



# **Ministry of Industry Science Technology & Innovation (MISTI)**

General Department of SME & Handicraft

**“The Current Situation  
of SMEs in Cambodia”**

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# 1. Introduction – Organizational Chart of SME Department



# Overview of MSMEs

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- ▶ As of 2022, Cambodia's Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in the country's economy, contributing significantly to employment and GDP. The Cambodia Economic Census 2022 reported 753,670 non-agricultural economic entities, with 99.8% classified as MSMEs. These entities are responsible for 58% of employment and 58% of Cambodia's GDP.
- ▶ However, a substantial portion of these businesses remains informal, with only 6.5% of micro enterprises formally registered. This presents challenges in terms of tax collection and transparency, but also offers opportunities for growth and formalization under the National Strategy for the Development of the Informal Economy 2023-2028.
- ▶ The census data reveals that the majority of MSMEs are concentrated in the service sector (93%), while the remaining 7% are involved in industrial activities. Women play a significant role in the MSME sector, owning or representing 69.1% of these businesses.
- ▶ To encourage formalization, the Cambodian government has introduced tax incentives aimed at MSMEs in priority sectors such as wholesale, retail, accommodation, food services, handicrafts, and agricultural cooperatives. These incentives include exemptions from various taxes and fees for a specified period for businesses that voluntarily register for tax between 2023 and 2028.

# SME Definition

## 1. Definition of Small and Medium Enterprises

In accordance with the result of the 2<sup>nd</sup> Meeting of the SMEs Development Policy Committee at the Council Ministers of Cambodia on January 21, 2021(សម្រេច លេខ០៣៦), SMEs are categorized into three sectors:

1. Agriculture
2. Industry
3. Service and Trading.

New definition of SME categorization considered in this SME Development Policy hinges on three key principles as follows:

1. Number of Employment
2. Annual Sales Turnover
3. Productive Assets

Sector	Number of Employment		and	Turnover (US Dollar)		or	Assets (US Dollar)	
	Small	Medium		Small	Medium		Small	Medium
Agriculture	5-49	50-199		62,250 – 250,000	250,001 – 1,000,000		50,000 – 250,000	250,000 – 500,000
Industry	5-49	50-199		62,500 – 400,000	400,001 – 2,000,000		50,000 – 500,000	500,001 – 1,000,000
Service & Trading	5-49	50-99		62,500 – 250,000	250,001 – 1,500,000		50,000 – 250,000	250,001 – 500,000

*Note: When determining the Turnover or Assets Size, the condition with higher values will be applied.*

# SME Statistics – Manufacturing Sector

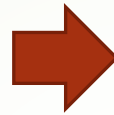
ចំណាត់ថ្នាក់ឧសក ISIC Rev.4	ឆ្នាំ២០២៣		ខែមេសា ឆ្នាំ២០២៤					សរុបពិធីខែមករា ដល់ចុងខែមេសា					មូលដ្ឋាន និងពលកម្មសរុបរួម	
	ចំនួនមូលដ្ឋាន	ចំនួនពលកម្ម	ចំនួនមូលដ្ឋាន			ចំនួនពលកម្ម		ចំនួនមូលដ្ឋាន			ចំនួនពលកម្ម		ចំនួនមូលដ្ឋាន	ចំនួនពលកម្ម
			ធ្នូ	មីនា	មិថុនា	ធ្នូ	មេសា	ធ្នូ	មីនា	មិថុនា	ធ្នូ	មេសា		
១០-១២. ផ្ទៃកសិកម្ម រុក្ខាប្រមាញ់ កសិដ្ឋាន និងដំណាំ	28,966	169,148	68	53	11	321	56	197	304	182	1,478	1,134	28,981	169,492
១៣-១៥. ផ្ទៃកសិកម្ម កសិដ្ឋាន កសិដ្ឋាន កាត់ដេរ ចាក់កាបូន និងស្បែកជើង	3,527	210,323	15	4	21	667	1,142	60	27	50	4,152	2,706	3,537	211,769
១៦. ផ្ទៃកសិកម្ម កម្រិត និងផលិតផលពីលើ (លើកលែងត្រីងស ដូង)	309	2,296	0	1	2	0	101	1	2	3	25	105	307	2,216
១៧-១៨. ផ្ទៃកសិកម្ម ផលិតផលក្រដាស និងក្រដាស និងបោះពុម្ពផ្សេងៗលើកលែងសម្លៀកបំពាក់	214	4,677	9	2	0	141	0	14	6	4	208	72	224	4,813
១៩-២២. ផ្ទៃកសិកម្ម កម្រិត កៅស៊ូ និងប្លាស្ទិក	1,532	14,226	21	9	0	243	0	55	55	20	853	132	1,567	14,947
២៣. ផ្ទៃកសិកម្ម កម្រិតមិនមែនលោហៈ	2,187	30,287	5	12	3	52	40	15	40	39	194	296	2,163	30,185
២៤-៣០. ផ្ទៃកសិកម្ម កម្រិតលោហៈ	5,493	22,101	5	15	2	26	19	31	41	56	410	313	5,468	22,198
៣១. ផ្ទៃកសិកម្ម ដូង	772	4,346	4	2	1	17	5	7	11	22	119	134	757	4,331
៣២. ផ្ទៃកសិកម្ម ផ្សេងៗ	1,628	6,562	4	0	0	19	0	11	6	0	98	0	1,639	6,660
<b>សរុប</b>	<b>44,628</b>	<b>463,966</b>	<b>131</b>	<b>98</b>	<b>40</b>	<b>1,486</b>	<b>1,363</b>	<b>391</b>	<b>492</b>	<b>376</b>	<b>7,537</b>	<b>4,892</b>	<b>44,643</b>	<b>466,611</b>

## 2. Current Situation of SMEs in Cambodia

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### Problem 1: Governance

High cost of electricity/  
Supply shortages/  
Frequent outages



Majority of Phnom Penh interviewees stress. Especially food and other manufactures face serious problem

Unofficial payment



Almost all Phnom Penh interviewees reported different ministries' inspections

High tax rates/  
Complicated tax  
procedures



High tax rate and complicated tax procedures hard to be understood by SMEs especially in provinces

Poor infrastructure and  
public services



Poor road condition causing high transportation cost, poor garbage collection service e.g. for restaurant

Lack of enough support  
policy for SMEs



No policy by government to protect local producers against imported products

## 2. Current Situation of SMEs in Cambodia

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### Problem 2: Customer/ Market

Difficult to collect sales from customers



Customers have bad habit to pay late  
Poor sales and/or poor cash flow

Increasing competition



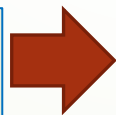
Both import and domestic  
Competition in price, quality and design

Unfair competition



Tax evasion  
Violation of trade regulations

Declining number of customer



After global financial crisis in 2009, flood in 2011, and political problem after 2013



## 2. Current Situation of SMEs in Cambodia

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### Problem 3: Human Resource

Unskilled/low-skilled labour supply shortage



Workers are attracted by higher wage in garment or construction sectors

Poor discipline and commitment



Workers not paying enough attention to the task at hand, lacking punctuality, leaving job without permission

High staff turnover



Workers cannot stand tough work  
Attracted to capital city or Thailand from province

Semi-skilled/highly-skilled labour shortage



Work abroad, particular Thailand  
Some province SMEs hire highly-skilled labour from capital with high wage

Low productivity



Poor commitment and discipline

Increasing wages



Increase demand by workers

## 2. Current Situation of SMEs in Cambodia

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### Problem 4: Products/ Services

Rising cost of raw materials



Many SMEs import raw materials and intermediate inputs mostly from Thailand and Vietnam

Poor quality of raw materials



Poor quality raw materials leads low quality output which is difficult to sell  
some rice millers find difficult to get good quality paddy rice

Decreasing price of finished products



Some rice millers cannot export so they have to reduce the price

### 3. Existing Policies on SMEs in Cambodia

- The Pentagon Strategy Phase I
- National Strategic Development Plan
- National Strategy for the Development of the Informal Economy (2023-2028)
- Cambodia Credit Guarantee Cooperation & CBC
- SME Bank of Cambodia
- SME Cluster Policy (Draft)
- Tax Incentives for SMEs (Prakas 360, June 2024)
- Industrial Development Policy (IDP) 2015-2025
- Digital Economy and Society Policy Framework (2021-2035)

# 4. Supporting Schemes and Ecosystem

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- **Formalization Initiatives:** The Cambodian government has introduced the National Strategy for the Development of the Informal Economy 2023-2028, which aims to ease the transition of informal businesses into the formal economy. This strategy includes offering tax incentives, such as exemptions from certain taxes and fees for MSMEs that voluntarily register
- **Financial Inclusion Programs:** To improve access to finance, the government and various stakeholders are working on financial literacy programs and initiatives that encourage banks to lend to MSMEs. Additionally, there are efforts to promote digital financial services that could offer MSMEs more convenient access to credit
- **Capacity Building and Training:** The government, often in collaboration with development partners, has launched training programs to enhance the skills of MSME operators. These programs focus on areas such as business management, digital literacy, and technical skills necessary for adopting new technologies
- **Simplification of Regulatory Processes:** Efforts are underway to simplify the business registration process and reduce bureaucratic hurdles for MSMEs. The introduction of digital platforms for registration and tax payments is part of this strategy, making it easier for businesses to comply with regulations and benefit from government support

# Line Ministries in MSMEs Sectors

Ministry of Industry, Science, Technology & Innovation

Ministry of Economy & Finance



Ministry of Commerce

Ministry of Tourism



Ministry of Post and Telecommunication

Ministry of Education  
Youth and Sport



Ministry of Health

Ministry of Agriculture,  
Forestry and Fishery



Ministry of Labor and Vocational Training



# Development Partners

- International Organization
- Private Associations
- Other Development Partners



**GIZ**



**UNIDO**



**UNDESA**



**Other:  
PPPs, ADB, WB,  
ACCMSME...**



**UNESCAP**



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Aw-kun