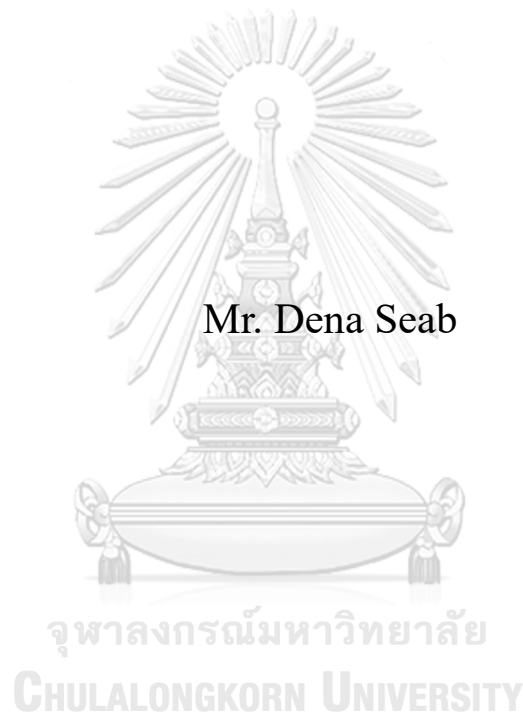


The Challenges of Small and Medium Enterprises (SMEs) in
Tourism Sector: A Case Study of Sihanoukville Province,
Cambodia



Mr. Dena Seab

A Thesis Submitted in Partial Fulfillment of the Requirements
for the Degree of Master of Arts in Business and Managerial Economics
Field of Study of Business and Managerial Economics
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ความท้าทายของวิสาหกิจขนาดกลางและขนาดย่อมในภาคการท่องเที่ยว: กรณีศึกษาจังหวัดสีหนุ
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การวิจัยครั้งนี้มีวัตถุประสงค์เพื่อศึกษาความท้าทายของวิสาหกิจขนาดกลางและขนาดย่อม (SME) ในภาคการท่องเที่ยวในสีหนุวิลล์ของกัมพูชา. ผู้เขียนใช้วิธีการผสมผสานของวิธีการเชิงปริมาณและเชิงคุณภาพเพื่อตอบและวิเคราะห์วัตถุประสงค์การวิจัย. สำหรับการสำรวจประชากรของการศึกษานี้ได้รับการคัดเลือกจากเจ้าของธุรกิจหรือผู้จัดการของ SMEs ในภาคการท่องเที่ยว 114 คนส่วนใหญ่เป็นโรงแรมเกสต์เฮาส์ร้านอาหารร้านนวดตัวแทนการท่องเที่ยวผู้ประกอบการท่องเที่ยว, และ บริษัท ขนส่งเพื่อตอบแบบสอบถาม. วิธีการเชิงปริมาณถูกนำไปใช้โดยใช้แบบสอบถาม. ข้อมูลเชิงปริมาณที่รวบรวมจากการสำรวจถูกวิเคราะห์โดยใช้ SPSS 16. สำหรับแนวทางเชิงคุณภาพเจ้าหน้าที่ของรัฐ 2 คนที่ทำงานในกระทรวงเศรษฐกิจและการเงินและกระทรวงการท่องเที่ยวที่มีความเชี่ยวชาญในสาขานี้ถูกสัมภาษณ์. การวิเคราะห์เนื้อหาที่ใช้.ผลลัพธ์ของผลลัพธ์นี้แสดงให้เห็นว่าการลดลงของนักท่องเที่ยวใน Sihanoukville เป็นข้อ จำกัด ที่สำคัญต่อการเติบโตของธุรกิจของพวกเขาตามด้วยการเพิ่มขึ้นของกลุ่มแข่งขันในระบบ. ค่าใช้จ่ายในการทำธุรกิจเป็นข้อ จำกัด ที่สำคัญอันดับ 3 ต่อการเติบโตของ SMEs. นอกจากนี้การเข้าถึงการเงินและตามด้วยคนงานไร้ฝีมือเป็นปัญหาตามนั้น. กฎระเบียบทางกฎหมายและโครงสร้างพื้นฐานด้านเทคโนโลยีก็เป็นความท้าทายสำหรับการเติบโตของพวกเขา. การศึกษานี้สรุปว่าการแข่งขันอย่างไม่เป็นทางการค่าใช้จ่ายในการทำธุรกิจการเข้าถึงการเงินและค่าใช้จ่ายในการปฏิบัติตามกฎระเบียบมีผลกระทบเชิงลบมากที่สุดต่อการพัฒนา SMEs. นอกจากนี้การขาดทรัพยากรมนุษย์และโครงสร้างพื้นฐานด้านเทคโนโลยีมีบทบาทในการปรับปรุงและเพิ่มประสิทธิภาพการผลิตในการดำเนินงานของ SMEs.

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Dena Seab : The Challenges of Small and Medium Enterprises
(SMEs) in Tourism Sector: A Case Study of Sihanoukville
Province, Cambodia. Advisor: Asst. Prof. WATCHARAPONG
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This research aims to study the challenges of Small and Medium Enterprises (SMEs) in Tourism Sector in Sihanoukville of Cambodia. The author used a mix approach of quantitative and qualitative approach to answer and analyze the research objectives. For survey, the population of this study were chosen from 114 business owners or managers of SMEs in tourism sector mainly hotels, guesthouses, restaurants, massage parlors, tour agencies, tour operators, and transportation companies to answer the questionnaires . The quantitative method was applied using questionnaire. The quantitative data collected from the survey were analyzed by using SPSS 16. For qualitative approach, 2 government officials who have been working in the Ministry of Economy and Finance and the Ministry of Tourism that specialized in the field were interviewed. The content analysis utilized. The result of this result shows that the decrease in tourists in Sihanoukville as the major constraints to the growth of their business followed by the rise of informal competitors. Cost of doing business ranked as the 3rd major constraint to the growth of SMEs. Also Access to finance and followed by unskilled worker are the problem accordingly. Law regulation and technology infrastructure were also the challenges for their growth. This study concludes that the informal competition, cost of doing businesses, access to finance, and compliance cost have the most negative effects on SMEs development. Addition the lack of human resources and technology infrastructure play roles in enhance and increase the productivities in operating SMEs.

Field of	Business and	Student's
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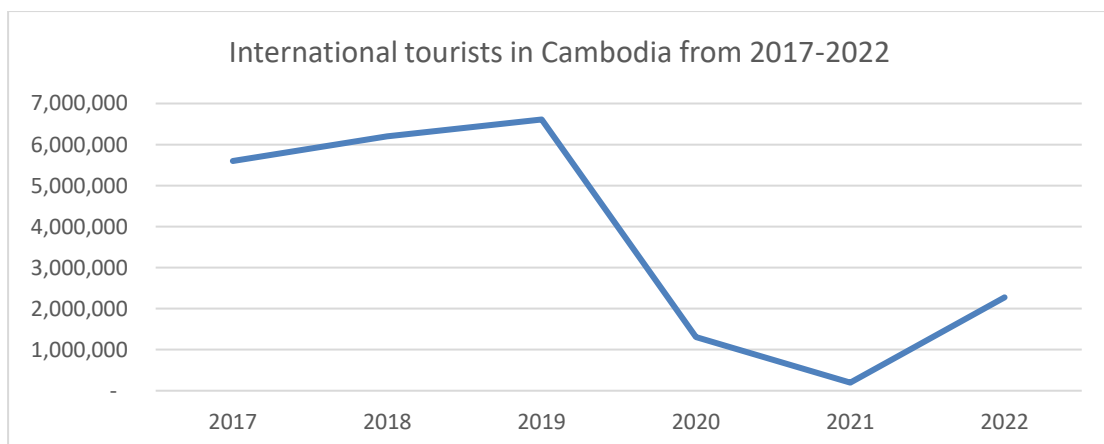


Chapter 1

Introduction

Tourism plays a crucial role in economic growth in Cambodia, which is a significant earner in foreign incomes, a source of income, and especially with employment opportunities for the country's formal and informal sectors. The government has experienced the expansion of hotels and restaurant businesses, not to mention other businesses in other industries such as wholesale and retail trade, transportation, and communications, thanks to many international tourist arrivals. In 2012, it contributed about 11.5% to gross domestic product, generating tourism receipts equivalent to \$2.2 billion, and provided 782,500 jobs (12.4% of total employment in the country) (Hin, 2018). In 2020, the contribution of travel and tourism to GDP was 11.4% and would rise. The sector has the potential to develop further by providing opportunities to increase foreign incomes, diversify economic growth portfolios, and create jobs opportunities for local people. On a global scale, it is known to be a resilient industry, recovering quickly from crises, and growing, particularly in Asia.

Figure 1: International tourists in Cambodia from 2017-2022



Source: Tourism Statistics Report, (2022)

Based on the figure, the number of international tourists in Cambodia increased until the broke of Covid-19 in 2020. The number continued to drop down in 2021 with a very low number. As the Covid-19 has started to be recovery, the number of tourists arrival have started to increased accordingly.

Domestically, the Ministry of Tourism prepared a Development Strategic Plan 2012–2020 to prioritize investment in the southern coastal corridor countries, including Koh Kong, Sihanoukville, Kampot, and Kep. According to the Preah Sihanouk provincial Department of Tourism, during the first semester of 2018, the Sihanoukville received more than 1.3 million tourists. Over one million were domestic and 290,782 foreigners, and the Chinese tourists accounted for almost half of all foreigners. The number of local and international tourists rose about 10.12% when compared to the same time last year.

Figure 2: International tourists' arrival to Sihanoukville in the first half of 2018



Source: The Phnom Penh Post (2018)

This province is a tourism boom buoyed by Asian travels especially from China, Vietnam and Malaysia, which creating high demand for accommodations and other services. Most of businesses are owned by Cambodian people including guesthouses, hotels, and restaurants that boom in the province. Also, Chinese investors tend to operate on manufacturing, entertainment, real estate, large hotels and restaurants as well as big casinos. The target market of this province are foreign tourists and local tourists (mostly from the capital city known as Phnom Penh). In 2022, The majority of visitors to Sihanoukville are domestic tourists who come here to unwind as a family or to see relatives on the weekends, typically arriving by their own automobiles. They are there to unwind at the beach, eat delicious seafood, and also go on a business trip. The remainder are foreign visitors, sometimes referred to as backpackers, who go independently from Phnom Penh and Koh Kong by bus and speedboat with the aim of relaxing, going swimming, and seeing several lovely islands. The remainder primarily travel to Sihanoukville for business purposes. Prior until now, Sihanoukville received the majority of its visitors from countries such as France, China, the United States, England, and Japan. For instance, Sihanoukville attracted 45,434 foreign tourists and 603, 457 tourists from Cambodia respectively. Later, the number of Cambodian visitors raised to 2,143,052 and 264,191 for foreign visitors in 2022 (Tourism Statistics Department, 2023).

Sihanoukville is the country's leading seaside destination and acts as a gateway to close-by idyllic developed islands such as Koh Rong and Koh Rong Sanloem. There are 22 islands with 11 islands for tourists to visit. There is 119.5 km. of beaches of the highest quality sand and environment. Furthermore, there are also waterfalls and national parks (where eco-tourism is being developed with mangroves, birds, a fishing

village, dolphins, meditation, fishing, and coral reefs). It is famous for its natural beauty and largely untouched beaches. Specifically, Victory Beach, Lamherkay Beach, Koh Pos Beach, Independence Beach, Sokha Beach, Serendipity Beach, Occheuteal Beach, and Otres Beach are the specific beaches that run the length of the city's west boundary from north to south. Sihanoukville is one of the best places in Cambodia to explore since it has fun things to do.

Sihanoukville also includes manmade and natural sights, ranging from exciting places to spend time with the family to great spots to relax and unwind in peace. The variety of cultures, casinos, waterfalls, markets, monuments, and a lot more to enjoy in this vibrant city on Cambodia's southern coast. Kang Keng Airport, also known as Sihanoukville International Airport, which is available for both local and international flights, serves the city. In 2022, according to Cambodia's Minister of Public Works and Transport, Sun Chantol, Cambodia is looking to upgrade the current routes into express way operating from Poipet to Phnom Penh and Phnom Penh to Sihanoukville and its ports. The existing courses cover about 612 kilometers and work between the capital and the port in Sihanoukville. The current trains can run at a maximum speed of only 30 kilometers per hour. Prime Minister Hun Sen supported the plan in early April as part of a master plan to improve the connections with neighboring countries and promote the movement of goods and people (REPORTERS, 2022). In 2008, the province received more than 1.3 million tourists during the first quarter of this year. One million were domestic tourists, and the rest were foreign tourists, with Chinese accounting for 84,664 (Pisei, 2018). Due to COVID-19, the tourist arrival in Sihanoukville decreased rapidly to only 248,849, including both domestic and foreign tourists. However, with suitable policies protecting the government of Cambodia from

tackling the pandemic, the number of tourists arriving in Sihanoukville increased to about 372,921 in February of 2022. According to the Tourism Statistics Department (TSD), the number of tourists will keep rising as the pandemic has slowed down significantly (DEPARTMENT, 2022).

Figure 3: Map of Sihanoukville



Source: Google map (2022)

There is around 227 km from Phnom Penh to Sihanoukville province. It takes approximately 4 hours with the bus journey time and about 45 minutes by airplane (Rome2rio, n.d). Sihanoukville is only Cambodia's deep-water port – part of a vital trade route for the Belt and Road development initiative – the city has become a focal point for Chinese investment. The Sihanoukville Autonomous Port has been developed steadily, and it now has 12 berths equipped with modern cargo handling facilities. It consists of channels, namely South Channel (Length 5.5 km, Depth 8.4 m, Width 80-100 m) and North Channel (Length 1 km, Depth 10 m, Width 150-200 m) (Cambodia n.d.). Vast Chinese-run construction projects are visible across almost every city area

and its high streets (Ellis-Petersen, 2018). Sihanoukville is providing opportunities for its residents and those from the region. Chinese investment in Cambodia has also brought industrial parks, factories, commercial housing, hotels, restaurants, and casinos. The seaside tourist city is gradually changing into an engine of Cambodia's economy (Hui, 2020). Additionally, within the past five years, some have begun referring to Sihanoukville as the "next Shenzhen." After receiving the designation earlier this year, the administration aimed to transform this province into a multipurpose special economic zone (SEZ). The Cambodian Prime Minister consented to sign a sub-decree on June 9, 2021, to transition the province into a multipurpose SEZ. The multipurpose SEZ seeks to make Sihanoukville a "second Shenzhen city," as that city's designation helped the region progress from a sleepy fishing village to a hub of industry and a leader in high-tech innovation. The government is hoping that Sihanoukville would one day transform from a modest seaside community to a major hub for shipping and industry. Additionally, SEZ will strive to develop into a key economic region in Southeast Asia supported by modern technology and an industrial zone supporting local and international supply chains. It may also identify other locations for industrial developments. For instance, on 11,647 hectares of property in the province, 20 firms larger than the criteria have created projects worth a combined US\$3.9 billion. The Sihanoukville Autonomous Port will also be significantly developed, according to the government. According to the development plans, a brand-new container port will be built that will be 350 meters long, 14.5 meters deep, and able to dock huge ships with 5,000 TEU container capacity (Koty, 2021).

Since the Belt and Road Initiative was introduced in Cambodia, the nation has embraced it and turned it into one of the main engines of economic growth. Through

their collaboration on this large-scale initiative, China and Cambodia have benefited each other. Cambodia has put into practice the bilateral partnership to expand connectivity and physical infrastructure. The Sihanoukville Special Economic Zone (SSEZ) and the Phnom Penh-Sihanoukville Expressway are examples of BRI-related initiatives (Kha, 2019). By directly employing nearly 20,000 Cambodians and fostering the social and economic development of Sihanoukville and other nearby provinces, for instance, the SSEZ has contributed to the generation of cash. Currently, the zone is home to more than 100 enterprises that make goods for export including clothing, textiles, bags, leather goods, metal, equipment, and wooden goods. The second stage of construction is already under progress, and the zone may accommodate up to 300 businesses with up to 100,000 Cambodian workers. Not to add, the SSEZ volunteered to house a government-sponsored vocational training facility that already runs and free of charge trains employees and students in and around the seaside town in certain technical skills. Given the magnitude of indirect employment and income creation (i.e., the advantages for the employees' immediate families, the requirement for other enterprises to support the workers' livelihood, etc.), the benefits of income generation and empowerment are especially important.

In contrast, there are also concerns about the quality and transparency of Chinese investments, particularly when compared to investment initiatives supported by other donors and development partners. Concerns have been expressed by certain NGOs and civil society organizations on a variety of topics, including relocation, compensation, and environmental harm to land. In reality, when carrying out any sort of infrastructure investment projects, the Cambodian government must adhere to a number of rules and regulations related protection policies. For externally funded

audits, for instance, the government created Standard Operating Procedures (SOP). Other initiatives are carried out in Cambodia to raise awareness, operate as a model and guidance for the design and execution of land acquisition and resettlement (LAR) operations, and guarantee that all safeguard issues are dealt with uniformly, consistently, and fairly. China has also created rules for Chinese investments abroad on environmental protection and cooperation. It includes key guidelines for Chinese investors to follow when incorporating environmental protection into their corporate governance policies and demands to take into account the concerns of the governments and communities of the host nations. According to reports, this recommendation was developed after consulting with NGOs and specialists in Cambodia.

Tourism plays a crucial role in developing Small and Medium Enterprises (SMEs) in this potential province. This sector enables local entrepreneurs to start tourist establishments by encouraging local activities. Not only does it raise the tolerance limits of host tourists' actions, but the industry will also enhance community stability by motivating local people to involve and take advantage of the tourism development. The local community in the micro-destination can be said to be attracted by tourism-related goods. Businesses also transport non-native people into the community, develop and promote aspects of the local community that are appealing and sellable, manage the flow of visitors, and provide goods and services for visitors to use while they are staying in the area. However, the path to developing its economic growth is not easy, and there are many challenges that the countries are facing, especially before and during the pandemic. Nearly half of tourism-related businesses in Cambodia have decided to suspend their business during the COVID-19 pandemic. Those businesses include hotels, restaurants, travel agents, and karaoke bars. A lack of customers is the main

reason local businesses suspend or close their operations permanently. Strict lockdowns negatively impact enterprises with the sharp drop-off in international visitors (Strangio, 2021). More importantly, the major obstacles included difficulty in obtaining funding, a dearth of technical expertise and human resources, a lack of assistance from pertinent governmental and non-governmental stakeholders, concerns about intense regional and global competition, and a significant informal sector.

The motive to conduct this research is to find the real challenges of SME developments and provide the concepts and frameworks to meet the designation policies that will play a big part in helping those businesses to achieve the expectations.

Chapter 2

Research Question

2.1 Research Question:

What are the challenges of Small and Medium Enterprises (SMEs) in tourism sector development in Sihanoukville of Cambodia?

2.2 Objectives

- 1.1. To study the development of Small and Medium Enterprises (SMEs) in the tourism sector in Sihanoukville of Cambodia.
- 1.2. To explore the current situation and factors that challenge the development of Small and Medium Enterprises (SMEs) in the tourism sector in Sihanoukville of Cambodia during the Covid-19.
- 1.3. To provide the recommendations for Small and Medium Enterprise (SMEs) in the Tourism sector to overcome the challenges and meet the development in post Covid-19.

2.3 Significance of the study

The significance or importance of studying the challenges of Small and Medium Enterprises (SMEs) in Tourism sector development can be viewed in at least two dimensions, one being that the research on Cambodia's tourism sector seems to be scared. As mentioned above, no deep study has been published yet about the challenges of Small and Medium Enterprises (SMEs) in the Tourism sector. On the other hand, the study may assist policymakers in implementing impacted policies to tackle the found challenges that can promote the SMEs in the tourism sector in Sihanoukville. More importantly, to the government, the findings of the study will guide them in adjusting SMEs' development policies in such a way that it will enhance their growth and development. Further, the results will also assist the government in improving the existing approach to creating a conducive enabling environment that promotes the Small and Medium Enterprises in Tourism Sector. This research, on the other hand, provides prospects for researchers. These include more than just applied research aimed at enhancing practice in this type of Small and Medium Enterprises of Tourism or examinations of existing practical challenges.

2.4 Conceptual Framework

2.4.1 Theoretical frameworks

2.4.1.1 Access to finance

SMEs seem to face a more difficult situation in raising money when compared with large firms. Most of banks prefer to invest in large enterprises rather than to SMEs. The reason is that large enterprises have a lower risk of default and their incomes are clear. The risks of businesses mainly from the point of view of lenders and they do not have clear accounting information. Financial barriers can occur when SMEs need

additional funds to searching for new markets, finance the necessary investments and needed to insure products. Compared to large enterprises, Due to their weaker assets and erratic income, SMEs are typically at a disadvantage when attempting to get loans from banks. According to Sleuwaegen and Goedhuys (2002), lack of financial support is the major obstacle for SMEs and usually the owners need to allocate their personal financial sources to start up their businesses as well as to expand their operations. Nichter and Goldmark (2009) found that there are existing policy biases towards large enterprises and small firms face problem due to lack of access to finance. Most of small and medium enterprises face difficulty in access to financial supports due to insufficient collateral, high transaction costs and incapability to deal with the complexity of formal financial institutions (Leopairote, 1997). In addition, SMEs in developing countries generally do not get accepted to formal bank loans because of perceived high risk of default, low profitability and incapability to demonstrate required physical collateral (Harvie, 2005).

2.4.1.2 *Competitors*

The likelihood of facing fierce competition from established domestic competitors and big businesses is another barrier for SMEs. Due to their concern that their home competitive edge may be compromised abroad due to more complex and intense competitive circumstances, SMEs may become discouraged (OECD, 2009). Additionally, conventional approaches that are successful for global organizations might not work for SMEs. As a result, when competing against international firms, SMEs will need to create their own special competitive strategy (Onkelinx and Sleuwaegen, 2008). SMEs must concentrate on certain, well-defined market niches where they can still have a competitive edge and would provide a higher value to their

clients in order to successfully compete and compete with large businesses (Onkelinx and Sleuwaegen, 2008).

2.4.1.3 *Cost of doing businesses*

The high cost of inputs and regulatory costs may be seen as a barrier to the growth of SMEs. Most businesses made sure that following laws, traditions, and other regulations was at least somewhat important to their work. On handling records crucial to an activity, the authorities would impose a casual assistance expense. Levy's (1993) investigation of Tanzania's building and furniture industries and Sri Lanka's leather sector. Access to financing, availability of non-financial inputs, and high cost were the three main obstacles revealed by this intriguing sort of historical study. The findings demonstrated that a high tax burden was also noted as a significant barrier for the smallest enterprises.

2.4.2 **Conceptual frameworks**

Independent Variables

Access to finance

Competitors

Cost of doing
businesses

Dependent Variable

Challenges to SMEs
growth

Source: empirical evidence (2023)

From figure 2.1 above, it can be analyzed that access to finance, competitors and cost of doing businesses are independent variables that affect to SMEs growth as dependent variable. So, to develop SMEs depends on whether SMEs have access to finance, solve obstacles with competitors and can ease the cost of doing businesses. Furthermore, there will be some enabling factor that should be consider to help growth in SMEs. The above description has resulted to the below formulated hypothesis to test the relationship between the variables.



Chapter 3

Review of Literature

3.1 Global Tourism development

According to Webster's New University Dictionary (2022), tourism means traveling for pleasure and the business of providing tours and services for tourists. Economically, this industry is defined as a group of independent firms offering the same product, and substitutability is expressed as the price elasticity of demand (Theobald, 2004). Today it has played a significant role in both economic and social importance. Tourism includes natural, historical, social, and cultural resources, which are thought to be less capital intensive for development requirements. The sector has been seen as the potential major driving force for economic development with its large multiplier and spillover effect on the rest of the economy. Services are considered the fastest growth of economic sectors of most industrialized countries over the past few years. The travel industry includes hotels, motels, and other types of accommodation such as restaurants, food services, transportation services and facilities, gift shops, and many other enterprises. Based on World Travel & Tourism Council (2013) (WTTC), tourism

is the most significant industry in the world, which contributes to any economic measures, including gross output, value-added, capital investment, employment, and tax contribution. In 2019, tourism accounted for 1 in 4 of all new jobs worldwide, 10.6% of all jobs (334 million), and 10.4% of global GDP (US\$9,2 trillion). Moreover, international travelers spent about US\$1.7 trillion (6.8% of total exports, 27.4% of global service exports) (Bricker, 2001). As indicated in Figure 4, research by the World Tourism Organization (WTO) showed the most improved tourism since 1950.



Table1: World Tourism growth: 2000-2020

Year	International Tourists Arrival (billions)	International Tourists Receipts (trillion in USD)
2000	1.33	569.25 billion
2002	1.32	595.91 billion
2004	1.44	767.67 billion
2006	1.68	896.94 billion
2008	1.75	1.15 trillion
2010	1.76	1.17 trillion

2012	1.88	1.38 trillion
2014	2.01	1.56 trillion
2016	2.14	1.54 trillion
2018	2.34	1.83 trillion
2019	2.4	1.86 trillion

Source: World Trade Organization (2022)

The number of international tourists arriving worldwide has increased rapidly since 1950. However, the Corona Virus (COVID-19) pandemic has brought the global tourism industry upside down since early 2020. As a result, the number of international tourist arrivals worldwide decreased by approximately 74 percent in 2020. Tourism was considered the most hit by the health crisis, as every country aimed to restrict non-essential trips across the globe to prevent the spread of the situation. Based on the data, the tourism sector lost about US\$4.7 trillion in 2020, with the contribution to GDP dropping by a substantial percentage of 49.1% compared to 2019; and there is a 3.7% GDP decline in the global economy in 2020. In 2019, this sector contributed 10.4% to global GDP, a share which decreased to 5.5% in 2020 due to the spread of the virus and restrictions on travel. Furthermore, 62 million jobs were lost in 2020, accounting for a drop of 18.5%, leaving just 272 million employed across the sector globally, compared to 334 million in 2019. Moreover, the rising threat of job losses persists as many jobs are currently supported by the government and reduced hours, which without full recovery of tourism could be lost (WTO,2022).

3.2 Tourism development in Cambodia

3.2.1 The growth in tourism sector

In the 1960s, Cambodia was one of Southeast Asia's most attractive destinations for international tourists. But decades of war of rebellion, and genocide regime destroyed country's economy and tourism sector. Following the Paris Peace Accords and the UNTAC peacekeeping mission in Cambodia in the early 1990s, social order had been restored and was prepared for the growth of the economy and civil society. Significant official development aid (ODA) was made available for peace facilitation from a variety of international sources, which sparked an exponential rise in the number of NGOs working in the nation. International and local NGOs have made significant contributions to the growth of the Cambodian economy (Dahles, Khieng, et al., 2020). In terms of latitude and longitude, Cambodia is between 10 and 15N and 102 and 108E. The country is described as tropical, warm, and humid, making it a year-round destination that is pleasant for vacationers.

จุฬาลงกรณ์มหาวิทยาลัย
CHULALONGKORN UNIVERSITY

Figure 4: Picture of Angkor Wat Temple



Source: Dreamstime.com (2022)

Given the accessibility of several tourist-related items, Cambodia has enormous potential to grow its tourism sector. Both natural and historical tourism destinations may be found there. There are seven national parks in Cambodia: Kirirom National Park (mountainous region), Bokor Mountain National Park (mountainous region), Kep National Park (coastal region), Riem National Park (coastal region), Botum Sakor National Park (coastal region), Kulen Mountain National Park (mountainous region), and Virak Chey National Park (mountainous region). Other eco-tourism destinations in the nation include the Mekong River, stunning beaches, and Tonle Sap Lake with its floating town. The Angkor temple complex in Siem Reap Province, the Sambor Prey Kub temple complex in Kompong Thom Province, the Preah Vihea Temple in Preah Vihea Province, and others are among the 1,080 ancient temples that are spread throughout 14 provinces.

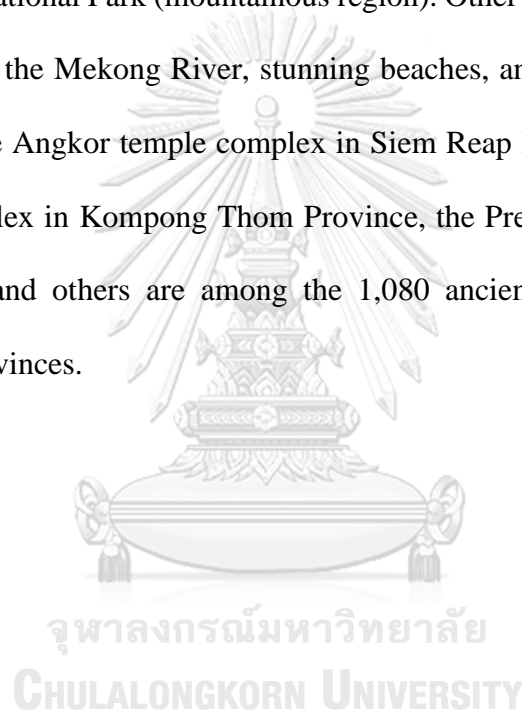


Figure 5: Picture of Royal Palace

Figure 6: Picture of the National Museum



Source: Istockphoto.com (2022)

The city's capital's other historic structures might also draw a lot of visitors. The Royal Palace (figure 5) and the National Museum in Phnom Penh (figure 6), which showcase Cambodian art and history, are two examples of them. For instance, Cambodia is widely renowned for having a very old and outstanding Asian culture. In addition, there are land, maritime, rail, and aviation links in Cambodia. Land is the primary mode of transportation in Cambodia. There are specifically 3,675 km of provincial highways and 4,235 km of national roadways. The Mekong River system, the Tonle Sap system, and the waterways in the gulf are the three main waterway systems in Cambodia. In addition to Phnom Penh and Siem Reap, Cambodia has two regional airports in Sihanoukville and Ratanakiri Province. Over the past several years, there have been an increase in the number of lodging options, including hotels, guest homes, restaurants, and other amenities (Chheang, 2008). Tables 2 and 3 include information on the increase in local hotels, guesthouses, travel agencies, and tour operators in Cambodia.



Table 2: Hotels and guesthouses

Table 3: Travel agencies and Tour Operators

Year	Travel Agencies and Tour Operators		Total
	Head office	Branch Offices	
2001	166	70	236
2002	186	73	259
2003	186	84	270
2004	208	94	302
2005	237	99	336
2006	277	105	382

Year	Hotel		Guesthouses	
	Number	Room	Number	Room
1998	216	8,247	147	1,510
1999	221	9,115	186	1,897
2000	240	9,673	292	3,233
2001	247	10,804	370	3,899
2002	267	11,426	509	6,109
2003	292	13,201	549	6,497
2004	299	14,271	615	7,684
2005	351	15,465	684	9,000
2006	351	17,914	742	9,166

Source: Ministry of Tourism (2016)

Based on the aforementioned statistics, we can conclude that between 1998 and 2006, the price of a double room increased by 135 (63%) hotels. Additionally, there were 9,166 rooms in 742 guesthouses (405%) in 2006. In 2006, there were 382 (62%) more travel agencies and tour companies than there were in 2001.

Table 4: Tourism supply 2022

Tourism Supply 2020						
Location	Hotel		Guest house		Restaurant	
	Total	Room	Total	Room	Total	Room
Phnom Penh	424	9,760	812	10,200	1,283	87,910
Kampong Thom	10	449	63	932	87	4,453
Oddor Meanchey	5	279	42	547	39	1,688
Preah Vihear	5	204	39	556	60	2,782
Siem Reap	228	14,580	248	4,293	196	14,242
Sihanouk ville	73	7,077	91	1,124	130	1,406
Kampot	22	1,098	308	3,253	215	8,225
Kep	14	345	58	692	36	1,544
Koh Kong	11	376	93	1,035	102	3,740
Kratie	15	621	48	450	58	2,189
Mondulkiri	11	428	51	735	34	1,701
Rattanakiri	14	625	36	504	37	1,527
Stung Treng	6	258	41	496	52	2,250
Banteay Meanchey	25	1,001	78	1,307	89	5,106
Battambang	49	1,934	86	1,667	119	8,260

Palin	36	1,602	26	707	78	4,244
Pursat	6	363	38	473	22	1,128
Kampong Cham	17	847	116	1,327	137	7,301
Kampong Chhnang	9	300	57	568	77	3,195
Kampong Speu	6	206	25	125	113	4,406
Kandal	2	63	84	1,098	116	5,772
Prey Veng	6	139	85	793	72	2,452
Svay Rieng	26	1,622	71	1,132	78	4,244
Takeo	2	40	104	1,053	96	3,909
Tbong Khmum	6	211	55	724	33	1,584
Total	1,028	44,428	2,755	35,791	3,359	185,258

Source: Ministry of Tourism, 2022

Due to the availability of tourist-related industries, the nation saw one of Southeast Asia's fastest rates of tourism growth in 2017. The number of tourists increased from 450,000 to 5.6 million in 2017, with an approximate average yearly growth rate of 16%, between 2000 and 2017, according to the Cambodian ministry of tourism. The number of visitors from outside is predicted to increase by 5.2% year, reaching 8 million in 2028. The entire economic contribution of tourism to Cambodia in 2017 was USD 7.2 billion, or 32.4% of GDP. It is anticipated that this contribution would rise by 6% annually to USD 13 billion, or 28.3% of GDP, in 2028. The estimated overall employment contribution of tourism is 30.4% of all employment (2.6 million jobs), and it is predicted to increase to 3.6 million jobs (or 35% of employment) in 2028. The majority of tourists come from Asian nations, with China leading the list of arrivals, followed by Thailand and Vietnam. Phnom Penh, the nation's capital, and Sihanoukville, a beach town, remain the country's two primary tourist destinations.

The key to expanding tourism and seen as a source of foreign revenue and GDP growth is Siem Reap, which is well-known for the temple complex of Angkor Wat, various islands, and, most crucially, the booming casino business. Additionally, it has

been said that tourism in Cambodia is a growth and poverty-reduction engine. The nation plans its policies to gain from the tourist sector, which requires the government's complete support and encouragement. This industry is supported by both private initiatives and government legislation. Both areas are essential to the growth of Cambodia's tourist industry. It has given the nation more than just economic benefits; it also fosters nationalism and national identity. Along with national identity and economic growth, tourism also tends to strengthen a nation's political stability. For many years, Cambodia was an isolated nation, and one of the political weapons utilized to establish its political legitimacy and worldwide renown on the global arena was tourism. Cambodia wanted to prove to the rest of the world that it was a secure country to visit and make investments when the peace was restored in the early 1990s. Ishizawa believes that "tourism is a significant business that delivers Cambodia much-needed foreign cash. In addition to promoting economic prosperity, tourism has also served as a vehicle for the advancement of governmental legitimacy and Cambodia's national and cultural identity.

3.2.2 The challenges of tourism development in Cambodia Before and During COVID-19

As a developing country, Cambodia is still struggling with its infrastructure condition, which is lower than other Asia-Pacific countries (Wakabayashi & Kato, 2002). First, it lacks a formal framework demonstrating tourism management decisions' relative performance and role in the country. Based on the operation, investment, management, and marketing choices made for tourist products, the conclusions have major implications for the growth of tourism. They are essential in encouraging those involved in the tourist industry to deduce the effects of their decisions in order to push

for a tourism industry that expands while maintaining a sustainable economy. As a result, it calls on the Cambodian government to take the initiative in developing official policies and carrying them out through the following activities. The lack of human capital is another major obstacle to the growth of tourism in Cambodia. The nation's educational system was completely wrecked by the civil wars and slaughter. The nation must equip its citizens with crucial information and abilities if it is to recover.

Additionally, according to Nurul Huda Mazumder, Sultana, and AlMamun (2013), Cambodia has to create human resources with specialized and advanced knowledge and skills. So, improving human resources can guarantee the standard of tourism goods and services. Locals should put more emphasis on developing their all-around abilities in order to better support the tourist sector. In addition, crucial goals must be met to guarantee optimal resource use in order to raise local suppliers' productivity and strengthen cross-sectoral ties among businesses in the tourist sector (Sum, 2008). Lastly, infrastructure development includes the living environment, transportation, and communications infrastructure, specifically roads, railways, ports, airports, telecommunications, and electric power supply (Thath, 2021). However, the Royal government tends not to have enough monetary, technological, and human resources for further improvement in infrastructure development.

Furthermore, road maintenance plays a crucial role in economic development and public safety. Nevertheless, IoT creates many problems, counting road accidents, misuse of the public's travel time, and the national budget to construct new roads. Even though the government has produced the financial framework for road maintenance, the result seems not to be satisfactory. It has not been accurately and sufficiently

administered due to shortages of funds and the poor management. The transport network is inadequate to meet the requirement or needs for the country's development and the international exchange of people, goods, and services. Transportation services can also not meet users' expectations since the management system is inconsistent with a market economy. There is also a lack of telecommunications networks equipped with the proper operation and management of transport infrastructure (Kaneko & Adachi, 2002). Additionally, since COVID-19, Cambodia's tourism earnings have been continuously declining. International arrivals drastically decreased by 80%, while domestic arrivals fell by 36.1% from the previous year. With the aforementioned obstacles, Cambodia has diligently followed its development strategy to overcome them. This has mostly been made possible by the government's policies and the country's citizens' dedication.

3.2.3. Cambodia National Tourism Plans

The Royal Government of Cambodia (RGC) has designated the tourist industry as the key to Cambodia's sustainable growth. The planning for tourism is primarily broken down into the general five-year socio-economic development plans because the government has not yet publicly established a comprehensive tourist master plan. Later, it evolved into one of the national development priorities. For Social and Economic Development Plan (SEDP-II) (2001-2005), the development of tourist resources, market research, and particularly human resources have received the majority of the attention. The second five-year tourism planning development has been divided into short-term and medium-term goals. The first, short-term objectives will concentrate on coastal development, market marketing, building travel agencies around the country, researching tourist resources, fostering regional collaboration, and creating a tourism

master plan. The government of Cambodia places a considerably higher focus on regional development in the medium term, specifically emphasizing ecotourism and environmental tourism around the Mekong River and Tonle Sap Lake. It is necessary to preserve temples and ancient sites, conserve cultural and religious traditions, maintain natural parks, and promote sustainable tourist growth. The infrastructure, utilities, regulatory framework, marketing plan, and sustainable tourism development must all be improved in addition to maintaining and managing tourist sites.

The third stage, the National Strategic Development Plan (2006–2010), aimed to broaden our comprehension of the small, privately funded, business-oriented tourist sector so that it might be seen as a multifaceted system. Since tourism is a service sector reliant on connections, different tourist interventions may serve as the primary socioeconomic activity around which numerous other necessary advancements may be launched and put into action. Agriculture output diversification, microhydropower, literacy, access to clean water, career training, better road and river transit infrastructure, etc. should be the top priority. Due to the extensive network of connections, tourism may help a number of other sectors achieve, at least in part, their sectoral goals (Peter King, Robert Basiuk, Bou Serey Chan, and Dararath Yem, 2009). In the 4th phase, The Tourism Development Strategic Plan 2012-2020 (TDSP 2012-2020) was subsequently authorized by the Royal Government of Cambodia in the fourth phase. It's for Cambodia's objective for sustainable tourist growth and for the industry to play a significant role in improving the country's socioeconomic standing. Policymakers, stakeholders, and governing bodies can use the strategic orientations to help them make proactive choices that promote sustainable tourism along the Khmer coast. They recognized the legal, administrative, and procedural framework of

Cambodia and seek to promote creative thinking and efficient tourist administration for a long-term sector of the economy. The National Strategic Development Plan Update 2009-2013 sought out further strategic planning projects. The sector keeps actively pursuing the contribution of tourism (and eco-tourism) to the economy. It lists improving the tourist infrastructure, expanding the number of travel locations, and creating alluring vacation packages as top priorities. It also acknowledges the significance of protecting and fostering the rich cultural traditions and legacy of the Khmer people (Carter, Rourke, et al., 2013).

3.3 The major demand of tourism in Sihanoukville

3.3.1 Physical connectivity with regional and global markets

Connectivity among individuals, firms, countries, and region play important roles in achieving competitiveness and sustainable, as well as inclusive economic growth. The development of Airport with the improvement in flight schedules are influenced tourism growth which can be considered as a place for low-cost carriers. Another element driving intraregional leisure travel is the ease of surface transport in mainland Southeast Asia. Travel times by road have decreased significantly following construction of the transnational highways in the province. The ease of time traveling by land, air, or a combination of both is an attractive value proposition that could offers time-constrained consumers (ADB, 2017). For instance, Sihanoukville airport has developed a master plan for the 20-year development and investment programme. The masterplan aims to expand the airport infrastructure to accommodate its passengers and cargo traffic growth. According to Alain Brun, CEO of Cambodia Airports, the masterplan for international airport in Sihanoukville is committed to enhance air

connectivity and contribute to unlocking business and tourism opportunities for the benefit of the local people (Staff, 2020).

3.3.2 Tourist Visa Policies

Southeast Asia is the area with the lowest requirements for tourist visas in the world, according to the UNWTO. Around 33% of people worldwide can get a tourist visa on arrival, and 26% don't need one when they go on vacation. The World Economic Forum ranked Cambodia as the most open country second in ASEAN after the Philippines. Visa policies and procedures in Cambodia are assessed as less facilitative. International visitors may, however, find it more difficult when the country's new computerized visa and extended visa on arrival services are deployed more widely.

3.3.3 Information and Communication Technology

Information and communication technology is the most crucial aspect that must be improved in the province's tourism industry. ICT has changed how customers think about, choose, and share their experiences with travel-related goods and services. More than 95% of travelers, according to the Boston Consulting Group, utilize digital resources for travel preparation, information consumption, and information sharing before, during, and after a trip. These activities are propelled by expanding fixed-line and mobile internet usage rates, declining internet access costs, and the popularity of social media and online travel agencies. ICT modernization not only helps to enhance tourism-related activities but also encourages inclusive growth by giving SMEs the chance to connect with the global market on a budget. The government and the private sector can support travel and tourism for destination marketing, online advertising,

business listings on online travel agents, and the use of peer-to-peer sharing economy websites and more.

3.4. The overview of Small and Medium Enterprises (SMEs)

3.4.1 The global definition of Small and Medium Enterprises (SMEs)

Studying the definition of small and medium enterprises helps prepare the numbers and monitor the sector's health over time. Small and medium enterprises are defined by indicating the size, which economists divide into classes based on quantitative, measurable indicators. The most common criterion focuses on the number of employees in either large or small businesses. The main challenge is the absence of a global definition of what is a small and medium enterprise. Economists discuss the existing definition of SMEs and explore to what extent the difference in reports is related to the level of financing. They finally came up with the most common explanations that focus on the number of employees, sales, and loan size. Based on the survey, 68 countries provided information on the SME definition criteria used by the financial regulator. Fifty of them use the number-of-employees criterion, and 29 out of these 50 tend to alter the other two criteria. All regulators use maximum sales value criteria, and only 15 use full loan value criteria in the SME definition (Ardic, Mylenko, & Saltane, 2011). For instance, European Commission defines enterprises based on the number of employees, annual turnover, and annual balance sheet. The definition of SMEs that came into effect on January 01st, 2015, is shown in the following table.

Table 5: Definition of Small and Medium Enterprises with European Union standards.

Enterprise category	Headcount: Annual Work Unit (AWU)	Annual Turnover	Annual balance Sheet total

Medium-sized	< 250	≤ EUR 50 million	≤ EUR 43 million
Small	< 50	≤ EUR 10 million	≤ EUR 10 million
Micro	< 10	≤ EUR 2 million	≤ EUR 2 million

Source: European Commission (2015)

On the other hand, the World Bank uses three criteria to define the SME, including the number of employees, total assets in the U.S. dollar, and annual sales in the U.S. dollar. A business must meet at least one financial criterion to be categorized as SME.

Table 6: Definition of Small and Medium Enterprises by World Bank standards.

Enterprise category	Headcount: Annual Work Unit (AWU)	Annual Turnover	Annual balance Sheet total
Medium-sized	> 50; ≤ 300	> \$3,000,000 ≤ \$15,000,000	> \$3,000,000; ≤ \$15,000,000
Small	> 100; ≤ 50	> \$100,000; ≤ \$4,000,000	> \$100,000; ≤ \$3,000,000
Micro	< 10	≤ \$100,000	≤ \$100,000

Source: Independent Evaluation Group (2008)

When we compare two criteria with the number of employees, the World bank increases the number of medium-sized businesses to 300 workers. The EU uses the requirements of annual turnover and balance sheet total, while the World Bank considers the conditions of total assets and annual sales. The World Bank criteria seize more minimalist thresholds than the European Union. While the EU has a micro business with a turnover of up to two million Euros, the WB has not exceeded annual

sales of up to one hundred thousand dollars. The E.U. sets a maximum threshold of fifty million Euros to distinguish medium businesses from large ones. In contrast, the W.B. sets only fifteen million dollars for the two financial criteria (Berisha & Pula, 2015).

3.4.2. The definition of Small and Medium Enterprises (SMEs)

Based on the SME Sub-Committee, based on identical full-time employees, SMEs are identified. All sectors can use the enterprise size definition. The definition based on the amount of all assets (excluding land) or a mix of the two should be used, though, when the employee numbers are not adequate. However, because to the fact that various financial institutions frequently request different data, there is no clear definition of a SME in terms of financial position. Small and medium businesses are classified under the SME Development Framework (SMEDF) 2005 based on the amount of their investment resources or the number of employees they employ. Microbusinesses with less than 10 employees or assets worth less than \$50,000 are included in the definition. Small and medium undertakings are characterized as having somewhere in the range of 11 and 100 workers or resources esteemed between \$50,000 to \$500,000. Large types have that of 100 employers or resources more prominent than \$500,000. With the shortfall of resource valuation, self-appraisal, and fluctuating upsides of resources, the quantity of workers has been generally utilized for characterization (Table 7).

Table 7. Classification of SME

Types	Number of Employees	Size of Asset
Micro	Less than 10 employees	Less than USD 50,000
Small	Between 11-50 employees	Between USD 50,000-250,000

Medium	Between 51-100 employees	Between USD 250,000-500,000
Large	Over 100 employees	Over USD 500,000

Source: SME Development Framework, 2005.

Currently, the vast majority of Cambodia's manufacturing SMEs are modest, family-run companies focused on overseeing crucial production for the domestic market. A few businesses are focused on supplying larger locally based sending firms or basic local trading. Fewer yet have official agreements or more extensive relationships with various domestic organizations. Many businesses rely on personal relationships in the interim. Nearly 84 percent (49,949) of contemporary SMEs in Cambodia operated in the food, beverage, and tobacco sectors in 2019, according to statistics from Emulate (see Table 6). The extensive material and clothing assembly in Cambodia is an excellent example of the growth and significance of assembly across several areas. To take advantage of Cambodia's privileged access to the US and EU markets, FDI began to move in textile manufacturing facilities in the middle of the 1990s, which contributed to the region's growth. The final 6% of the example included furniture manufacturers. The majority of the 10% that was left were non-metallic mineral, clothing, and narrow scope material manufacturers.

3.4.3. The development of Small and Medium Enterprises in Cambodia

During the civil wars and the Khmer Rouge rule from 1975 to 1979, infrastructure and institutions were completely destroyed in Cambodia. By the middle of the 1980s, a surge in small private businesses had a tendency to create just basic manufactured items, such as fish sauce, to satisfy the expanding local demand. Later, in 1990 the government fully started a full-scale privatization program within the country. In the late 1990s, the government built basic infrastructure and institutions to

establish macroeconomic stability and promote SME sector growth (Baily, 2008). This sector continued to dominate Cambodia's economy due to the high level of several firms and employment opportunities. SMEs have primarily licensed to operate by any involved ministries at different groups, such as the provincial and municipal levels. According to the Ministry of Industry, Mines, and Energy (MIME) (2022), they are only regulated by local authorities. A report on SME statistics in Cambodia in 2021 showed that Cambodia had a total of 824,427 small industrial establishments with fewer than 50 employees. Based on similar data from 2014, this number represents growth in total establishments of approximately 22% (Union, 2010). In 2019, the textile and production of leather accounted for the most significant number of small industrial establishments. According to Table 7, the number of Cambodian assembling SMEs has rapidly increased since about 1998. A National Institute of Statistics (NIS) survey of industrial firms showed that manufacturing SMEs in Cambodia doubled between 1998 and 2019 (Statistics, 2021). The number of registered enterprises is still limited in Cambodia's SMEs because of obstructions to enrollment and some got advantage of joining the conventional area. This event creates many informal Cambodian enterprises. In 2019, the Ministry of Industry Mines and Energy (MIME) said that around 95 percent of unregistered industrial enterprises in Cambodia. There were about 510,000 registered firms which are more than 90 percent SMEs. Additionally, there were approximately 1,600 large manufacturers, while retailers, wholesalers, and services accounted for the rest of the number (Pisei, 2019).

Table 8: Number of small and medium establishment and handicraft in Cambodia

Item	1998	2000	2014	2016	2018	2019

Food and beverage tobacco	18,590	20,152	30,975	31,291	137	41,817
Textile and production of leather	310	366	1,823	1,828	1,092	245
Wood product except furniture	895	814	-	-	-	-
Manufacturing of paper and paper and Printing product	26	23	68	70	46	106
Chemical and rubber production	55	67	292	324	117	478
Manufacturing of non-metallic	811	777	1,104	1,127	40	1,511
Manufacturing of basic metal	-	-	11	11	119	55
Manufacturing of recycling metal	1,375	1,647	2,406	2,407	38	3,232
Other manufacturing	2,035	1,356	1,875	1,875	49	2,505
Total	24,097	24,227	3338,459	38,911	1,638	49,949

Source: Cambodian Ministry of Industry Mines and Energy, Cambodian National Institute of Statistics Yearbook 2021

3.4.4. Small and Medium Enterprises in the Tourism sector in Cambodia

SMEs play a crucial role in developing Cambodia's economy. Cambodia's SMEs comprises three sectors: including manufacturing, services, and trading. Based on REVFINE (2021), tourism enterprises involve MSMEs from various sectors, as summarized below (AVI, 2021):

- Transportation: airline industry, car rental, water transport, coach services, railway, and spacecraft.

- Accommodation: hotels, shared accommodation, hostels, camping, bed and breakfast, cruises, farmhouse accommodation and Agri-tourism, and time-share accommodation
- Food and beverage: restaurants, catering, bars and cafes, and nightclubs.
- Entertainment: casino, tourist information, shopping, and tourist guides and tours.
- Connected industries: financial services, travel agents, tour operators, online travel agencies, tourism organization, and education.

Most registered tourism SMEs are in Phnom Penh (a capital city). For instance, the capital city accounted for over 50 percent of formal tour agents, 33 percent of Karaoke, 67 percent of nightclubs, 33 percent of hotels, and 33 percent of massage parlors. However, there are still many SMEs that have not registered in the tourism sector in Cambodia. Small eateries, food carts, gift stores, and operators of three-wheeled motorized vehicles (tuk-tuk drivers) were the most prevalent category. While some of them have workers, the majority of them are run by individuals utilizing resources from their homes. Not to add, there is no information accessible on the unregistered businesses in the tourist industry in Cambodia. One of the most common types of unregistered SMEs in Cambodia is a street vendor. A person who sells goods or services to the general public from a tiny, mobile structure on the sidewalk, by the side of the road, or wherever else is referred to as a street vendor. Some street sellers stay in the same location and sell there every day while others wander about. Street sellers made about 4% of all companies in 2011, or 1.7 million. This figure significantly rose ten years later, however there is no official evidence to support this.

Additionally, there were 20,000 tuk-tuk drivers, most of whom worked in the city's capital. 98% of all tuk-tuk drivers were unaware of their traffic responsibilities or the restrictions on getting a driving license. But in 2021, the majority of tuk-tuks in the city are technologically smart and knowledgeable since almost all of them are connected to ride-hailing applications (Survey, 2021).

Table 9: Types of registered businesses in the tourism sector in 2019 (by type and zone)

Business	Phnom Penh	Coastal	Siem Reap	North-east	Total
Tour agents	411	312	28	1	752
Transports	27	8	6	-	41
Tour guides	1,099	5,202	51	-	6,352
Tourist attractions	28	39	24	9	100
Karaoke parlors	361	212	167	247	987
Night clubs	72	15	15	5	107
Beer gardens	44	38	8	5	95
Dance clubs	15	3	-	-	18
Hotels	346	353	251	100	1,050
Guest houses	788	737	714	46	2,705
Restaurants	1,284	797	668	468	3,217
	189	162	125	90	566
Total	4,664	7,878	2,057	1,391	15,990

Source: MOT (Ministry of Tourism). 2020. "Statistics on the number and types of tourism sector business in 2019."

3.4.5. The factors that affect SMEs performance before and during Covid-19

There are two critical capitals in Cambodia for developing her SMEs. The first capital is called physical capital, which is often old and inefficient compared to neighboring countries. Firms cannot upgrade with an immature monetary market.

Numerous loan specialists attempt to expand their expense of credit to make up for the apparent dangers. Speculation is additionally tested by a feeble law and order and powerless organizations in the country. It is significantly more exorbitant than a credit's incentive for a moneylender to look for lawful response following a default. The subsequent capital is human resources, the public authority is as yet restricted to casual instructed and preparing and has not many chances to upgrade its human resources. According to World Bank reports from 2003, only a quarter of Cambodian businesses provided workers with formal training, and nearly 97 percent of the country's assembly workers lacked skill. Some people could not access primary education.

Additionally, there is a severe shortage of competent instructors, and only 3% of the nation's GDP is allocated to government-funded education. Albeit essential and middle school training is authoritatively free and necessary, low authority compensation led to educators requesting expenses from understudies. Parents typically want their children to leave school so they can gather and prepare family parcels of property. Low levels of physical and human resources that are accessible to Cambodian SMEs are problems brought on by the unrest in the business environment. For Cambodian endeavors, debasement, terrible administration, helpless courts, and unfortunate foundation result in major costs and risks (Baily, 2008).

The pandemic has significantly impacted the tourism businesses and sector when the international flights have declined dramatically since early 2020. To stop the spread of the virus, the government has imposed various preventative measures and taken policy actions necessary for the safety and health of communities, yet which have a strong negative impact on small businesses with limited capacity for business

continuity (BRIEF, 2021). The effect of the pandemic on registered SMEs has been much more critical to deny. Since the steep outbreak of the virus, the impact on businesses' revenue has been much more concerned, and it happened across all main areas in the country (UNIDO, 2021). Based on the survey, most business owners stated that their revenue had stopped completely, and their income had decreased in some businesses. When the government-imposed regulations to ban travel and the lock-down approach to prevent the spread of COVID-19, as the result SMEs became the victims of this particular event, among other business types. For instance, 40% of street food vendors, small vendors (25%), and tuk-tuk drivers (52%) complained that they did not receive income at all. The rest of the small businesses said that their income had decreased steadily. Moreover, most of business owners saw the pandemic as a more severe threat to the survival of their business. The percentage of concerned business owners had risen, for both registered businesses and non-registered companies in Cambodia.

3.4.6. The importance of Government policies regarding to SMEs Before and During COVID-19

The government of Cambodia must address the issue of the low level of physical and human resources available to Cambodia SMEs in order to establish a business environment. In Cambodia, defilement, bad governance, flimsy courts, and unfortunate framework could lead to high costs and vulnerability. Over the last decade, Cambodia's government has announced various laws implemented to promote this sector. They are monetary area regulation, a land regulation to uphold land rights and encourage the use of property as collateral, and amendments to the Law on Venture to support the acquisition of useful capital. The Law on Enterprise Accounting and Audit was put into

place as the initial step to raise accounting standards. To implement risk reduction connected to trading, the laws on commercial enterprises and commercial arbitration have been passed. The public authority has recently concentrated mostly on removing obstacles inside the SME sector. However, no single ministry aimed to moderate and control SME promotion policies. Twenty-five ministries and non-governmental organizations have implemented their own SME advancement methodologies, guidelines, and rules centering on different results. The current situation has increased vulnerability when considering needs, government assistance, and the cost of consistency to the improvement region. The worst-case situation is that the tactics designed to promote SME improvement may conflict. Up until 2004, strategies to support SMEs were organized and elevated by the SME Sub-board of Trustees. It would have been preferable to avoid policy contradiction and duplication by combining the SME approaches of various government divisions and affiliations. The Royal Government of Cambodia unveiled the Rectangular Strategy in July 2004. It contains thirteen strategies for supporting the growth of Cambodian businesses. The principal system was meant to advance monetary development, create work valuable open doors, and proficient contest. The consequence of Cambodian SMEs was one of the fundamental focal points of the methodology.

The Rectangular strategy Phase IV, the Industrial Development Policy (2015–2025), the SME Policy, and the development of SMEs and entrepreneurship are seen as the key strategic documents for economic diversification and long-term sustainable growth. To aid in the development of SMEs, improve their competitiveness, and especially their ability to create, policies and regulatory support efforts have been put into place. This will assist to ensure that they can survive and reach their full potential

to support the economic growth in the nation. For instance, the Ministry of Economy and Finance (MEF) of Cambodia has introduced numerous forms of support for the SME sector, including (i) domestic tax incentives and customs tax incentives; (ii) creating ecosystems for potential SMEs and innovative start-up business incubators; and (iii) promoting an entrepreneurial culture through the Entrepreneurship Development Fund (\$5 million/year); (iii) obtaining additional financing from the SME bank (capital of \$100 million); and (iv) providing capacity building through the Skills Development Fund (\$5 million per year from the government and estimated for \$9.6 million from the Asian Development Bank).

Other government agencies have also received SME funding for capacity building and research and development in the ICT industry through the Capacity Building Research and Development Fund (CBRD), which was established with \$12 million from the Ministry of Posts and Telecommunications. Along with providing a platform for SMEs to list on the Cambodia Securities Exchange, they have also received business development coaching, technical help, and talent accelerators connected to financing from the Techo business Center. Adoption of digital technology will boost output and provide for more market access thanks to e-commerce platforms and digital banking services. Not to mention, appropriate regulatory frameworks, such as the Consumer Protection Law, E-Commerce Law, and Competition Law, as well as the Sub-Decree on Union of SME Association of Cambodia, and finally the prakas on SME clusters and SME policy, have been implemented to provide and ensure fair competition, union rights, and the clustering of SMEs.

Benefits have specifically included: (i) a three to five-year income tax exemption; (ii) exemptions from the minimum tax and prepayment taxes; and (iii) deductions of costs up to 150%-200%; (iv) tariff exemptions for equipment used for research and development, innovative ICT development, (v) tariff reductions for the export of agricultural products; (vi) tariff exemptions on the importation of production and construction equipment, raw materials, and goods for SMEs exporting goods and raw materials for domestic consumption; (vii) the establishment of the SME bank (\$100 million from the RGC) to help potential SMEs grow their businesses; (viii) the creation of the fund for entrepreneurial development; as well as (ix) the implementation of new SME legislation and incentive schemes.

The Ministry of Education, Youth, and Sports (MoEYS) implemented the Higher Education Vision 2030 policy to build on the high-quality education system that aids in the development of human resources and offers the level of knowledge, skills, and moral values required to work and live in an era of globalization and a knowledge-based society as a result of higher education. The policy's primary goal is to enhance the curriculum, which includes providing science and IT skills, boosting the caliber of instruction, and enhancing infrastructure and resources. The National Policy on TVET 2017–2025 and the Skills Development Fund were piloted to address the issue of labor market information as well as supply-driven quality, planning, and capacity concerns. By implementing the required action plans and M&E processes, it was hoped to close the present skills gap (Narin, 2022).

3.4.7. Related Research papers

According to research by Kosalsereyvuth, Julien (2021) on the roles of small and medium enterprises (SMEs) for Cambodian economic development and challenges during COVID-19, Cambodia has advanced in supporting start-up firms that would enhance SMEs. The study used a qualitative research methodology to identify the problems and difficulties. It was discovered that there are still challenges that SMEs must overcome, such as the challenge of getting financial support and the battle to compete with regional and worldwide market expansion (Chhim & Lay, 2021).

Peter Baily (2008) concentrated on the Cambodia Little and Medium Measured Undertakings: Imperatives, Arrangements, and Proposition for their advancement in 2008. The investigation discovered that the country's SMEs have the obstructions including the powerless administrative and lawful structure, restricted SME admittance to fund, and an absence of SME support exercises from the public authority (Baily, 2008).

According to Nittana, Makararavy, John, and Pacapol (2008), they examined the development of Excellent Entrepreneurs in Small and Medium Enterprises in Laos and Cambodia. Both countries share many similarities, struggles, and started driving national development through a market-oriented economy. With the support activities, the number of SMEs' business increased in various sectors such as food processing, garments, construction materials, wooden furniture, tourism, trading, transportation, and so on within the country. This study used evidence from in-depth interview to explore its objectives. It found that there were many failures for SMEs to survive and expand the market with the high regulatory compliance costs, lack of clear and market-

oriented framework for SME development, limited access to finance, and lastly poor market access infrastructure and information (Southiseng, Ty, Walsh, & Anurith, 2008).

Mohd Noor Mohd Shariff, Chea Peou, and Juhary Ali conducted a study in 2010 titled "Moderating Effect of Government Policy on Entrepreneurship and Growth Performance of Small-Medium Enterprises in Cambodia" with the goal of examining the "moderating effect of government policy on the relationship between entrepreneurial values, firm financing, management, and market practices, and growth performance of SMEs in Cambodia." The study's findings indicated a strong correlation between the growth performance of SMEs and entrepreneurial ideals, business funding, management, and market practice. The study (Mohd, Peou, & Ali, 2010) further supported the significance of governmental regulation as a moderator in such connections.

Vannarith, Oum, and Thearith (2009) looked at the restrictions on SMEs in Cambodia and their involvement in production networks. The study showed the opportunities and challenges for Cambodia's SMEs in regional integration in Southeast and East Asia. Also, the challenges to participate in production networks such as lower productivities, business capacity and innovations. SMEs in Cambodia need support in the field of business linkages and systems administration and funding to permit themselves to be prepared in joining in the provincial level (Thanh, Narjoko, & Oum, 2010).

A study on SMEs access to finance in Cambodia by Luyna, and Sovuthea (2011) to find out the constraints for addressing. SMEs in Cambodia require assistance with

funding, system administration, and commercial connections so they can be ready to participate in the provincial level. Additionally, this research revealed that credit is distributed by the market, and it is reasonable to anticipate that the mediation will expand access to other parts of the nation (Ung & Hay, 2011).

Table 10: Rectangular Strategy: 13 strategies for developing SMEs from Cambodia Government

1. Provide SMES with medium- and long-term finance	<ul style="list-style-type: none"> • Provide land titles and encourage use of collateral • Develop financial products and share credit information • Simplify SME accounting and taxation system
2. Suppress smuggling	<ul style="list-style-type: none"> • Strengthen capacity of anti-smuggling task force • Rationalize number of agencies involved at border checkpoints • Extend the single window concept to border checkpoint
3. Reduce registration and start-up procedures for SMEs	<ul style="list-style-type: none"> • Reduce administration and cost barriers to registering • Develop on-line registration, decentralize company registration • Link MOC, MEF tax and VAT registration, merge into one process
4. Facilitate export-import activities by simplifying processes	<ul style="list-style-type: none"> • Review licenses, introduce a single customs admin document • Single Window process at ports, and risk management • Enact the law on customs and develop implementing regulation
5. Support newly established industries for a period	<ul style="list-style-type: none"> • Foster private sector led incubator systems for a period • One-stop window for all business licenses
6. Promote linkages between SMEs and Large enterprises	<ul style="list-style-type: none"> • Encourage linkages between local clusters international orgs • Integrate SMEs clusters in global value chains
7. Assist SMEs enhance productivity and reduce production costs	<ul style="list-style-type: none"> • Develop toolkit packages for training and SME capacity building

	<ul style="list-style-type: none"> •Develop action plan to meet technology and training needs
8. Improve quality of domestic produce to international standards	<ul style="list-style-type: none"> •Encourage quality standards through ISO 9000 certificate to international standards •Encourage links between training, research institutions and SMEs
9. Establish national libraries to test quality and criteria of products	<ul style="list-style-type: none"> •Use existing public research institutes to enhance capacity for applied research and product quality testing •Strengthen the capacity of research institutes •Foster linkages between private sector and research institutes
10. Strengthen mechanism for the protection of industrial property rights	<ul style="list-style-type: none"> •Implement specific institution arrangement for effective intellectual property rights
11. Promote vocational skills/training domestically and foreign	<ul style="list-style-type: none"> •Promote learning networks and joint international marketing domestically and foreign •Coordinate providers to identify needs and link with SMEs
12. Expand and accelerate the “one village one product” program	<ul style="list-style-type: none"> •Take a stock-take of clusters to identify number, size, products, and locations •Cooperate with donors and associations to develop common service provisions and support for clusters
13. Strengthen the legal framework	<ul style="list-style-type: none"> •Enact laws on commercial enterprises, insolvency, secured transactions, and contracts •Create specialized court to resolve commercial disputes •Extensive capacity building for commercial court system

Source: Workshop on SME Development Program, *SME Development Framework SME sector road map 2005*

The SME Development Framework is seen as a two-stage, medium-term process. The first step hopes to set up a business environment that will help SME development. The next phase aims to improve and broaden the business environment and aid SMEs in their efforts to integrate into global organizations. Stage 1 was carried out between 2005 and 2007. The following phase was scheduled to last from 2008 to

2010. By using four main draws near, the medium-term system's plausible objective is to lower the cost of continuing to labor in Cambodia.

1. lay out what guidelines mean for SMEs
2. make suggestions for smoothing out administrative necessities
3. give a channel to the confidential area to challenge official choices
4. propose legal and administrative changes aimed at reducing SMEs' risks and vulnerabilities.

The Ministry of Economy and Finance has reviewed for approval on a new draft of development policy for small and medium enterprises (SMEs). SMEs are viewed as a crucial sector of Cambodia's economy. This sector could contribute about 60 percent of the GDP of the three biggest economies in the world- the U.S., China, and Japan, according to Mr. Heng Sokkung (2020), a secretary of state for the Ministry of Industry, Science, Technology, and Innovation. He added that SMEs employ about 70 percent of workers and generate almost 60 percent of sales across the country, even without a clear and specific policy and definition. Oknha Te Taing Por (2021), president of the Federation Association for Small and Medium Enterprise of Cambodia, asserts that the SME development policy will be crucial in promoting manufacturing, enhancing domestic food processing, reducing the importation of finished goods from other nations, and easing access to financing. The establishment of the SME Bank of Cambodia to assist access to working capital demonstrates the Cambodian government's increased commitment to the SME sector. For instance, the SME Bank of Cambodia, which has a registered value of \$100 million and offers modest lending rates of roughly 7% annually (Chan, 2020), is one such institution. The Ministry of

Commerce has also started a pilot initiative called Go4eCam to research how much the country will profit from e-commerce. The project cost about \$2.5 million for only three months and began in the middle of February 2020. International development organizations and the government jointly sponsor this initiative. The primary sponsor of this initiative is the multi-donor trust fund known as the Enhanced Integrated Framework (EIF), an international development partner that provides financial and technical support to strengthen trade capacity. While the United Nations Development Programme and the government of Cambodia supplied the remaining funds, it gave \$1.5 million in grant money. The Kingdom's SME sector would gain from this new initiative project, according to Mr. Pan Sorasak (2021), a Minister of the Commerce Ministry, since it would enable it to keep up with the trends of the worldwide markets and a wide spectrum of customers using technology. According to him, assisting them in joining an e-commerce platform would boost their sales volume and prepare them for company development, both of which tend to lower the nation's unemployment rate (Bunthoeun, 2020). The National Bank of Cambodia (NBC) has put in place a number of economic measures to increase market liquidity in response to COVID-19's liquidity worries.

NBC has removed the capital conservation buffer, cut interest rates, and decreased banks' fund costs, reducing the collateral needed. The actions tented to encourage local banks to disburse loans and lower required reserves that banking and financial institutions must maintain at the NBC for the local currency (riel) and foreign currencies (White, 2020). The "Business Recovery Guarantee Scheme," a new program launched by the Cambodian government, aims to give businesses access to loans by offering credit guarantees to banks. In the initial phase, the loans will be secured by the

Credit Guarantee Corporation of Cambodia, a corporation affiliated with the Economy Ministry, and nine commercial banks. A spokeswoman for the Ministry of Economy and Finance named Mr. Meas Soksensan (2021) claimed that the majority of small and medium-sized firms experienced issues with their collateral. During the epidemic, it was challenging to get loans using them. Even if they lack sufficient collateral, they will still be able to receive loans from banks, according to the government. The government implemented this policy in response to the requirements of SMEs during the COVID-19 epidemic, and it will help keep enterprises viable, he continued. According to the government, the program began in March 2021 and ran through December 2022. It included \$150 million for SMEs and additional \$50 million for bigger businesses. "The government will set aside more than \$800 million to support the economy in 2021, and that more than \$1.14 billion which used to reserve for 2020," stated the Ministry of Economy and Finance (Sarath, 2021).

Chapter 4

Research Methodology

This chapter examines the methodology of the research in terms of the survey procedures with the main objectives as below:

- 1) To understand the current situation of small and medium enterprises in Sihanoukville of Cambodia.
- 2) To identify the main challenges of small and medium enterprises development in the industry sector.

3) To propose recommendation as well as the policy guidance for government of Cambodia to improve the business environment for SMEs development in Sihanoukville of Cambodia.

The research process therefore consists of the research sections as the following:

- 1 Type of Research
- 2 Population, Sampling Group, and Sampling Method
- 3 Research tools and Designs
- 4 Data collection
- 5 Data analysis

4.1 Type of Research

This research is used a mixed approach of quantitative and qualitative to produce a very constructive paper. The study will be interpreted through the respondents' numbers and in-depth feelings and meanings. First, the quantitative approach is prepared with a questionnaire to deeply study the owner or manager's responses toward tourism SMEs including hotels, guesthouses, restaurants, bars, and travel agencies. Qualitative data was prepared from in-depth interviews with the government official. Additionally, secondary data is needed to collect from the redundant sources such as government websites, research papers, and other relevant official authorities.

4.2 Population, Sampling Group and Sampling Method

For our research purpose, the accessible population will be included owners or employers of each business in Sihanoukville province.

4.2.1. Accessible population

It is the portion of the population to which we have reasonable access; It may be a subset of the target population. 160 of tourism SMEs business in Sihanoukville which were given licensed by the Cambodian Ministry of Tourism in 2022.

4.2.2. Sampling Group Size

The sample of this research is calculated by using the Yamane formula (1967) with 95% confidence level.

The calculation formula is presented as follows:

$$n = \frac{N}{1 + N(e)^2}$$

Where,

n= sample size required

N= number of people in the population

e = allowable error (%)

Substitute number in formula:

$$n = \frac{N}{1 + N(e)^2}$$

$$n = \frac{160}{1 + 160(0.05)^2}$$

$$n = 114$$

After calculated the sample size by substituting the numbers into the Yamane formula, the sample number equal to 114.

Table 11: Calculation of sample size in tourism SMEs business

No	Type of Business	Number	Percentage	Sample size
1	Hotel	32	20%	23
2	Guesthouse	38	24%	27

3	Restaurant	55	34%	39
4	Massage & Spa	20	13%	15
5	Travel Agent & Tour Operator	15	9%	10
		160	100%	114

Source: Ministry of Industry, Science, Technology & Innovation (2022)

4.2.3. Sampling Method

In the research, there were two sample techniques employed. In the quantitative technique, a distinct set of SMEs firm is independently chosen to produce a stratified sample method. The responders who are most knowledgeable and most likely to offer the required information are the major focus of this methodology. Owners or managers of SMEs in the tourist industry in Sihanoukville, including those from hotels, guesthouses, restaurants, massage & spas, travel agencies, and tour operators, were the main responses. We asked permission to personally and on-site administer the questionnaire to each and every significant representative.

For qualitative method, a purposive sampling method was used with the official of the ministry of tourism to help in contributing their knowledge, firm experiences, and responsibility in Small and Medium Enterprises (SMEs) in tourism sector in Sihanoukville to answer for relevant questions with the study. The only significant representatives of the Cambodian tourist sector are the Ministry of tourist and the Ministry of Economy and Finance. The administrative departments in the two ministries received all the thesis-related informants, goals, and authorization letters in order to schedule interviews.

4.3 Research design

4.3.1. The questionnaire designed

The questionnaire is the research tool for the investigation. The respondent's workplace or an internet platform was used to administer the inquiry. Before the questionnaire was delivered, a summary of the context for the study and its objectives was given. The questionnaire is broken down into 4 sections as follows and includes an open-ended question, checklist questions, and a five-point Likert scale:

PART 1: The demographic data of the respondents is included in the questionnaire's first section. Occupation, gender, age, education, and marital status are all checklist questions concerning the sample's data.

PART 2: The questions regarding the respondent's business are included in the second section of the questionnaire. We also employ checklist questions for this section.

PART 3: The third section of the questionnaire asks managers or business owners how satisfied they are with the province of Sihanoukville's business climate. utilizing a questionnaire and a five-point Likert scale.

PART 4: This part consists of the comments and suggestions.

4.3.2. Interview

The interview covered a variety of topics, including the general state of the Sihanoukville tourism industry, the situation of SMEs there, the role of multiple stakeholders in SMEs' development, the government's policies toward SMEs, and a ranking of the most crucial aspects of SMEs' growth in the Sihanoukville tourism industry.

4.3.3. Data collection

The questionnaires were randomly distributed to owners or managers of hotels, guesthouses, restaurants & bars, and tour agencies. The surveys were distributed after approaching the respondents to request their consent. The researcher then gave them a brief explanation, emphasizing the need for them to thoroughly read all of the questionnaire's instructions. When there were any questions that were unclear, the respondents received assistance in answering them and offering explanation. They will have sufficient time to answer the survey based on their own free time without time constraints. Typically, it took 20-30 minutes to complete the questionnaires.

The questionnaire was sent using the convenience sampling approach. The distribution of all printed surveys was done in person. 95 people who were eligible for the poll ended up responding, or 100% of the 95 total respondents.

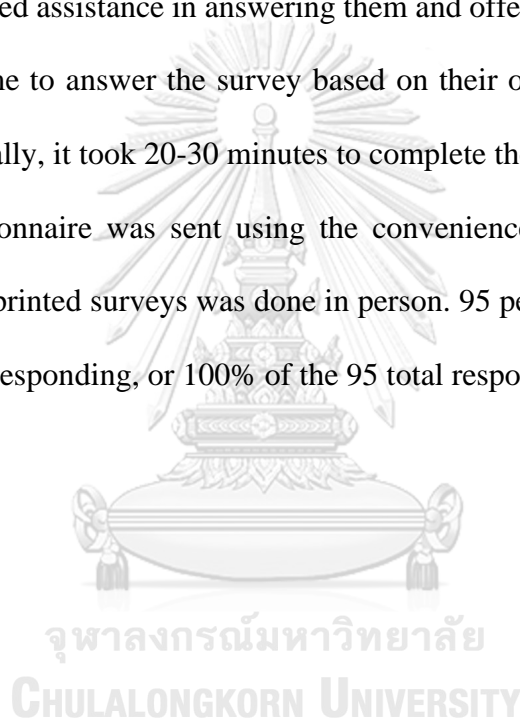


Table 12: Response rate from the targeted SMEs' business in Tourism sector

Type of Business	Number of Eligible Respondents	Actual Number of Respondent	Response Rate
Hotel	23	18	19%
Guesthouse	27	24	25%
Restaurant	39	39	42%
Massage & Spa	15	10	10%
Travel Agent & Tour Operator	10	4	4%

Total	184	95	100%
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Four weeks (October 2022) were spent collecting the data, with an average of five days per week spent traveling and two weeks spent gathering the data on-site.

3.3.1 Primary Data

This information was collected on October 2022. The information was gathered through in-person interviews and questionnaires with all of the target audiences in Sihanoukville's SMEs as well as a thorough interview with a representative from the Ministry of Tourism and the Ministry of Economy and Finance.

3.3.2 Secondary Data

The pertinent theories, concepts, and research were gathered from recognized sources. Those came from the websites of IGOs, official government websites, essays, magazines, and particularly the Ministry of Tourism.

4.4 Data Analysis

After data collection, the data was computed and analyzed by using Statistical Package for Social Science (SPSS) as the following:

1. Descriptive statistics for frequency and percentage will be used to examine and show the respondents' and each business's historical backgrounds.
2. Using descriptive statistics for mean and standard deviation, the data on the satisfaction of various business owners or managers with the business climate in the province of Sihanoukville will be graded and presented.
3. Using comparative means statistics in the forms of the t-test and F-test, the data on the company history and business environment that impact their sustainable growth will be studied and presented.

4. The scoring of questionnaire will be analyzed by using five – points rating scale or five – Likert scales.

The five – point Likert scales are as follow:

- | | |
|--------------------------|----------|
| 1. Strongly Dissatisfied | 1 point |
| 2. Dissatisfied | 2 points |
| 3. Normal | 3 points |
| 4. Satisfied | 4 points |
| 5. Strongly satisfied | 5 points |

The Mean score of SMEs' satisfaction with the current situation in the province of Sihanoukville is translated using the scale grading of class interval of Best (1970).

1. = 1.00 – 1.80 means Strongly Dissatisfied (Totally disagree)

2. = 1.81 – 2.60 means Dissatisfied (Agree to a minimal degree)

3. = 2.61 – 3.40 means General (Agree to a moderate degree)

4. = 3.41 – 4.20 means Satisfied (Agree to a high degree)

5. = 4.21 – 5.00 means Very Satisfied (Totally Agree)

Chapter 5

Research Results

The findings from the data and interviews with the owners and managers of hotels, guesthouses, restaurants, massage & spas, travel agencies & tour operators in Sihanoukville are presented in this chapter. The difficulties faced by Small and Medium

Enterprises (SMEs) in the province are examined from the outset. Only English was used to design the questionnaire.

The findings of the study on "the challenges of Small and Medium-Sized Enterprises (SMEs) in the Tourism Sector in Sihanoukville" were presented using a variety of descriptions and an SPSS 16 table for facilitating data analysis, as well as providing clear data and a conclusion. The questionnaire utilized in face-to-face interviews and an in-depth interview with a government representative from the Ministry of Tourism were the sources for the analysis of the quantitative data. The results of this research were divided as the following:

5.1 Results from questionnaires

5.1.1. Personal information of Respondent

Individual analyses of frequency and percentage were done on each respondent's personal data. These are related to the employer's age, gender, educational background, and number of years of professional job experience in the tourist industry. According to the survey, the respondents' demographic characteristics are shown in table 13 as follows:

Gender

According to the study, women made up 78.9% of respondents, or 75 persons, while males made up the remaining 21.1%, or 20 people.

Age

The bulk of the respondents, who ranged in age from 40 to 46, were employers, who made up 43.2% of the total. The age group of 26–32 years old came in second with

16.8% of all responses, followed by the age group of 33–39 years old with 18.9%. Ages 47 and over represented 15.8% of the population, while 18 to 25 represented 5.3%.

Position

69 or 73% of the respondents held the title of business owner, while 20 held the title of manager. There were 5 partnerships, while additional players made up 1.1% of the total.

Educational Level

The majority of the respondents were only consisted of three level. First, most of all the respondents were obtained only high school certificate about 35 or 36.8%. There were 33 respondents had bachelor's degree. Lastly, the respondents who had secondary school level were 27 or 28.4% of the total respondents.

Year of experiences

The result as described in the table shows that the majority of 31 (32.6%) of respondents had 13-18 years of experience in businesses related tourism sector. While there were 28 (29.5%) of the total respondents had the range of 7-12 years of experience. For employer or manager of the businesses who had the range of 1-6 years of experience accounted for 20 or 21.1% of the respondents. For the business owner and manager who had more than 18 years of experience in doing business in Tourism sector were 14 (14.7%) of respondents. There were only 2 (2.1%) of the total respondents had less than 1 year or freshman in the business field.

Table 13: Personal's Demographic Characteristic

S.N	Personal Chracteristic	Key informants
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		Frequency	Percent
1	Gender		
	Male	20	21.1
	Female	75	78.9
	Total	95	100
2	Age group		
	18-25 years old	5	5.3
	26-32 years old	16	16.8
	33-39 years old	18	18.9
	40-46 years old	41	43.2
	Over 47 years old	15	15.8
	Total	95	100
3	Position of respondent:		
	Business owner	69	72.6
	Partnership	5	5.3
	Manager	20	21.1
	Other (Please specify)	1	1.1
	Total	95	100

Table 13: Personal's Demographic Characteristic (Continued)

S.N	Personal Characteristics	Key informants	
		Frequency	Percent
4	Education background level:		
	Primary school	35	36.8
	Secondary school	27	28.4
	Bachelor's degree	33	34.7

	Master degree		
	Doctorate Degree		
	Other (Please specify)		
	Total	95	100
5	Year of your professional work experience in the tourism sector		
	Less than 1 year	2	2.1
	1- 6 years	20	21.1
	7-12 years	28	29.5
	13 -18 years	31	32.6
	More than 18 years	14	14.7
	Other (Please specify)		
	Total	95	100

5.1.2. Information about the respondent's business

Business's status

The businesses which are considered as established and stable accounted for 29 or 30.6% of all total businesses in the survey. The entire statistics, as given in Table 14, demonstrated that the proportions of enterprises with profit and growth and those with established and stress were nearly equal, at 29.5% and 28.4% of the total percentages. There were 7 or 7.4% of all respondent's businesses were just start their businesses or in the start-up stage. And there were 4 or 4.2% of all businesses categorized as pre-profit.

Type of Business

There were 29, accounting for 30.6% of the respondent's overall business. As illustrated in the Figure 14, the guesthouses presented about 24 or 25.3%, which was followed by hotel with 18.9%. Pub or bar and Massage spas were accounted for the

same number of 9.5% of total respondent's business. While karaoke, transportation, and travel agencies accounted only for 6 which were about 2% of each business.

Year of Business

The table 14 showed that 44 respondents (46.4%) have operated their businesses for around 1-3 years. Another 32 respondents (33.7%) told that their businesses have established for around 4-9 years in Sihanoukville. The businesses which have operated for more than 10 years were accounted for 15 respondents (15.8%). While there were only 4 respondents (4.2%) just operated their business in 1 year.

Number of employees

The poll revealed that 46 respondents, or 48.4%, operated their firms with between 5 and 10 people. The businesses which only had less than 5 employees in their operation were 28.4% of total respondents. While businesses with 11 to 15 employees took 16 of respondents (16.8%). And the rest with 6 respondents (6.3%) had employees from 16 to 20 people.

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Table 14: Information about the respondent's business

S.N	Respondent's business	Key informants	
		Frequency	Percent
1	Businesses		
	Start-up stage	7	7.4
	Pre-profit	4	4.2
	Profitable and growing	28	29.5
	Established and stable	29	30.6

	Established and stress	27	28.4
	Other (Please specify)	95	100
2	Type of Businesses		
	Hotel	18	18.9
	Guesthouse	24	25.3
	Restaurant	30	31.6
	Pub or Bar	9	9.5
	Massage	10	10.5
	Travel agency	4	4.2
	Total	95	100
3	Year of business operations		
	Less than 1 year	4	4.2
	1-3 years	44	46.3
	4-9 years	32	33.7
	More than 10 years	15	15.8
	Total	95	100

Table 14: Information about the respondent's business (Continued)

S.N	respondent's business	Key informants	
		Frequency	Percent
4	Foreign owners or partner		
	Yes	15	14.3
	No	80	86
	Total	95	100

5	Employees's number		
	Less than 5 people	27	28.4
	5-10 people	46	48.4
	11- 15 people	16	16.8
	16-20 people	6	6.3
	Total	95	100
6	Majority of customers		
	Local	85	90.5
	Foreigners	10	9.5
	Total	95	100

5.1.3 Analyzing the opinion of the local businesses toward the business environment in Sihanoukville during the Covid-19 pandemic.

The questionnaire was divided into fifteen questions. The issues mainly derived from the environment that promote and enhance the local businesses in the province. There are 5 ranges level from very difficult (1) to very easy (5).

In the Table 15 showed that 37 people or 34.7 percentages of the respondents thought it is very difficult to access to finance and 31 people agreed that access to finance is difficult for businesses. There were 17 people with 17.3 percentages considered access to finance was natural. And 13 people would say access to finance in Sihanoukville was easy.

For the accessing of land in Sihanoukville, 16 and 14 of people of the respondents would select very difficult and difficult. 11.2 percentages of the respondents thought naturally on the access of land (mean=3.30). The highest percentages with 33 people or 33.7 percentages would think access of land is easy and 21 people or 21.4 percentages agreed that access to land in Sihanoukville is very easy.

The opinion of the respondents, 23 people with 23.5 percentages would say business licensing and permits in Sihanoukville is normal. While business licensing and permits is easy were selected by 28 people accounted for 28.6 percentages of total respondents. The majority of respondents said that present activities were not at all hampered by company licenses and permits.

For corruption, the least percentages of respondents (7.1%) agreed that there are still some corruption activities in the province. 36 of 95 respondents would rate corruption as the normal level. With the rest of 52 people agreed that corruption was not an obstacle to the current operation of business in Sihanoukville.

For crime, theft, and disorder, only 8.2% of respondents agreed that the mentioned issues were rated at the very difficult level. 26 people or 26.5% of respondents rated the difficult level on crime, theft, and disorder as the obstacle. Half of the total respondents (53.1%) rated normal for obstacles such as crime, theft, and disorder in the current operation. While only 9% of total respondents ranked easy and very easy on crime, theft, and disorder in the province.

There were only two rate level in the availability of electricity in Sihanoukville. Based on the questionnaire, we could see that there was no obstacle in access to the electricity in this province. 22 people with 22.4% would rank easy on access to electricity. While the most of respondents with 73 people ranked electricity with very easy in accessing.

For skilled workers, 5 respondents agree that it was very easy to find skilled worker in doing their businesses. While most of the respondents, would rank easy as

there were available skilled workers in Sihanoukville. Then, 29 respondents (29,6%) would just rank normal level on skilled workers. The rest of 15 respondents have opposite opinion on skilled worker, meaning that there was still lack of human capital in the province for operating businesses.

The majority of respondents (77 respondents) ranked Sihanoukville as the place with very high political stability that allow them to do business safety. The rest with 9 respondents had negative opinion towards the political environment. To sum up, Sihanoukville has maintained the political stability based on the figure from the respondents.

The rise of competition in informal sector has raised the concerns on businesses' operation. Based on the table 15, most of business owner or manager shared the same perspectives toward the concern over business's competition. 72 of 95 respondents ranked very difficult and difficult in the rise of competition. While 12 respondents would rank only normal toward the issues of competition. Only 11 respondents had no concern over the competition in informal sector.

For tax rate, among 95 of respondents ranked only 3 level which include difficult, normal, and easy. 18 respondents agreed that it is difficult for local businesses to support the tax rate or tax rate is high, which make them pay more to the government. About half of all respondents rank normal in tax rate. While 25 respondents rated tax rate as easy for businesses and have no obstacle for them.

Transportation services have been growth rapidly across the country. The demand of transportation due to the growth of tourism sector. Most of respondents

agreed that there is available transportation in the province. 73 respondents of the total respondents responded with easy on transportation and the rest would rank normal. Consequently, we can conclude that there were available of transportation services which allowed positive business environment in Sihanoukville before or during Covid-19.

For financial system, 43 respondents in total respondents would rank in the normal level. And 9 respondents believed that financial system is available in Sihanoukville which allowed businesses to maximum their profits. In contrast, 26 of respondents would say it is difficult to access to financial system. And 17 of respondents (17.3%) categorized financial system in a very difficult level and one of the obstacles toward business environment in Sihanoukville.

As countries in the globe has transferred toward advanced technology, a developing country like Cambodia has still struggled to reach the level. Half of the total respondents (53 out of 95 respondents) would claim that Sihanoukville is still lack of advanced technology which remained as the obstacle for improve business operations. 8 respondents (8.2%) would rather choose to rank regular for technology. While 34 of respondents would agree that there is available technology for business activities.

Natural disaster such as flood, earthquake, storm and other which has never happened Sihanoukville before. From the history, the province never experiences with the natural disaster. As mentioned in the table 14, more than half of the total respondents (73 respondents) agreed that natural disaster is in between easy and difficult. And the rest of respondents (22 respondents) would admit that natural disaster is not a problem for business environment in Sihanoukville during Covid-19.

For the last and crucial topic, the pandemic had slowdown the business activities in the globe. Cambodia also has suffered from the pandemic tremendously. No businesses could avoid from the loss due to the lock down policy by the government from preventing the spread of the Covid-19. Based on the survey, all respondents agreed that the pandemic really had bad effect for business environment in the province specifically.

In the table 15, local business's opinion toward business environment in Sihanoukville have divided into 2 categories. They vote for the easy business environments and rank as the following (1) access to the electricity and water, (2) political stability and (3) access to business licensing. In contrast, the pandemic is number one in term of challenge for business environment. Competitor and access to finance are ranked accordingly from 2 to 3 as the difficult toward business environment in Sihanoukville.

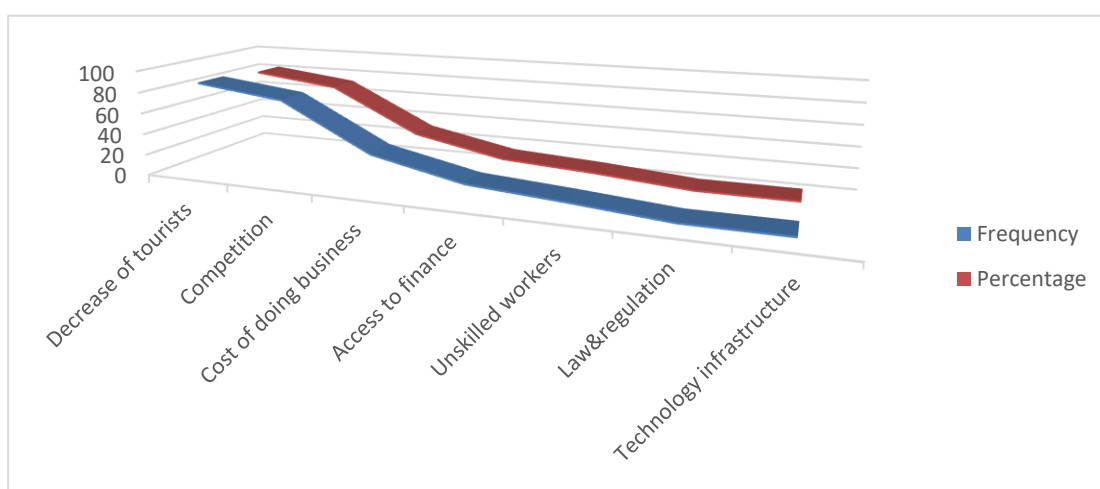
Table 15: Local business's opinion toward business environment in Sihanoukville on the following topics during Covid-19

Factors	1		2		3		4		5		MEAN
	F	%	F	%	F	%	F	%	F	%	
14. To what degree is access to finance obstacle to the current operation?	34	35	31	32	17	17	13	13			2.1
15. To what degree is access to land an obstacle to the current operation?	16	16	14	14	11	11	33	34	21	21	3.3
16. To what degree is business licensing and permits an obstacle to the current operation?					23	24	28	29	44	45	4.2

17. To what degree is corruption an obstacle to the current operation?			7	7	36	37	29	30	23	24	3.7
18. To what degree are crime, theft, and disorder an obstacle to the current operation?	8	8	26	27	52	53	5	5	4	4	2.7
19. To what degree is electricity and water an obstacle to the current operation?							22	22	73	75	4.8
20. To what degree are skilled workers an obstacle to the current operation?	5	5	46	47	29	30	15	15			2.5
21. To what degree is political instability an obstacle to the current operation?			1	1	8	8	9	9	77	79	4.7
22. To what degree is competitors in the informal sector an obstacle to the current operation?	40	41	32	33	12	12	11	11			2
23. To what degree is tax rate an obstacle to the current operation?			18	18	52	53	25	26			3
24. To what degree is transportation an obstacle to the current operation?					22	22	64	65	9	9	3.9
25. To what degree is financial system an obstacle to the current operation?			9	9	43	44	26	27	17	17	3.5
26. To what degree is technological development an obstacle to the current operation?	6	6	28	29	8	8	46	47	7	7	3.2
26. To what degree is national disaster an obstacle to the current operation?					22	22	56	57	17	17	3.9
26. To what degree is pandemic an obstacle to the current operation?	64	65	31	32							1.3

5.1.4. The challenges of respondent's business

Figure 7: The challenges of respondent's business



The above figure shows participants rankings of the major challenges facing the development of small and medium enterprises (SMEs) in tourism sector. 87 of the total participants ranked the decrease in tourists in Sihanoukville as the major constraints to the growth of their business followed by the rise of competitors, which recorded 73 respondents. Cost of doing business ranked as the 3rd major constraint to the growth of SMEs. Access to finance had been chosen by 16 respondents and followed by unskilled worker problem with 10 participants. Law regulation and technology infrastructure were with just 3 participants thinking that they are also the challenges for their growth.

5.2 Results from Interview

1. What is the past and current situation of the tourism sector in Sihanoukville?

In the past, there was not much foreign direct investment especially from China. Currently, we have experienced the tremendously change the situation in Sihanoukville. The infrastructure developments have rose across the province. The increase in number of businesses including restaurants, supermarkets, hotels & guesthouses, entertainment places, and others. Airlines have increased from 5 to 17 companies, while the increase in 10 flights to 40 flights arrival per day. The number of tourists were 400 and increased to around 4,000 tourist arrival only per day. However due to the Covid-19, the tourism sector decreased its operation rapidly. With the full control and the implementation of Vaccine campaign by the government of Cambodia, in the early 2022 tourism situation has much improved as we can see the rise number of local tourist and international tourists as well.

2. Why is Sihanoukville consider as the most potential province in the tourism development?

Sihanoukville is the country's leading seaside destination and close by islands such as Koh Rong and Koh Rong Sanloem. It's also included the beach of highest quality, waterfall, and national park. Not to mention, there are manmade and natural sights. The city is served by Sihanoukville International Airport, Sihanoukville Autonomous Port, and Sihanoukville Express way). Sihanoukville is providing opportunities for its residents and those from the region. Chinese investment in Cambodia has also brought industrial parks, factories, commercial housing, hotels, restaurants, and casinos. Additionally, within the past five years, some have begun referring to Sihanoukville as the "next Shenzhen." After receiving the designation earlier this year, the government intended to transform this province becomes a multi-purpose special economic zone (SEZ).

3. What are the challenges of the tourism development in this province?

There are significant challenges of developing tourism sector. First and foremost, the province still lacks accommodation and entertainment place. Those include modern hotel, supermarkets, night markets, Pub, and entertainment activities at night. Second, the eco-tourism has not developed to fulfill the need of tourists. This type of tourism service will help to attract both international and local tourists. Consequently, it will make the visitors to extend their visit due to the available services and activities. Third, human resources can be viewed as the crucial element to improve the tourism situation. The province still lacks skilled people and technology development. This need training and coaching from the government and IGO/NGO stakeholders. Finally, there is no common standardization for tourism service promotion, and close-by countries integration.

4. What are the impacts of Chinese investment in Sihanoukville?

The investment always come with pros and cons, as well as the Chinese investment in Sihanoukville. The investment has brought the province many benefits such as the infrastructure development and especially the real estate sector. Chinese's projects have increased human mobility to the province to work and do businesses with Chinese companies. The province now has become the hub place for people traveling, doing businesses and tourism purpose. In contrast, the Chinese's investment also brought some negative effect to the province. Some Chinese investors tend to create chaos and disorder by doing drug and human trafficking. The rise of online gambling and casinos created insecurity due to the rise of thieves. Not to mention, the price of product and service tended to increase in double, that make average citizens hardly to survive and not generate much income. Consequently, these events led to drop the number of local tourists and western tourist to visit Sihanoukville.

5. Can you compare the development of SMEs with the large business in Sihanoukville?

Recently, the province experienced the faster growth in the large business due to the partnership and owning by Chinese people. While the SMEs seems hardly to survive during the Covid-19 and the effect of rising of cost of doing businesses. Even though, with the intervention from the government, SMEs is now starting to grow step by step and improved in the recent year.

6. What is the past and current situation of Small and Medium enterprises (SMEs) in the tourism sector in Sihanoukville?

Comparing to the past, the major need for tourism service has improved rapidly. We can exercise the significant grow of hotel, guesthouse, restaurants, tour agencies, and massage parlor and more. However, during Covid-19, more than 50% of SMEs temporary closed their operations.

7. What are the types of Small and Medium Enterprises (SMEs) in the tourism sector in Sihanoukville?

They are hotels, guesthouse, restaurants, pubs, massage parlors, tour operators, souvenir shops, and tour agencies.

8. Based on your ideas, what are the type of SMEs the most successful in the tourism sector in Sihanoukville?

Based on my perspective, hotels, guesthouse, restaurants, and pubs are the most successful SMEs in the tourism sector.

9. Based on your ideas, what are the type of SMEs the most successful in the tourism sector in Sihanoukville?

Based on my perspective, massage parlors, tour operators, tour agencies, and souvenir shops are the least successful SMEs in tourism sector.

10. What are the challenges of development of Small and Medium Enterprises (SMEs) in the tourism sector in Sihanoukville?

There are many challenges of development of Small and Medium Enterprise (SMEs) in the tourism sector in Sihanoukville. Firstly, the Covid-19 has effects to both large, medium, and small enterprises. The lock-down mechanism by the government

and decrease in local and international tourists have brought most of small and medium enterprises suspend their operation across the province. Second, once the Covid-19 is under control and getting better, most of medium and small businesses lack of fund of starting their operation. Since the cost of doing business remain high in the post Covid-19, it has become the struggles for those business. Lastly, during the suspend their businesses, most of employees started looking a new job to support their living. This situation created a shortage of labor for running their operation after the pandemic.

11. What are the roles of local people in development of Small and Medium Enterprises (SMEs) in the tourism sector in Sihanoukville?

The roles of local people in development of Small and Medium Enterprises (SMEs) in the tourism sector in Sihanoukville is to develop their business concepts to meet the suitability. They must develop their skill and technology advancement in order to meet the needed of their customer. In the future, they can attract more international tourist and compete their tourism service to neighboring countries such as Vietnam and Thailand.

12. What are the roles of relevant institutions (IGOs, NGOs...) in development of Small and Medium Enterprises (SMEs) in the tourism sector in Sihanoukville?

To develop Small and Medium Enterprises (SMEs) in the tourism sector in Sihanoukville, it requires involve and help from the relevant institutions such as IGOs and NGOs. The institutions play crucial roles in providing the technical support and training to SMEs businesses on creating businesses plan, business registration,

bookkeeping, since most of the businesses are still informal. Not only that, but they can also help those businesses on joint adventure, since they have expert on consultant.

13. What are the roles of Government in development of Small and Medium Enterprises (SMEs) in the tourism sector in Sihanoukville?

The roles of government in development of Small and Medium Enterprises (SMEs) in the tourism sector in Sihanoukville is undeniable. The intervention from the government is needed to help the SMEs business to survive and grow accordingly. As a developing country, the government of Cambodia has tries to implement such strategies and operational plans to focus on SMEs, especially the Economic Recovery Plan after the pandemic. The government need to ensure the stability to create the attractive business environment, reducing cost of doing business, specifics policy on infant businesses as well. Also, the technical support from government will help small and medium businesses to perform better and generate more income. Not to mention, the government has a Signiant role on providing fund support by offering government loan with low interest and make them easy access to the loan.

14. What are the policies and frameworks of Government of Cambodia to promote Small and Medium Enterprises (SMEs) in the tourism sector in Sihanoukville?

The government of Cambodia has implemented policies and frameworks to promote Small and Medium Enterprises (SMEs). The creation of Cambodia Data Exchange or CamDX is a new business registration platform that combine at least four main relevant information system into a single portal to allow business owners to register and get the licenses to operate their business efficiently and effectively. The

platform is backed by a Sub-decree and several Prakases to lower the registering time and cost. The government also cooperate with foreign investor to develop infrastructures to reduce time and cost on traveling such as Sihanoukville Express way. Not to mention, the government has tried to promote tourism service in this province tremendously. By cooperating with Multinationals corporation (MNC) to create the public events and privacy events to attract both international and local tourists. Furthermore, the government aims to improve security and stability to create a peaceful province, so that more people will come to visit Sihanoukville.

15. The Covid-19 pandemic seems to be particularly tough on SMEs. Does the government have any initiatives to help them out?

In such a critical event, the government have implemented many rounds of initiatives to help the small and medium enterprises, especially in tourism sector. First, the government reduce time on inspections since it will be costly and make use of time. The government also temporarily free for business registration and extra fee for all kind of businesses. Specifically, the government of Cambodia allocated around 150 million to help SMEs in tourism sector with 57 million on foreign direct investment and 75 million for co-financing with local banks. In order to help reduce the burden salary on businesses' owners, the government provide 40\$/person for all employees, who temporarily suspend from works. For business owners, they temporary don't have to pay for monthly fee with the General Tax department.

16. What do the impacts of behavior change in Tourism sector on SME development in Sihanoukville?

The impacts of behavior change in tourism sector on SMEs development in Sihanoukville is viewed in many aspects. First, digitalization is necessary and is undeniable to develop. During the Covid-19, working and doing businesses need to change their preferences and how they view digital platform as a tool to complete the tasks. Not to mention, all kind of businesses must improve their advertising on social media platforms if they want to survive and to take over the competitions. Services and promotion will go the same directions and improve accordingly. The rise of competition not only bring the negative effect, but this is an opportunity for all businesses to generate and renovate their services and product to be outstanding to meet the consumer demands.

17. What do you think about the SME's development in Sihanoukville in Post COVID-19?

The SME's development in Sihanoukville in post Covid-19 was backward compared to the past. However, with the help and interventions from the government, most of small and medium enterprises survived and start their operation once the pandemic is fully under control. The economic recovery plan from the government intends to help the businesses from the scary effects. Consequently, there is the positive view on the development of businesses in the province. Future plan of the government initiatives, all kind of businesses will become sustain to meet the consumer demand and get into international market through free trade agreement. As a result, our small and medium enterprises will move to Resilient due to the improvement of investment environment, product renovation, and ready for unexpected socks in the future.

Chapter 6

Discussions

The researcher offered the following in this part after analyzing the case in the same manner. By using the data from the, the researcher first looked into a few specific problems. The theoretical framework outlined in the literature study has been put to the test using the rank that was obtained from the survey results. In order to determine if the findings support the ideas or not, the author additionally used the data gathered from the interviews with officials from the Cambodian Ministries of Economy and Finance and Tourism.

6.1 Access to Finance

Looking at the survey result, it can be confirmed that access to finance had been chosen as one of the challenges in SMEs development. As Table 1 indicates, 37 people or 34.7 percentages of the respondents thought it is very difficult to access to finance and 31 people agreed that access to finance is difficult for businesses. This result is in line with most of the related research have focused on. For instance, Kosalsereyvuth & Julien (2021), studied on roles of Small and Medium Enterprises (SMEs) in Cambodian Economic Development and Challenges during Covid-19. They found out that SMEs' business still facing hurdles include the difficulty in accessing financial support, and the struggle to compete with international and regional market expansion. In addition, studied the Cambodia Small and Medium Sized Enterprises: Constraints, Policies, and Proposal for their development by Peter Baily (2008). The study also confirmed consistent result that the country's SMEs have the barriers include the powerless regulatory and legal framework, restricted SME access to finance, and an absence of

SME support activities from the public authority. Specifically, Luyna & Sovuthea (2011) conducted a study on SMEs access to finance in Cambodia to find out the constraints for addressing. Additionally, this implies that the market determines how much credit is given out, and the intervention must increase the country's ability to access financing. Based on the result of the interview, the officials also stated that most of businesses after suspend their operations during the Covid-19 have been struggled to find sources of fund for resume their businesses due to limited knowledge related to finance, no collateral, and uncertainty income.

6.2 Competition

The rise of competition in informal sector and unfair competition have raised the concerns on businesses' operation. According to the survey, most of business owner or manager shared the same perspectives toward the concern over business's competition. 72 of 95 respondents ranked very difficult and difficult in the rise of competition. Based on voting, 73 respondents viewed the rise of competition is one of the major constraints to the growth of their business. This is related to constraints on SMEs in Cambodia and their Participation in Production Networks was examined by Vannarith, Oum, and Thearith (2009). The study showed the opportunities and challenges for Cambodia's SMEs in regional integration in Southeast and East Asia. Also, the challenges to participate in production networks such as lower productivities, business capacity and innovations. SMEs in Cambodia need support in the field of business linkages and systems administration and funding to permit themselves to be ready in integration in the regional level. Considering the interview's empirical data, both interviewers agreed that the competition is one of the obstacles especially for new SMEs to operating, as the demand of services is not subtracted with the supply. The

small and medium businesses have to compete with large businesses in order to survive. The officials also suggested for infant businesses to adopt digitalization working and doing businesses need to change their preferences and how they view digital platform as a tool to complete the tasks. Not to mention, all kind of businesses must improve their advertising on social media platforms if they would like to survive and to take over the competitions. Services and promotion will go the same directions and improve accordingly. The rise of competition not only bring the negative effect, but this is an opportunity for all businesses to generate and renovate their services and product to be outstanding to meet the consumer demands.

6.3 Operational and compliance costs

This consists of cost of doing businesses and compliance cost for operating businesses. Cost of doing business ranked as the 3rd major constraint to the growth of SMEs according to the result of the survey. It is similar to what Nittana, Makararavy, John, and Pacapol (2008), stressed on the support activities, the number of SMEs' business were increased in various sector such as food processing, garments, construction materials, wooden furniture, tourism, trading, transportation, and so on within the country. This study uses evidence from in-depth interview to explore its objectives. It found that there were many failures for SMEs to survive and expand the market with the high regulatory compliance costs, lack of clear and market-oriented framework for SME development, limited access to finance, and lastly poor market access infrastructure and information. Additionally, this is consistent with a research by Mohd Noor Mohd Shariff, Chea Peou, and Juhary Ali titled "Moderating Effect of Government Policy on Entrepreneurship and Growth Performance of Small-Medium Enterprises in Cambodia." It looked at the link between entrepreneurial values,

company funding, management, market practices, and growth performance of SMEs in Cambodia and the "moderating effect of government policy" on those factors. The results of the study showed a positive relationship between entrepreneurial values, firm financing, management, market practice, and SMEs growth performance. The study also confirmed the important role of government policy to moderate in such relationships. According to the interview with officers, the government of Cambodia has implemented policies and frameworks to promote Small and Medium Enterprises (SMEs). The government has cooperated with foreign investor to develop infrastructures to reduce time and cost on traveling such as Sihanoukville Express way. In such a critical event, the government reduce time on inspections since it will be costly and make use of time. The government also temporarily free for business registration and extra fee for all kind of businesses. In order to help reduce the burden salary on businesses' owners, the government provide 40\$/person for all employees, who temporarily suspend from works. For business owners, they temporary don't have to pay for monthly fee with the General Tax department and more.

6.4 Human Resources

The challenges posed by the management of human resources are a significant barrier for SMEs (Mendy and Rahman, 2019). Owners and managers of SMEs reported that finding competent people to enhance their service in preparation for growing their operations may result in time and resource restrictions. At the same time, SMEs frequently lack the same resources for staff training as bigger businesses. According to a recent poll, the lack of qualified employees or experienced managers continues to be the most pressing issue for a quarter of EU SMEs (European Central Bank, 2019). Based on the survey, Sihanoukville still lacks of labour and skilled workers to meet the

changeover technology and management skill. The two officials shared the same thought on the concern over shortage of labour in this province. They would state that IGO/NGOs and government have to implement any kinds of workshops and training for local employees to upgrade their needed skills through learning foreign languages, computer literacy and so on.

6.5 Marketing

Marketing is furthermore seen as one of the obstacles that SMEs may face as they improve their operations in terms of their product, price, distribution, transportation, and marketing efforts abroad (Leonidou, 2004). To satisfy the demands of both domestic and international customers, they might thus need to create new items or modify old ones. SMEs must set the pricing formula concurrently in order to match prices of rivals. According to the survey, most of business owners and managers shared the same concerns over the decrease of demand in tourism services in the province, also the rising of both informal and formal competition. Some of them tend to mention that they face the difficulty in finding the local distribution with low costs, that lead to high cost in doing businesses at the same time. These evidences are supported by the government official on the interview part. They believe that access to larger market will play an important role in helping small and medium enterprise to generate incomes. Consequently, the government of Cambodia need to ensure the stability to create the attractive business environment, reducing cost of doing business, specifics policy on infant businesses as well. Also, the technical support from government will help small and medium businesses to perform better and generate more income.

Chapter 7

Conclusion & Recommendations

7.1 Conclusion

The research paper aims to study the development of Small and Medium Enterprises (SMEs) in the Tourism sector in Sihanoukville of Cambodia, and to explore the current situation and factors that challenge the development of Small and Medium Enterprises (SMEs) in the Tourism sector in Sihanoukville of Cambodia during COVID-19 by using a mixed research methodology. The result of the research showed that access to finance, competition and cost of doing a business relatedly effect the performance of SMEs in Sihanoukville. Moreover, there are also enabling sectors that need to push SMEs development such as the human resources development and access to market. Despite the difficulties they face, entrepreneurs are people with fresh, original ideas who want to found their own businesses to improve society and the standard of living for others. By having banks that serve exclusively to SMEs, the government assists in facilitating access to funding, allowing both new and experienced business owners to make it appealing when the benefits of their success outweigh the challenges.

7.2 Policy Recommendations

7.2.1 Lesson learned from Thai SMEs during Covid-19

According to the Thai Ministry of Industry, SMEs are grouped according to their employee count and total fixed asset value (excluding land). Thailand's SMEs may be divided into three separate categories: production (which includes mining, manufacturing, and agricultural processing), services, and trade (which includes

wholesale and retail) (OECD, 2021). Approximately 3.01 million SMEs, or 99.6% of all businesses, existed in 2020. ADB (2020) estimates that SMEs helped Thailand's gross domestic product (GDP) reach \$215 billion, or 45% of the country's total GDP. Additionally, just 29% of all exports, or \$76 billion, were from SMEs. In addition, SMEs employed over 14 million people in 2018, making up 86% of all employment, and this number increased by 4.7% in 2019 (Korwatanasakul & Paweenawat, 2020). Despite making a positive contribution to the Thai economy, SMEs had several difficulties during COVID-19, including a lack of credit rating indices, inadequate management, a lack of marketing and technical expertise, and a lack of support from government organizations.

To address these difficulties, the Thai government enacted steps in 2015 to make it easier for SMEs to get capital and started initiatives to enhance their capacity, such as the establishment of the Thai Credit Guarantee Corporation (TCG) and the introduction of the Business Collateral Act (BCA) (OECD, 2021). Additionally, in order to increase SMEs' competitiveness through talent development, product development, and market access, government organizations have launched capacity-building initiatives. Additionally, the SME One-Stop Service Centre was developed to expedite SME registration and gather SME data for free consultation services about product development and financial management. These programs were continuous and aimed to help the country's SMEs by offering ongoing training and capital development.

7.2.2 Policy Recommendations

The first suggestion is to lower taxes because those businesses were experiencing cash flow problems. Due to the severity of the pandemic, business owners

of SMEs in the tourist sector during the COVID-19 are especially in need of additional financial assistance. As a result, the government must grant temporary tax exemptions to SMEs in the tourist sector. The Cambodian government should take steps to make it easier for SMEs in the tourism sector to obtain financing and undertake initiatives to enhance capacity, such as the establishment of the Cambodia Credit Guarantee Corporation (CCG), to increase SMEs' competitiveness. In order to create chances between peers and mentors who are interested, it is crucial to support peer exchange and mentorship for SMEs in the tourist industry. This is done to encourage a shift in behavior so that prosperous businesspeople may naturally generate noteworthy material, which will then expand media coverage and emphasize the community's diversity. Furthermore, in order to close important gaps in the ecosystem caused by genuine difficulties that impede growth, communication is necessary to better understand the changing, diversified demands of businesses. Create support services to aid in boosting sector-specific incubation and acceleration programs, which will aid in boosting mentoring for startup enterprises. The facilitators who can assist throughout the provinces and who understand that improving the physical infrastructure to support women and persons with disabilities is just as important as developing soft skills. SMEs in the tourist sector should also develop technology and undergo a general reorganization to strengthen their competitive advantages in the market. In order to keep up with the trend of the local and international markets, they must also plan and choose the management aspects that support their company success (Taun, 2020). Additionally, they must plan their businesses, do market and competition research, establish and implement strong corporate vision and purpose statements, and analyze their businesses' business plans. notably, the government must exercise flexibility and

provide financial assistance for SMEs, particularly those in the tourist sector, by offering flexible credit terms. programs to increase capacity run by the government or other development partners to improve the marketability and competitiveness of SMEs. Tax incentives may also be included in a more effective plan. Additionally, regional nations should work more together to assign sectors and activities that are consistent with development goals. Last but not least, the SME One-Stop Service Centre will expedite SME registration and offer free consulting services for product development and financial management as part of the government's effort to collect general SME data. This would enable SMEs generally, but particularly those in remote locations, to register using an internet method and occasionally avoid having to visit many associated ministries with various costs.

7.2.3 Limitations and Extension for future studies

However, there are several restrictions that must be taken into account and may enhance the significance of the conclusions in this research. Start with the research strategy and then expand to the target population using the most recent data. As it may provide more precise and in-depth information, the number of participants in surveys and in-depth interviews should be increased to other disciplines and sectors, using various data gathering methodologies. Future research may also broaden its scope to include more industries and conduct comparative analysis among them. Finally, more focused research that just examined one or two particular driving challenges may be carried out to determine the outcome. If the SMEs working in the examined industry deem the elements to be relevant to them, this type of study might offer highly useful insights and information. It would also be worthwhile to take into account working

more closely with some of the businesses operating in this field to conduct the research and ensure that it is completely tailored to the requirements of the businesses.



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