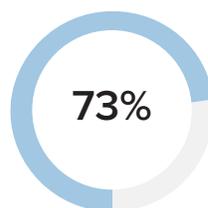
## KEY FINDINGS



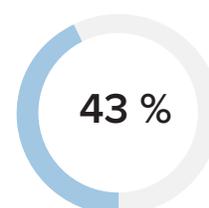
Surveyed MSMEs in Cambodia increased their usage of digital tools to run their business during COVID-19: while 36 percent of surveyed micro, small, and medium enterprises (MSMEs) reported using digital tools for business purposes prior to the COVID-19 pandemic, 45 percent used digital tools for business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



Enterprises recognized the importance of new digital tools during COVID-19: surveyed online MSMEs reported that Facebook apps<sup>i</sup> (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.<sup>iii</sup>



Surveyed MSMEs used a variety of both online and offline tools to manage the business activities about which they were asked, 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 economy<sup>1</sup> in Southeast Asia, with a large micro, small, and medium enterprise (MSME)<sup>iv</sup> sector underpinning its consistent growth until the COVID-19 induced economic slowdown in 2020.<sup>2</sup> 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.<sup>3</sup> A survey conducted by DAI and Ipsos between June and July 2021<sup>v</sup> shows

that surveyed MSMEs in Cambodia increasingly used digital tools to run their business 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.

<sup>i</sup> "Digital tools" refers to Internet-based technologies and social media. This is a broad term that includes the use of the internet in any of the following activities: social media platforms, such as Facebook, Facebook Messenger, Facebook Marketplace, WhatsApp, or Instagram; other social media platforms, such as Twitter, TikTok, LinkedIn, SnapChat, Pinterest, Tumblr, Reddit, or YouTube; other messaging applications, such as Viber, Line, WeChat, QQ, or Telegram; business software or cloud computing, such as Microsoft Office, Word or Excel, Google Drive, Docs or Sheets, or Amazon Web Services; e-commerce websites, such as Amazon, Alibaba, Etsy, or Mercado Libre; email, such as Gmail, Hotmail, or Yahoo; mobile banking and digital payments, such as PayPal, Venmo, Yape, or Plin; videoconferencing, such as Zoom, Skype, or Google Hangouts.

<sup>ii</sup> The term "Facebook apps" refers to Facebook, WhatsApp, and Instagram.

<sup>iii</sup> 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.

<sup>iv</sup> This brief uses the term "micro, small, and medium enterprises" (MSMEs) to refer to the businesses surveyed for this research, in line with the 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 (one employee), small (two to nine employees), and medium (10 to 249 employees).

<sup>v</sup> 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.

Surveyed MSMEs also recognized the importance of embracing digital tools during COVID-19. More than half (67 percent) of surveyed online MSMEs reported that Facebook apps helped them adapt to the COVID-19 environment, with 66 percent specifically citing Facebook. Online MSMEs reported using Facebook apps in the past 30 days across the spectrum of business activities about which they were asked, 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 very 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 surveyed online and offline MSMEs reported facing similar difficulties when using digital tools, though their most frequently cited difficulties varied. Surveyed 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, surveyed 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 North America, 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 (two to nine employees), and medium (10 to 249 employees) businesses.<sup>vi</sup> 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](#).

vi 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 economy<sup>4</sup> in Southeast Asia, with a large micro, small, and medium enterprise (MSME)<sup>vii</sup> sector underpinning its consistent growth until the COVID-19 induced economic slowdown in 2020.<sup>5</sup> By allowing some MSMEs to quickly pivot online and maintain their core business functions, digital tools (defined here as internet-based technologies)<sup>viii</sup> have become increasingly important to Cambodia's MSME community during the pandemic.<sup>6</sup>

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.<sup>ix</sup> 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 regarding 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.

vii 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 (one employee), small (two to nine employees), and medium (10 to 249 employees).

viii “Digital tools” refers to Internet-based technologies and social media. This is a broad term that includes the use of the internet in any of the following activities: any of the following social media platforms such as Facebook, Facebook Messenger, Facebook Marketplace, WhatsApp or Instagram; other social media platforms, such as Twitter, TikTok, LinkedIn, SnapChat, Pinterest, Tumblr, Reddit, or YouTube; other messaging applications, such as Viber, Line, WeChat, and QQ; business software or cloud computing, such as Microsoft Office, Word or Excel, Google Drive, Docs or Sheets, or Amazon Web Services; e-commerce websites, such as Amazon, Alibaba, Etsy, Venmo, or PayPal; email, such as Gmail, Hotmail, or Yahoo; mobile banking and digital payments, such as PayPal or Venmo; or videoconferencing, such as Zoom, Skype, or Google Hangouts.

ix Research findings reported in this series should not be considered representative of country MSMEs due to the limitations of the surveys. See methodology appendices for more information.

## 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.<sup>7</sup> 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.<sup>8</sup> 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 that is available) working in wholesale and retail trade, 27 percent in other services, and 14 percent in manufacturing.<sup>9</sup> 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.<sup>10</sup>

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.<sup>11</sup> A July 2020 Asia Foundation survey of approximately 1,000 tourism businesses in Cambodia saw similar results, with 55 percent of MSME owners reporting that their business was at high risk of failure.<sup>12</sup>

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.<sup>13</sup> 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.<sup>14</sup> This aligns with the 2020 Global State of Small Business Report, with 47 percent of small and medium-sized businesses<sup>x</sup> 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.<sup>15</sup>

x 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**



### Age of business owner

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

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



### Bank account access

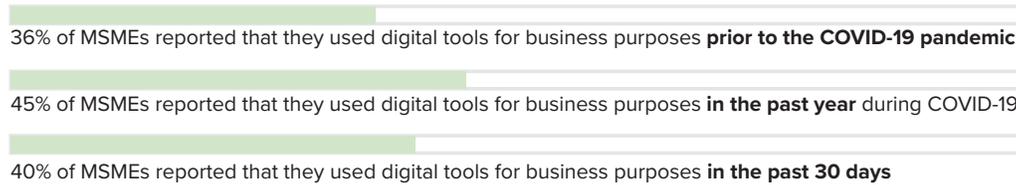
33% of MSMEs reported that they had **access to a bank account**

# MSMEs AND DIGITAL TOOL USE: SNAPSHOTS IN TIME

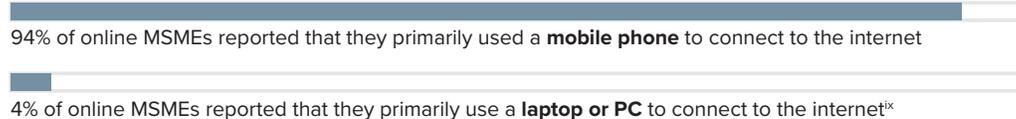
Surveyed MSMEs in Cambodia increasingly used digital tools to run their business during COVID-19. Online MSMEs<sup>xi</sup> primarily used their mobile phones to connect to the internet, highlighting the importance of mobile phones in doing business among Cambodia's online MSMEs.



**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<sup>xii</sup>:**



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



xi 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.

xii 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  $p < 0.05$ .

xiii 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.<sup>xiv</sup> 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.<sup>xv</sup> 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.<sup>xvi</sup> These findings align with the 2019 AfterAccess survey, which saw a 34 percent gender gap in internet use in Cambodia.<sup>16</sup>

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.<sup>xvii</sup> 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.<sup>xviii</sup> 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.<sup>xix</sup>

- xiv 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  $p > 0.05$ .
- xv 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  $p < 0.05$ .
- xvi Difference between digital tool use in the past year and digital tool use in the past 30 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  $p < 0.05$ .
- xvii Digital tool use in the past year by gender of owner among online MSMEs is not statistically significant per Chi-squared test of independence,  $p > .05$ . Digital tool use prior to COVID-19 by gender of owner among online MSMEs is not statistically significant per Chi-squared test of independence,  $p > .05$ . Digital tool use in the past 30 days by gender of owner among online MSMEs is not statistically significant per Chi-squared test of independence,  $p > .05$ .
- xviii 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  $p < 0.05$ .
- xix Reporting that digital tools were important or essential to keeping their business running during COVID-19 by gender of owner among online MSMEs is statistically significant per Chi-squared test of independence,  $p < .05$ .

(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<sup>xx</sup>), and high cost (22 percent for online women-owned MSMEs, 23 percent for online men-owned MSMEs).<sup>xxi</sup> 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).<sup>xxii</sup> 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.

xx Twenty onesurveyed 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.

xxi 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  $p > 0.05$ .

xxii 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 in the past year during COVID-19 for this purpose. Although their reported use for business purposes decreased slightly in 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.<sup>17</sup> Despite this recent fluctuation, the DAI/Ipsos survey results demonstrate that a critical mass of MSMEs has 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.<sup>18</sup> According to the survey results, online MSMEs in Cambodia were no exception. A vast majority of surveyed online MSMEs (94 percent) reported that they primarily used a mobile phone 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.<sup>19</sup> 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 reported using a variety of both online and offline tools to manage the business activities about which they were asked, with Facebook apps frequently used as critical tools for conducting multiple business activities. Despite the reported importance of Facebook apps<sup>xxiii</sup> and other digital tools for conducting these business activities, offline methods<sup>xxiv</sup> had a strong foothold in surveyed MSMEs' operations. This suggests that digital tools augmented and amplified, rather than replaced, more traditional offline methods for each business activity about which surveyed MSMEs were asked.

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.



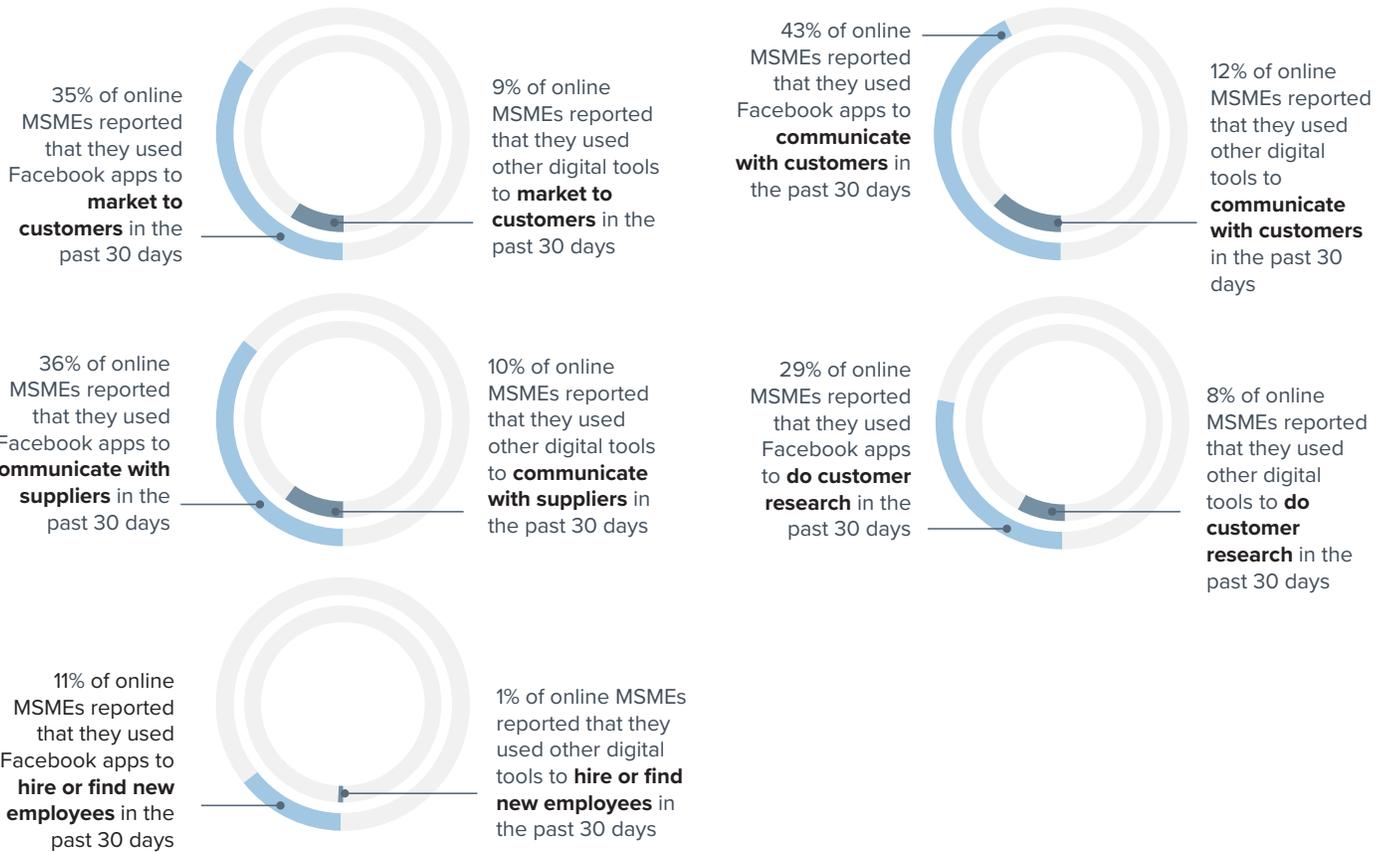
## More than one-third of surveyed MSMEs used Facebook for customer- and supplier-facing activities:



xxiii Facebook apps" refers to Facebook, WhatsApp, and Instagram.

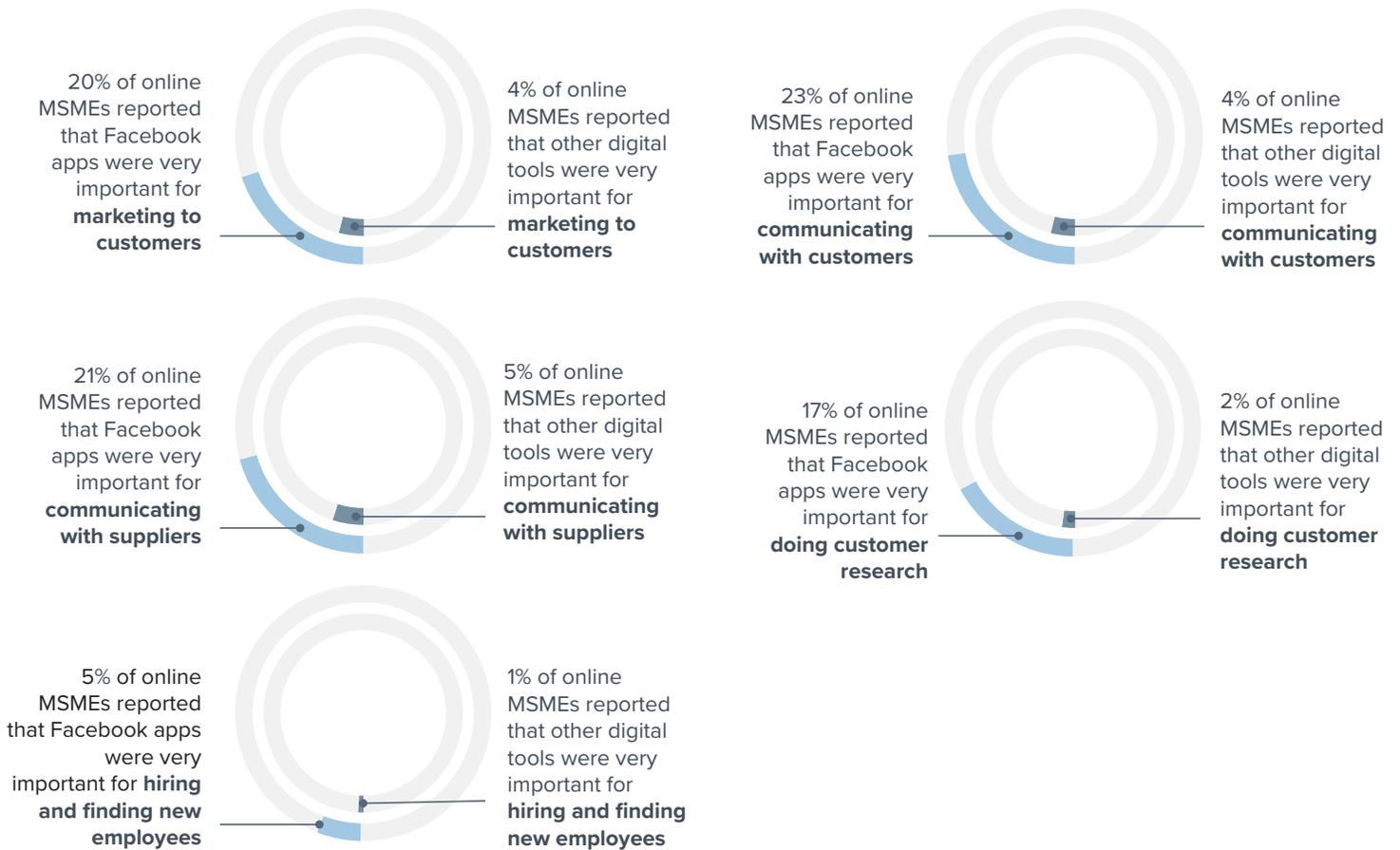
xxiv The term "offline methods" includes face-to-face interaction; paper-based methods such as letters, fliers or billboards; and through a telephone call, SMS, or text message (does not include WhatsApp).

**A higher percentage of surveyed online MSMEs reported using Facebook apps than other digital tools to conduct each business activity about which they were asked<sup>xxv</sup>...**

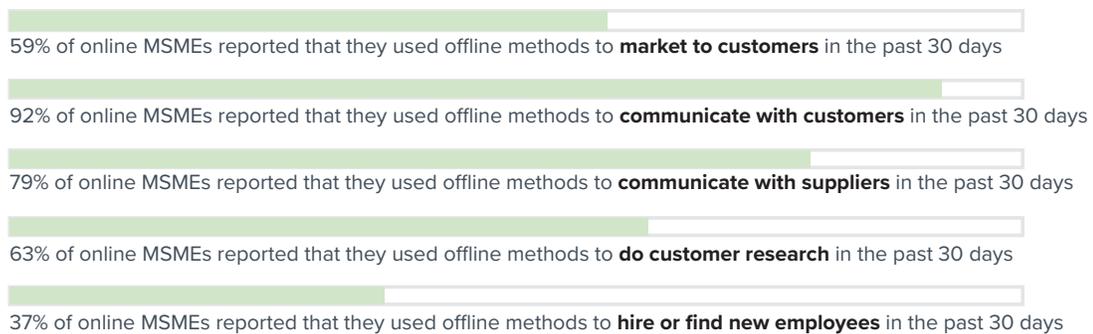


<sup>xxv</sup> Difference between use of Facebook apps and use of other digital tools for each business activity in question is statistically significant per Chi-squared goodness of fit test, adjusted  $p < 0.05$ .

**...And a higher percentage of online MSMEs stated that Facebook apps were very important for each business activity than other digital tools<sup>xxvi</sup>...**



**...but offline methods<sup>xxvii</sup> were the most frequently reported method for surveyed online MSMEs to conduct each business activity about which they were asked:**



xxvi 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  $p < 0.05$ .

xxvii 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.<sup>xxviii</sup> 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.<sup>xxix</sup> 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).<sup>xxx</sup> This finding could indicate that at least some surveyed MSMEs have decided to make permanent their decision to use digital tools for sales.



## Surveyed offline MSMEs reported using offline methods to communicate with customers and suppliers more frequently than for other business activities about which they were asked<sup>xxxi</sup>:



xxviii 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  $p < 0.05$ .

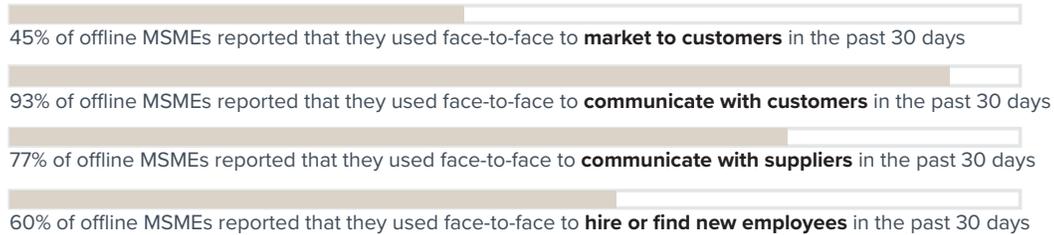
xxix Difference between use of digital tools to sell goods and services in the past year and in the past 30 days is statistically significant per Chi-squared goodness of fit test, adjusted  $p < 0.05$ .

xxx 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  $p > 0.05$ .

xxxi 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  $p < 0.05$ .



**Surveyed offline MSMEs reported using face-to-face interactions at a high rate across the spectrum of key business activities about which they were asked:**



**Surveyed MSMEs reported ever having difficulty with customer research and external communications at a higher rate than other business activities about which they were asked<sup>xxxii</sup>:**



xxxii 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 business 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.<sup>xxxiii</sup> 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.<sup>xxxiv</sup> This 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.<sup>xxxv</sup> These figures increased to 33 percent, 51 percent, and 76 percent in the past year during the pandemic.<sup>xxxvi</sup> This finding indicates that surveyed medium-sized enterprises used digital tools for their business 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.

- xxxiii Use of digital tools for business purposes prior to the COVID-19 pandemic by small and micro-sized businesses is statistically significant per Chi-squared test of independence,  $p < .05$ . Use of digital tools for business purposes prior to the COVID-19 pandemic by micro and medium-sized businesses is statistically significant per Chi-squared test of independence,  $p < .05$ .
- xxxiv Use of digital tools for business purposes in the past year by small and micro-sized businesses is statistically significant per Chi-squared test of independence,  $p < .05$ . Use of digital tools for business purposes in the past year by micro and medium-sized businesses is statistically significant per Chi-squared test of independence,  $p < .05$ .
- xxxv Use of Facebook apps for business purposes prior to the COVID-19 pandemic by small and micro-sized businesses is statistically significant per Chi-squared test of independence,  $p < .05$ . Use of Facebook apps for business purposes prior to the COVID-19 pandemic by micro and medium-sized businesses is statistically significant per Chi-squared test of independence,  $p < .05$ .
- xxxvi Use of Facebook apps for business purposes in the past year by small and micro-sized businesses is statistically significant per Chi-squared test of independence,  $p < .05$ . Use of Facebook apps for business purposes in the past year by micro and medium-sized businesses is statistically significant per Chi-squared test of independence,  $p < .05$ . Use of Facebook apps for business purposes in the past 30 days by small and micro-sized businesses is statistically significant per Chi-squared test of independence,  $p < .05$ . Use of Facebook apps for business purposes in the past 30 days by micro and medium-sized businesses is statistically significant per Chi-squared test of independence,  $p < .05$ .



## KEY INSIGHTS FOR POLICYMAKERS

The survey results indicate that Facebook apps were an important tool among surveyed online MSMEs in Cambodia for the key business activities about which they were asked. For example, a higher percentage of online MSMEs recently 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 in this timeframe.<sup>xxxvii</sup> Similarly, a higher percentage of online MSMEs reported that Facebook apps were very important for each business activity about which they were asked, 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.<sup>xxxviii</sup>

Surveyed online and offline MSMEs alike reported frequently using offline methods to conduct all business activities about which they were asked. Among

surveyed online MSMEs specifically, offline methods were the most frequently reported method used to conduct each business activity about which they were asked. For example, a vast majority (92 percent) of surveyed online MSMEs reported using offline methods to communicate with customers in the past 30 days. Across all surveyed offline methods, offline MSMEs reported using face-to-face interactions most frequently for communicating with customers (93 percent) and suppliers (77 percent) in the past 30 days. 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.

xxxvii The difference between use of Facebook apps to communicate with customers in the past 30 days, and use of other digital tools in the past 30 days is statistically significant per Chi-square goodness of fit test,  $p < .05$ .

xxxviii The difference between reporting Facebook apps as very important for communicating with customers and other digital tools as very important for communicating with customers is statistically significant per Chi-square goodness of fit test,  $p < .05$ .



CASE STUDY

# QUEEN BIRD'S NEST SHOP



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



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.



## Surveyed MSME sales decreased considerably during COVID-19:

80% of MSMEs reported that their **sales decreased** during COVID-19 compared to a typical year

47% of MSMEs reported that their **sales decreased by more than half** of a typical year

46% of MSMEs reported that their **business closed at some point** during COVID-19



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

73% of online MSMEs reported that **digital tools were important or essential** to keeping their business running during COVID-19

67% of online MSMEs reported that **Facebook apps** helped them adapt to the COVID-19 environment

66% of online MSMEs reported that **Facebook** helped them adapt to the COVID-19 environment

35% of online MSMEs reported that **digital payment tools** helped them adapt to the COVID-19 environment

11% of online MSMEs reported that **other messaging apps** (e.g. Viber, Line, WeChat) helped them adapt to the COVID-19 environment

11% of online MSMEs reported that **other digital tools** helped them 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.<sup>xxxix</sup> 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.<sup>xl</sup> 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.<sup>xli</sup> 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).<sup>xlii</sup> 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.<sup>xliii</sup> 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.<sup>xliv</sup> 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.<sup>xlv</sup> This finding indicates that MSMEs in the retail and e-commerce sector increased their use of digital tools during the COVID-19 pandemic.

- xxxix Use of digital tools for business purposes prior to the COVID-19 pandemic by professional services and manufacturing & industry sectors is not statistically significant per Chi-squared test of independence,  $p > .05$ .
- xl Use of digital tools for business purposes in the past year by professional services and manufacturing & industry sectors is not statistically significant per Chi-squared test of independence,  $p > .05$ .
- xli Reported closing of business during COVID-19 pandemic by professional services and manufacturing & industry sectors is not statistically significant per Chi-squared test of independence,  $p > .05$ .
- xlii Use of Facebook apps for business purposes prior to the COVID-19 pandemic by professional services and manufacturing & industry sectors is not statistically significant per Chi-squared test of independence,  $p > .05$ .
- xliii Use of digital tools for business purposes prior to COVID-19 between retail and e-commerce sector and manufacturing and industry and professional services sectors: statistically significant per Chi-squared test of independence, adjusted  $p < 0.05$ . Use of digital tools for business purposes in the past year between retail and e-commerce sector and manufacturing and industry and professional services sectors: statistically significant per Chi-squared test of independence, adjusted  $p < 0.05$ . Use of digital tools for business purposes 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  $p < 0.05$ .
- xliv Among MSMEs in the retail and 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  $p > 0.05$ .
- xlv 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 surveyed 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.<sup>20</sup>

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 surveyed online MSMEs reported that digital tools were important or essential to keeping their business running during COVID-19. More than half of online survey respondents (67 percent) also reported that Facebook apps in particular helped them adapt to the

COVID-19 environment. Among surveyed 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,<sup>21</sup> online MSMEs in Cambodia appeared to favor such 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 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 surveyed online and offline MSMEs when using digital tools. Surveyed online MSMEs additionally reported a lack of knowledge and high cost as difficulties their business faced in using digital tools as further difficulties. While surveyed offline MSMEs most frequently cited needing more 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 difficulties. Both surveyed 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 surveyed online MSMEs reported in using digital tools, while surveyed offline MSMEs most frequently cited lack of knowledge as a difficulty:**

54% of online MSMEs reported that **poor or no connectivity** was a difficulty their business faced in using digital tools

36% of offline MSMEs reported that **lack of knowledge** was a difficulty their business faced in using digital tools

24% of offline MSMEs reported that **lack of relevance** to their business was a difficulty their business faced in using digital tools

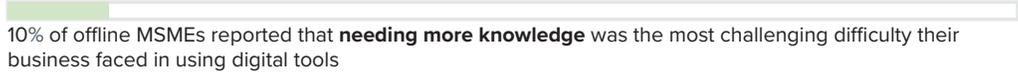
23% of online MSMEs reported that **lack of knowledge** was a difficulty their business faced in using digital tools

22% of online MSMEs reported that **high cost** was a difficulty their business faced in using digital tools

21% of offline MSMEs reported that **access to a mobile phone, tablet, or computer** was a difficulty they faced in using digital tools



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



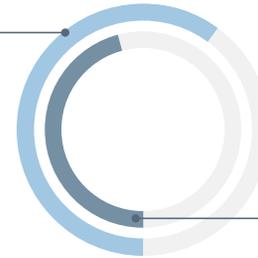
Both surveyed online and offline MSMEs were interested in learning more about digital tools to enhance their customer-facing work:

64% of online MSMEs reported that they were interested in learning more about using digital tools to **find new customers**



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

60% of online 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 **communicate with existing customers**

62% of online MSMEs reported that they were interested in learning more about using digital tools to **market their business**



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

51% of offline MSMEs reported that training on how to use digital tools to **communicate with existing customers would benefit their business**



55% of offline MSMEs reported that **more education and training** would make them more likely to use digital tools



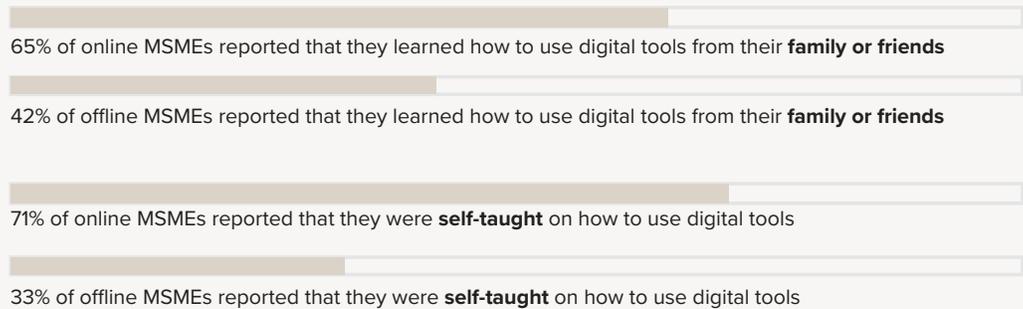
<sup>xlvi</sup> When asked what was their most challenging difficulty using digital tools, responses were coded to fit 18 options. The options displayed in this figure correspond to those displayed in the prior graph where most common difficulties are displayed. Options: need more knowledge or know-how; poor or no internet connectivity; it is too expensive or the costs are too high; difficult to access a mobile phone, tablet, or computer; do not have consistent access to electricity; customers do not use them; suppliers do not use them; they are not relevant to this business or do not see a need for them; do not trust digital transactions, fear of information being stolen; hard to comply with legal requirements such as digital security and consumer protection standards; not enough relevant posts, articles, pictures or videos in my local language; fear of accessing inappropriate or offensive posts, articles, pictures or videos; digital tools were not effective or did not work; nothing prevents this business from using the internet, social media, or digital tools; other; don't know; refused.



**A higher percentage of surveyed online MSMEs reported feeling confident in using various aspects of digital tools than offline MSMEs<sup>xlvii</sup>:**



**A higher percentage of surveyed online MSMEs reported being self-taught or relying on friends and family to learn how to use digital tools than offline MSMEs<sup>xlviii</sup>**



xlvii Reported feeling confident in using a phone app or computer program to make a voice call or send a voice note by connectivity status (online and offline) is statistically significant per Chi-squared test of independence,  $p < .05$ . Reported feeling confident in using the internet to find information or help by connectivity status (online and offline) is statistically significant per Chi-squared test of independence,  $p < .05$ .

xlviii Reported being self-taught in learning to use how to use digital tools by connectivity status (online and offline) is statistically significant per Chi-squared test of independence,  $p < .05$ . Reported relying on friends and family in learning to use how to use digital tools by connectivity status (online and offline) is statistically significant per Chi-squared test of independence,  $p < .05$ .

## KEY INSIGHTS FOR POLICYMAKERS



Both surveyed online and offline MSMEs reported facing similar difficulties when using digital tools, though their most frequently cited difficulties varied. Surveyed 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 surveyed online MSMEs was a lack of knowledge (23 percent), followed closely by high costs (22 percent). In contrast, surveyed 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 surveyed online MSMEs and less than half (43 percent) of surveyed offline MSMEs reported an interest in learning more about using digital tools to find new customers.<sup>xlix</sup> 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, more than 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 surveyed MSMEs in Cambodia are open to learning about the benefits of digital tools and, in some cases, already understand the value-add to their business. It is therefore important to work directly with such 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 business and manage their operations.

<sup>xlix</sup> Statistically significant per Chi-squared test of independence, adjusted  $p < 0.05$ .

CASE STUDY

# KANG LAKHENG RICE MILL



AGRICULTURE  
& FOOD  
PRODUCTION



MEDIUM-  
SIZED  
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 to 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

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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 business 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 harness the network effect to draw offline businesses into the online world.

Both online and offline MSMEs reported 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.<sup>i</sup>

The sample for the study was defined to include and be limited to Cambodia's micro (1 employee), small (2 to 9 employees) and medium (10 to 249 employees) business populations<sup>ii</sup> (summarized as “business size” in the text). Official statistics from the National Institute of Statistics of Cambodia, including the Cambodia Inter-Censal Economic Survey (2014)<sup>22</sup> and the Economic Census of Cambodia (2011),<sup>23</sup> were used as a basis to estimate the proportion<sup>iii</sup> of businesses for each business size. These statistics were also used to establish target interview counts by business size, province, and urbanicity (urban/rural).

The targets for business size were set to approximate the distribution of the MSME 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 target interview counts were allocated as shown below, which also shows the actual interview counts achieved from fieldwork:

Target and Actual Interview Counts by Business Size, Urbanicity and Business-Owner Gender in Cambodia

	BUSINESS SIZE			URBANICITY			BUSINESS-OWNER GENDER	
	TARGET	ACTUAL		TARGET	ACTUAL		MINIMUM REQUIRED	ACTUAL
Micro	770	751	Urban	700	783	Women	150	795
Small	130	145	Rural	300	214			
Medium	100	101						

i This is one in a series of 13 country reports about micro, small and medium-sized enterprises' (MSMEs) use of digital tools in North America, South America, South Asia, and Southeast Asia. These are accompanied by a global report, containing a complete description of the research and survey methodology.

ii 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.

iii 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 was a multistage stratified cluster sample. This means that the population was divided into geographic blocs and then through stages, each time selecting a more limited geographic unit until the final sampling unit for interviewing was selected. The geographic and sampling units defined at each stage were the following:

- PSUs:** Primary sampling units (PSUs) were defined as provinces. Cambodia’s 25 provinces were stratified by its four regions – Mekong Lowlands, Northwest, Cardamom & Elephant Mountains, and Eastern – and eight provinces were selected as PSUs. Four were selected with certainty (100 percent probability) based on their commercial importance: Phnom Penh, Siem Reap, Battambang, Kampong Cham. The remaining four provinces – Kandal, Kampong Thom, Banteay Meanchey, and Prey Veng – were selected with random probability proportional to the number of persons within their regional stratum based on the Cambodia General Population Census (2019).<sup>24</sup>
- SSU1s:** Secondary sampling units (SSU1s) were defined as districts. The 83 districts contained in the PSUs (there are 176 nationally) were then stratified by urbanicity (urban/rural).<sup>liii</sup> Of these 83 districts, 26 were selected with random probability proportional to the number of persons within their PSU-Urbaneity stratum.
- SSU2s:** SSU2s were defined as commercial business areas within each SSU1. There were no available statistics for the total universe of SSU2s so they were selected using the combined knowledge of the research team and Ipsos’ on-the-ground experience. This analysis took into account meeting target interview counts by urbanicity and business size. Where an SSU1 contained only one commercial business area, that served as the default SSU2. In densely populated business districts, a discretionary SSU2 would be selected to begin the random walk selection of individual businesses.
- Individual businesses:** Within each SSU2, 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. 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.

liii Urban is Phnom Penh capital city (the entire city) and all provincial towns. All other areas are classified as rural.

### Sampling Statistics

The sampling statistics are as follows:

#### Interview Response and Refusal Rates in Cambodia<sup>iv</sup>

	CAPI
Contacts	2,635
Completes	997
Refusals	1,097
Response rate <sup>lv</sup>	37%
Refusal rate <sup>lvi</sup>	42%

### Locations for Research in Cambodia

The target interview count and actual interview count by province are detailed below:

#### Target and Actual Interview Counts by Province

PROVINCE	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
<b>Total</b>	<b>1,002</b>	<b>997</b>

### Sample Weighting

Based on the fieldwork dispositions, Ipsos applied two weights to the raw survey data to account for provincial population distribution as well as the variation in non-response by urban and rural designations and by respondent gender.

- Design weight:** A weight by province was applied to adjust the sample to be proportionate to the number of persons within each province, as determined by the 2019 General Population Census data.<sup>25</sup> The 2019 General Population Census was used as a proxy for the proportion of businesses in each province, as opposed to the 2014 Cambodia Inter-Censal Economic Survey and the 2011 Economic Census of Cambodia used to create target interview counts by business size (as the latter sources do not include informal businesses). Therefore, general population counts were more likely to mirror the total (formal and informal) business population.
- 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.<sup>lvii</sup>

lv By showing only the response rate and refusal rate, the table 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 percent.

lv Calculated using AAPOR Response Rate 3 methodology.

lvi Calculated by dividing the number of refusals by the number of contacts.

lvii 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.

Ipsos carefully considered a broad spectrum of weights to be applied. Two in particular – business-size and cross-national – were not applied. A business-size weight was not applied as the actual counts achieved through natural fallout closely matched the targets by business size set using the Cambodia Inter-Censal Economic Survey and Economic Census referenced previously.<sup>26</sup> A cross-national weight, to enable comparison across countries in this series of reports, was not applied because there were no reliable data sources that could account for sampling differences across all countries in fieldwork timing and survey modes.

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 two to three 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 rural 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. The random walk methodology may also limit

the inclusion of multiple businesses at the same location. For multi-storey buildings, enumerators were instructed to treat the building as part of the random walk and choose one MSME from the location for screening and consent (or multiple MSMEs, depending on the interval and building size). However, if multiple businesses were 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 SSU1s 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 multistage 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

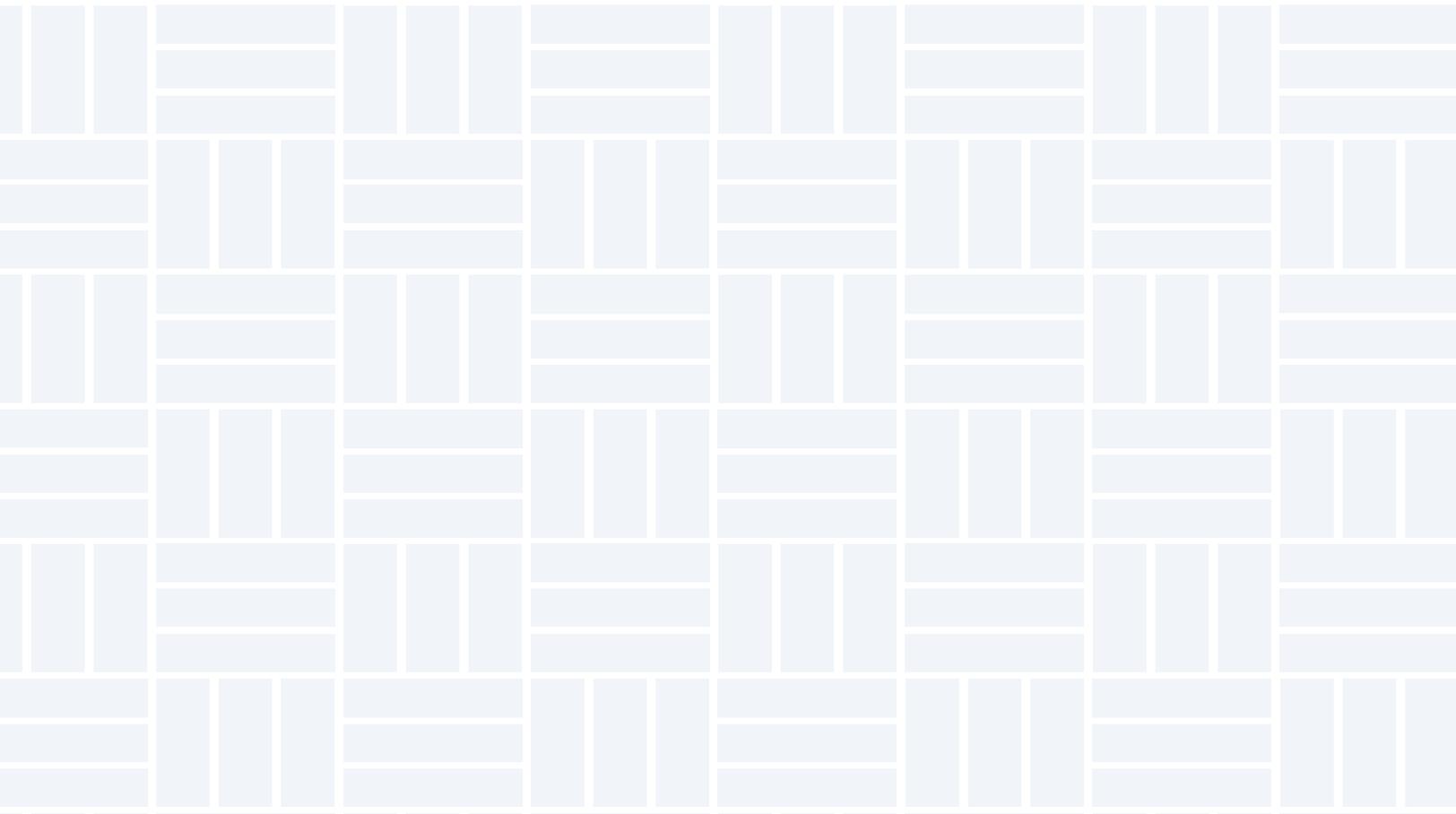
The primary methods of analysis used in this report are ratio estimations and Rao & Scott's Chi-squared test of Independence to determine statistical significance. All questions required a response to be entered, enabling the interviewer to continue to the next question. All questions included a "don't 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 zero to six percent, 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 percent 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 and e-commerce	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
	Siem Reap	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

Owner Age	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
	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
Respondent Education	No formal education or less than primary education	40	4	4	0.62	0.64
	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
Banking Status	Banked	327	32.8	32.6	1.49	1.53
	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
Client Type	Both businesses and individuals	173	17.4	17.9	1.2	1.23
	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 <sup>1</sup>	997	38.6	38.9	11.2	11.3
Business Age <sup>2</sup>	997	6.4	6.4	7.1	7
Number of Owners <sup>3</sup>	997	1.6	1.6	2.1	2.1

<sup>1</sup> Other possible response options: Don't know (0), Refused (0).

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

<sup>3</sup> Other possible response options: Don't know (0), Refused (0).

# ENDNOTES

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