CAMBODIA BUSINESS ENVIRONMENT BAROMETER 2025

Insights from Micro and Small Enterprises on Business Confidence, Registration, and Public Service Delivery

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CAPRED

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For more information, please contact: country.cambodia.general@asiafoundation.org

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FOREWORD

Micro and small enterprises (MSEs) are the backbone of Cambodia's economy. They generate employment, sustain household incomes, and underpin economic activities across urban and rural areas. Creating a business environment in which MSEs can start, operate, and grow, effectively, is therefore crucial for achieving inclusive, successful, long-term economic development.

The *2025 Cambodia Business Environment Barometer* survey provides important business information and guidance for realizing the economic goals of the Royal Government of Cambodia (RGC). The survey, which was implemented by The Asia Foundation, and funded by the Australian government through the Cambodia Australia Partnership for Resilient Economic Development (CAPRED), provides a comprehensive picture of how MSEs experience the business environment. The survey's respondents are owners or managers of informal as well as registered businesses that are operating across Cambodia, and in the country's key sectors.

The survey's results complement macro-economic indicators by offering insights into the realities shaping businesses' confidence, investment decisions, and their day-to-day operations.

This report highlights businesses' areas of progress, which include greater use of digital payments, and rising numbers of registered businesses. The report also discusses MSEs' persistent challenges, which include widespread informality; limited awareness about, and use of government support programs; concerns about current and future sales, and making capital investment; and difficulties in accessing finance and public services. The severity of these challenges varies across locations and firms' characteristics, which underscores the importance of targeted and practical policy responses, as well as ongoing monitoring and evaluation.

Through CAPRED, Australia continues to be committed to supporting Cambodia's economic reform priorities through evidence-based dialogue and programming. As CAPRED's Facility Director, I would like to thank the following for their excellent efforts: the RGC leaders and staff who provided information and guidance at both the national and subnational levels; the CBEB Survey respondents who generously shared their knowledge and experience; and the staff of The Asia Foundation and its research partners who rigorously implemented the survey, and assessed and summarized the results.

All of us hope that this report will be widely used to inform economic policy, dialogue, and practical actions that will continue to improve the business environment for Cambodia's MSEs, and ultimately contribute to sustainable, inclusive, and long-term economic growth.

Paul Keogh
Facility Director
Cambodia Australia Partnership for Resilient Economic Development (CAPRED)

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Last, but certainly not least, we would like to thank the owners, managers, and staff in the firms surveyed for sharing their time, experiences, and insights. Their participation was instrumental in carrying out this study. The information and perspectives they provided played a crucial role in enhancing our understanding of the opportunities and challenges faced by micro and small enterprises in today's dynamic business environment in Cambodia.

ABBREVIATIONS

AMRO	ASEAN+3 Macroeconomic Research Office
ARDB	Agricultural and Rural Development Bank
CamDX	Cambodia Data Exchange
CAPI	Computer Assisted Personal Interviewing
CAPRED	Cambodia Australia Partnership for Resilient Economic Development
CBEB	Cambodia Business Environment Barometer
CBO	Community-based Organization
CEO	Chief Executive Officer
CFO	Chief Financial Officer
DFAT	Department of Foreign Affairs and Trade (Australia)
GDP	Gross Domestic Product
GDT	General Department of Taxation
IMF	International Monetary Fund
ISIC	International Standard Industrial Classification of All Economic Activities
ILO	International Labour Organization
M&E	Monitoring and Evaluation
MFI	Microfinance institution
MLVT	Ministry of Labor and Vocational Training
MNC	Multinational company
MOC	Ministry of Commerce
MOT	Ministry of Tourism

MISTI	Ministry of Industry, Science, Technology & Innovation
MSE	Micro and small enterprise
MSMEs	Micro, small, and medium enterprises
NCDDS	National Committee for Sub-national Democratic Development Secretariat
n.e.d.	Not elsewhere defined
NSSF	National Social Security Fund
OWSO	One Window Service Office
OWSU	One Window Service Unit
PPS	Probability Proportional to Size
RGC	Royal Government of Cambodia
SME	Small and medium enterprise
UNDP	United Nations Development Programme
VAT	Value Added Tax

EXECUTIVE SUMMARY

CONTEXT

Cambodia's business environment has improved considerably over time, due to continuous reforms, macroeconomic and political stability, economic liberalization, and greater regional and global integration. As part of its private sector-led growth strategy, the Royal Government of Cambodia (RGC) has prioritized measures to streamline regulations, reduce administrative burdens, and strengthen the business and investment climate to promote formalization, enhance social protection, and attract domestic and foreign investment. Complementing this agenda, the National Strategy on the Development of the Informal Economy (2023–2028) promotes businesses' gradual transition from informality to the formal economy by simplifying registration, lowering compliance costs, and linking formalization to tangible benefits that will help businesses to achieve higher productivity and give them greater legal and social protection (RGC 2023b).

Despite businesses' generally positive sentiments, and their progress in reducing practices that are not transparent, significant challenges remain. Informality remains widespread—in 2022, only about 10 percent of enterprises were registered. This undermines good governance, distorts competition, and increases businesses' vulnerability to economic shocks. Business informality is a multifaceted policy challenge that requires the government to use a coordinated and evidence-based approach, which is grounded in a clear understanding of the benefits, costs, and risks of formalization. However, such evidence remains limited, fragmented, and insufficiently integrated into policy development and implementation.

To fill these evidence gaps, the Cambodia Business Environment Barometer (CBEB) Survey was conducted in 2025 to gather insights from owners and managers of micro and small enterprises (MSEs) across Cambodia, offering a more detailed picture of the local business environment. The survey collected extensive information from formal and informal MSEs in the capital, Phnom Penh, and all 24 provinces. In total, 2,741 MSEs, which comprise a representative sample of the more than 700,000 businesses, were surveyed between March and May 2025, and it is important to note that responses were not influenced by the Cambodia-Thailand border clashes, as these began later, in July 2025. The survey's questions were tailored to provide comprehensive information about relevant government policies and priorities, and particularly about those included in the National Strategy on the Development of the Informal Economy 2023–2028 (RGC 2023b). Phase 1 of the 2023 Pentagonal Strategy (RGC 2023a) was the primary document used to select the survey questions' key themes, and the questions also took into account gender, disability, and social inclusion aspects. The results provide highly focused and detailed policy-relevant information on Cambodia's MSEs, which is helping the government to design, implement, and monitor relevant policies; inform government engagement with the private sector; and promote inclusive economic growth and diversification.

KEY FINDINGS

Business confidence, digitalization, and access to finance

With respect to MSEs' concerns in 2024, the CBEB survey found that declining sales was the most frequently cited concern. Eighty-three percent of MSEs stated that one of their top concerns is that sales are decreasing, and 73 percent expected their sales would decline in 2025. The second most frequently cited concern for 2024 was high production costs (40 percent). MSEs' perceptions about their sales in 2024 and 2025 differed from Cambodia's positive Gross Domestic Product numbers for 2024 and 2025, which were 5.5 percent and 5.8 percent, respectively (IMF 2025a). This could be because MSEs do not keep accurate business records, or they gave a pessimistic response about their sales because they did not want to reveal their higher-level earnings. MSEs also lack interest in loans and investing more money in their business.

The CBEB survey found that 25 percent of Cambodian MSEs had a line of credit or a loan from a financial institution. This is slightly less than the world average of 35 percent for formal enterprises of all sizes (World Bank 2025). Micro businesses were more likely to have a loan than small businesses. Also, conventional banks almost always required substantial collateral, while microfinance institutions had more lenient collateral requirements. By far the most common reason for not having a loan (cited by 70 percent of MSEs) was not needing one. The mean interest rate for all loans was 12.7 percent, and informal and micro businesses, as well as those in rural areas, paid even higher interest rates.

Almost two-thirds of MSEs (64 percent) have an internet connection for business use. Also, 74 percent of MSEs reported receiving e-payments. Having an internet connection and accepting e-payments were both more common in urban areas. About 77 percent of firms in urban areas had an internet connection compared with 48 percent in rural areas. Although 83 percent of urban businesses said they accepted e-payments, only 63 percent with rural businesses did. Businesses that accepted e-payments were slightly more optimistic about their sales in 2025 than those who did not. With regard to the MSEs' use of cloud storage, chatbots, artificial intelligence, drones, or robotics, very few businesses used any of these.

Business registration and licenses

The registration of MSEs grew substantially between 2022 and 2025, despite remaining relatively low as a proportion of all businesses in Cambodia. Registration with the Ministry of Commerce (MOC) increased from 6 percent to 10 percent in 2025, while that with the General Department of Taxation (GDT) rose from 4 percent to 7 percent. However, MSEs' still-modest registration rate, overall, underscores the persistent challenges in formally registering businesses. Only about 10 percent of the firms were registered with the MOC, and only 7 percent with the GDT, and even fewer were fully compliant with the registration requirements of all relevant authorities—the MOC, GDT, Ministry of Labor and Vocational Training (MLVT), and the National Social Security Fund (NSSF). Also, only about 2 percent of firms had the licenses and permits that some were required to obtain from relevant ministries and agencies.

The CBEB survey found that business registration rates varied considerably across industries, geographic locations, and with the gender of the respondent. More male than female respondents were registered with the GDT (12 percent versus 4 percent). The firms engaged in accommodation, financial and insurance services, and real estate activities reported some of the highest registration levels with the MOC (roughly 80 percent of businesses). In contrast, registration rates were markedly lower for the firms operating in manufacturing, wholesale and retail trade, and food and beverage service activities. Only about 10 percent of manufacturing firms had registered with the MOC, and about the same percentage with the GDT. MSEs in Phnom Penh were more likely to register with the MOC or GDT than was the case with businesses in Battambang, Kampot, Stung Treng, and Takeo. This difference could be a result of differences in government enforcement and the implementation of compliance measures.

The CBEB survey found that businesses remained informal for a number of reasons. The three most frequently cited reasons were: the business is too small to register (73 percent of MSEs), other businesses are not registered (27 percent of MSEs), and limited awareness about how to register (26 percent of MSEs). The high cost of registration and the complexity of the process were also reported as reasons for not registering. The reasons cited for not formalizing were similar across business size, industry, business location, and respondents' gender.

Perceptions and experience regarding the benefits and costs of business formalization were mixed. Some firms recognized the potential advantages of registration, such as better access to finance, government support, and market opportunities, while others perceived registration as burdensome due to higher compliance costs and difficulties in closing the business. These mixed perceptions were further evident in the unclear relationships between businesses' registration and their performance. Most firms, which had registered with the MOC in a calendar year that differed from when they began operations, reported no change in performance before and after registration. Regarding their sales, 69 percent of the firms reported no change, while 90 percent reported no change in their ability to access finance. Further analysis found varied associations between registration and sales across definitions of formalization and firm size. This suggests that registration alone is not enough to improve a business's sales or its productivity. This may also be reflected in businesses' hesitation to register. The CBEB survey found that hardly any unregistered firms expressed the intention to register. Although about 1 percent of unregistered firms said that they planned to register, 80 percent of these were unsure when they would do so.

Public service delivery

Although the government has launched a number of programs to promote enterprise development, MSEs' awareness of these was low. Firms often face challenges in accessing information about relevant government support programs, regulatory requirements, and institutional mechanisms. About 80 percent of the firms were unaware of some or all of these—a pattern that did not change with business size, industry, location, or the gender of the respondents. Almost the same percentage of firms (79 percent) were unaware that the government provides tax incentives for the MSMEs that voluntarily register. An even higher number of MSEs (88 percent) were unaware that the government's Digital Platform for Onboarding the Informal Economy enables informal micro enterprises, seasonal workers, and self-employed individuals to register. The low level of awareness about the platform could be because it launched and began outreach only three months before the CBEB survey started.

The survey found that more than half of MSEs (58 percent) used social media to get business information, and 14 percent got this from their business peers. Facebook was the most commonly used social media platform. Reflecting the informality of most MSEs, 40 percent of MSEs had no significant relationships with government. However, this response varied significantly with businesses' location. While nearly all of the businesses in Phnom Penh interacted with some government agencies, this was in stark contrast with businesses in the rest of Cambodia. Of all government agencies dealing with businesses, MSEs' interactions were primarily with the GDT and MOC.

RECOMMENDATIONS

BUSINESS CONFIDENCE, INVESTMENT, AND CREDIT

- **Explore low-cost mechanisms for tracking the perspectives and experiences of micro and small enterprises.** Government macroeconomic data and business–government dialogue mechanisms may reflect the performance and experiences of larger, formal firms, and those that belong to business associations (only 3 percent of MSEs belonged to a business association or network). Due to the government's focus on large, formal enterprises, there is very little information about the conditions, constraints, and behavior of the largely informal micro and small businesses, and this limits the government's ability to design well-targeted and effective policies. Furthermore, the current low level of awareness about the Digital Platform for Onboarding the Informal Economy could provide a baseline for tracking progress in improving outreach efforts. This baseline could be used to assess the breadth and pace of improvements in business owners' awareness over time, evaluate the effectiveness of communication and engagement strategies, and gauge whether increased awareness is translating into higher registration rates for informal enterprises.

BUSINESS REGISTRATION

- **Improve communication and implementation of the incentives for businesses to formalize.** While financial or procedural incentives such as tax exemption or amnesty for paying back taxes, simplified compliance schemes, and access to credit can all motivate firms to register, the effectiveness of these incentives ultimately depends on how consistently and transparently they are communicated and implemented.

- **Given the low level of businesses' registration, the government may need to develop a more explicit and coherent strategy for formalization or ensure that the existing priorities are clearly and consistently communicated across the relevant levels of administration.** In particular, providing clearer guidance to provincial and subnational authorities would help to align enforcement, incentives, and support measures with national objectives, reduce business owners' uncertainty about why they should register, and improve the credibility and effectiveness of the formalization agenda.

INFORMATION CHANNELS AND AWARENESS

- **Continue outreach activities that will encourage businesses to register and meet regulatory requirements, and publicize the advantages of businesses becoming formal and the disadvantages of remaining informal.** Outreach activities should also be carried out to raise businesses' awareness about the available digital services and registration platforms. If government interventions must be targeted to keep costs down, then target the businesses that have expressed their intention to formalize, but lack a clear understanding of the benefits of formalization and how to do so.

- **Since MSEs rely primarily on Facebook and peer networks for business information,** the government should consider adapting its communication strategy to use these channels to increase businesses' awareness and uptake of its services.

CHAPTER 1

INTRODUCTION

1.1. BACKGROUND

Cambodia's business environment has changed and improved over time as a result of macroeconomic and political stability, ongoing reforms, economic liberalization, and the country's regional and global integration. For example, between 2016 and 2023, businesses expressed less concern about most business environment dimensions covered in the World Bank's Formal Sector Enterprise Surveys—such as regulation, access to finance, competition and public procurement, and workforce constraints (World Bank 2024c).

As part of its private sector-led growth strategy, the Royal Government of Cambodia (RGC) has prioritized reforms that enhance the business environment, streamline regulations, and reduce administrative burdens. The government's goal has been to encourage businesses to formalize, improve social protection for informal businesses and workers, and attract both domestic and foreign investment. For example, Side 3 of Pentagon II, under the Pentagonal Strategy's Phase I,[1] underscores the importance of strengthening the business and investment environment as the foundation for economic diversification and enhanced competitiveness (RGC 2023a). The latter recognizes that reducing the structural constraints faced by firms is essential for attracting quality investment, fostering private sector growth, and supporting improvements in productivity.

The Pentagonal Strategy proposes a range of initiatives, including simplifying and digitalizing business registration and licensing procedures, reducing regulatory and administrative burdens, enhancing transparency and predictability in the enforcement of laws and regulations, and strengthening public-private dialogue. The strategy also emphasizes promoting enterprise formalization; improving access to finance and markets—especially for micro, small, and medium enterprises (MSMEs); and enhancing trade facilitation and logistics to lower businesses' costs. The National Strategy on the Development of the Informal Economy (2023–2028) is another policy document highlighting the government's commitment to promote business formalization (RGC 2023b). This strategy focuses on gradually integrating informal activities into the formal economy to achieve greater productivity and protection. The key priorities include simplifying and lowering the cost of registration and compliance; strengthening incentives for formalization by linking registration to benefits such as access to finance, tax exemptions, training, and social protection; and improving the delivery of business development services. Improving the business environment and promoting formalization have also been emphasized in other national plans, one of which is the Industrial Development Plan 2015–2025 (RGC 2015).

[1] The Pentagonal Strategy Phase I is a socio-economic policy framework focused on building a strong foundation to support Cambodia's sustainable and inclusive growth. It serves as the foundational policy agenda of the Royal Government of Cambodia for the Seventh Legislature (2023–2028) and emphasizes five broad goals: Growth, Employment, Equity, Efficiency, and Sustainability.

Despite all of these government efforts, challenges remain. The large informal sector, and especially informal micro and small enterprises (MSEs), poses significant challenges for both the government and formal enterprises. In 2022, for example, only about 10 percent of Cambodia's more than 700,000 enterprises were registered with the Ministry of Commerce (MOC) and the Provincial Department of Commerce (NIS 2023). Informality can weaken governance and policy effectiveness because informal activities are harder to monitor and regulate, and this reduces the effectiveness of labor, social, and industrial policies. Informality can also distort competition, as informal firms may avoid paying taxes and following regulations, which creates an uneven playing field that discourages compliance as well as investment by formal firms. For example, a World Bank survey conducted in Cambodia in 2023 found that 42 percent of the formal firms identified informal sector practices as their biggest obstacle (World Bank 2023). The high rate of informality increases firms' vulnerability to shocks, such as crises and price changes, because informal firms and workers are often excluded from government support programs. Taken together, these challenges can trap the economy in a low-productivity and high-vulnerability situation. Due to this challenge, international organizations have emphasized the importance of improving the business environment as a medium-term government priority to foster more inclusive and resilient economic growth (AMRO 2025; IMF 2025b; World Bank 2024a).

1.2. OBJECTIVES OF THE CAMBODIA BUSINESS ENVIRONMENT BAROMETER

Business informality is a complex policy challenge that requires an integrated set of policy responses that are built on a clear understanding of the benefits, costs, and risks associated with formalization. However, the evidence is limited, and what is available is dispersed and not effectively integrated into policies and their implementation. Against this backdrop, understanding the realities faced by businesses has become increasingly important. While macro-level indicators suggest progress, they often fail to capture the nuanced challenges and opportunities encountered by firms of different sizes, sectors, and locations. To fill the gap, and offer a more detailed picture of the local business environment, The Asia Foundation conducted the Cambodia Business Environment Barometer (CBEB) survey in 2025 to gather insights from business owners and managers. The CBEB survey's findings aim to inform policymakers, as well as private sector and nongovernmental organizations, about the areas in need of reform and support, and ensure that any future strategies are grounded in evidence and align with private sector needs. The CBEB survey will also help to inform the future programming decisions of the Cambodia Australia Partnership for Resilient Economic Development (CAPRED) in both the public and policy arenas.

The CBEB survey was conducted at a time of geopolitical uncertainty–rising geopolitical tensions, the war in Ukraine, and unpredictable international trade and tariffs. Despite ongoing global uncertainty, Cambodia's economy was projected to continue growing relatively strongly in 2025. Declining global commodity prices pushed inflation below 2 percent in 2024 (IMF 2025a), but in the first quarter of 2025, when the CBEB survey's interviews were starting, inflation rose again, briefly (NBC 2025). However, although the border clashes with Thailand, which began in July 2025, may have hurt Cambodia's economic prospects later in the year, the conflict had no impact on the survey's results as the interviews were finished in May.

1.3. THEMATIC FOCUS AND CROSS-CUTTING ISSUES

The CBEB survey's questions were tailored to generate evidence that aligns with the specific policies and priorities of both the RGC and CAPRED. Specifically, the survey provides evidence regarding policy issues in the government's strategy for the informal economy. It also supports elements of pentagons 1-4 of the Pentagonal Strategy, but with a focus on the RGC's objectives of "improvements of the business and investment environment" and the "promotion of micro, small, and medium enterprises, startups, entrepreneurship and the development of the informal economy". In addition, the CBEB complements previous enterprise surveys, such as those conducted by the World Bank, and it minimizes duplicate questions and indicators. As illustrated in Figure 1.1, the CBEB covers a broad range of topics, such as business confidence, access to finance, regulatory compliance, digital adoption, and awareness of, and interactions with, government services (see Box 1.1 for a summary on each theme).

In addition to offering detailed insights at the provincial level, the CBEB survey enabled the disaggregation of data across several dimensions. These comprise identifying the gender of the respondents to allow gender-sensitive analysis and distinguishing between registered and unregistered firms to assess the impact of enterprises' formalization, their industry, and size to capture the differences between micro and small enterprises, which helps to identify sector-specific trends and challenges. This level of granularity enhances the relevance of the data for use in evidence-based policymaking, which is particularly important in addressing issues related to gender equality, informality, and sectoral development.

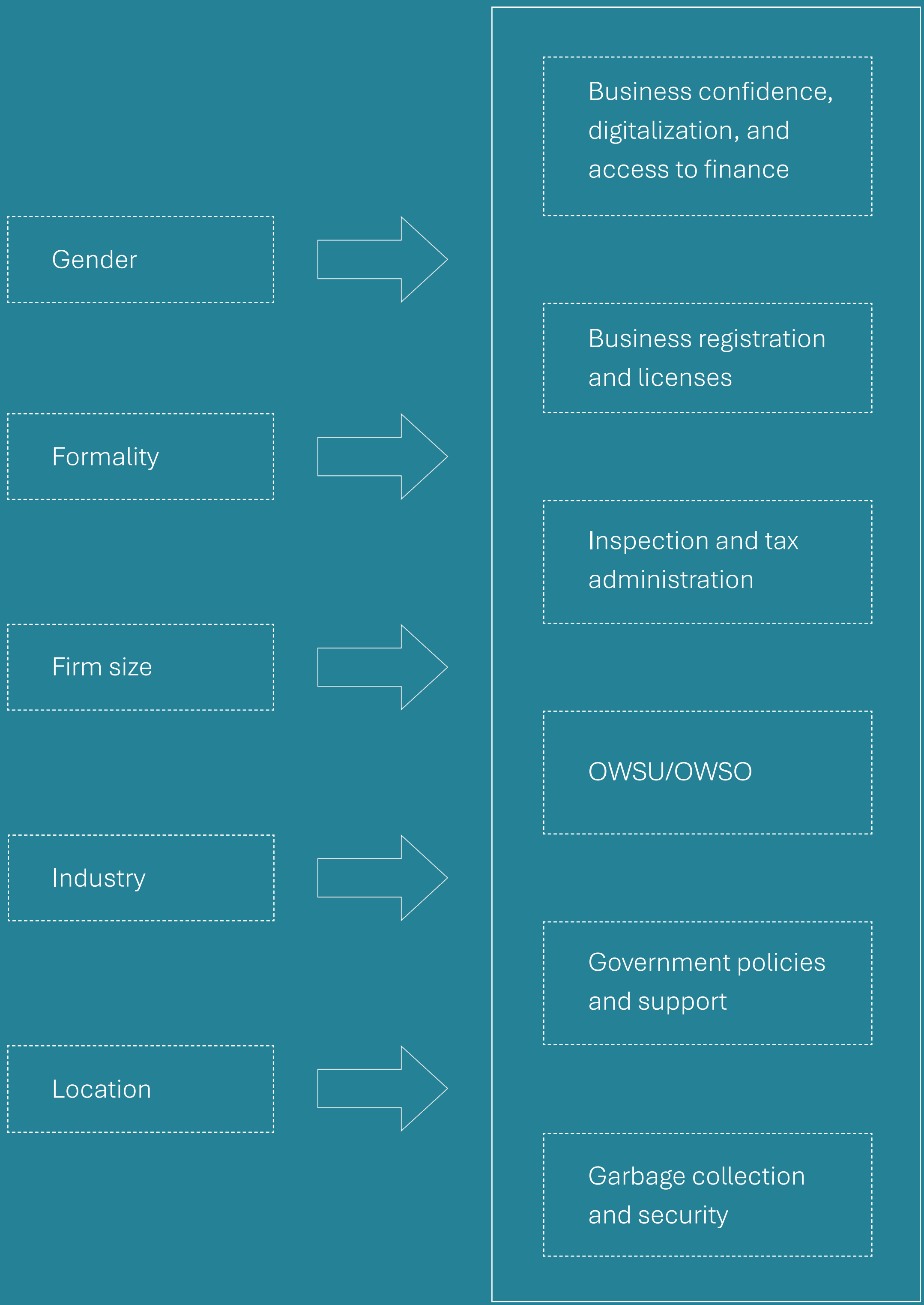

FIGURE 1.1: CBEB THEMES AND CROSS-CUTTING AREAS

BOX 1.1: OVERVIEW OF KEY THEMES

1) Business confidence, digitalization, and access to finance: Survey questions on this theme examined responding businesses' challenges, and their confidence levels with regard to their past and current sales, and whether they intend to invest in their business. In addition, this theme's questions investigated firms' access to finance, including the availability, affordability, and sources of credit. This theme assessed, as well, the extent of firms' digital adoption, and how they are integrating digital tools and technologies into their operations.

2) Business registration and licenses: The questions on this theme concerned businesses' registration and obtaining licenses and permits—as well as the registration channels—and the quality of the business support services provided by government ministries and agencies. Questions on this theme also examined the reasons firms gave if their businesses were unregistered and the incentives that could encourage them to register.

3) Business inspections and tax administration: The questions on this theme examined the frequency and quality of the inspections conducted by various government institutions and regulatory agencies and firms' experiences with these. This theme's questions also assessed how often firms are subject to inspections; the clarity and consistency of inspection procedures; and whether the processes were perceived as fair, transparent, and supportive of compliance. In addition, this theme explored the administrative burden of tax compliance, which is the amount of time firms dedicate to managing their tax-related tasks—from recordkeeping and documentation to completing and filing their tax returns.

4) One Window Service Units (OWSUs) and One Window Service Offices (OWSOs): This theme's questions assessed unregistered firms' awareness of, access to, and experiences with the administrative and business-related services provided by OWSUs and OWSOs. This includes examining whether unregistered enterprises are informed about the availability of these services, the extent to which they use them, and the benefits they have received. The aim is to identify gaps in service outreach to inform strategies so that they enhance inclusivity and accessibility for informal businesses.

5) Government policies and support: This theme's questions examined MSEs' awareness of government institutions, support programs, and the incentive schemes that are designed, specifically, to assist MSMEs' growth and development. This includes exploring the extent to which businesses are well informed about the available financial and non-financial support, including grants, tax incentives, training opportunities, and digital platforms.

6) Garbage collection and security: This theme's questions assessed the quality of garbage collection services, and whether businesses are confident that local authorities can prevent theft.

1.4. ORGANIZATION OF THE REPORT

The remainder of the report is structured as follows.

CHAPTER 2

Explains the methodology used to design and implement the CBEB survey, including the overall research approach, sampling strategy, and data collection methods. This chapter also highlights some key features regarding how the survey's data were analyzed to prepare this report, and how the survey was tailored to meet the report's specific objectives.

CHAPTER 3

Presents a detailed profile of the survey respondents, including their key personal characteristics such as gender, age, and educational level, and their business's key characteristics such as size, sector, and geographic location. By explaining the characteristics of the individuals and the enterprises included in the survey's sample, this chapter provides important information for understanding the methodology.

CHAPTER 4

Presents information on MSEs' challenges and their confidence levels, which is based on assessing key indicators such as businesses' expected sales, investment intentions, access to finance, and digital adoption.

CHAPTER 5

Presents information on business registration and licensing processes, and MSEs' experiences with these. This includes the regulatory environment, such as the ease, time, and costs involved in formalization; business owners' reasons of staying informal; the perceived incentives for registration; and whether owners intend to register. This chapter also analyzes MSEs' experiences with government inspections, and the tax administration processes.

CHAPTER 6

Examines MSEs' awareness of, and experiences with public service delivery. This begins with assessing firms' opinions on the accessibility and effectiveness of OWSUs and OWSOs in facilitating business-related administrative procedures. The chapter then explores MSEs' awareness about government institutions, support programs, and the policy initiatives intended to assist the private sector; as well as the nature of firms' relations with government authorities. Finally, this chapter reviews firms' satisfaction with local public services, and particularly with garbage collection and security.

CHAPTER 7

Concludes this report by presenting the study's policy implications, and highlighting areas for future research that could deepen understanding of the crucial issues that affect MSEs.

CHAPTER 2

METHODOLOGY

2.1. SCOPE

The Cambodia Business Environment Barometer (CBEB) is a nationwide survey of businesses' perceptions. With 2,741 interviews covering Phnom Penh and all of Cambodia's provinces, the results provide a representative sample of nearly all the country's micro and small enterprises (MSEs). The interviews, which were conducted between March and May 2025, reflect enterprises' circumstances before the border conflict began with Thailand in July 2025.

The businesses interviewed for the CBEB survey were drawn from the 2022 Cambodia Economic Census, which polled 753,670 businesses. The survey's sampling frame included both formal and informal businesses, but if businesses were not included in the Economic Census, or set up after it, they had no chance of being interviewed and are thus not represented in the results. Also, medium-sized and large businesses, with 50 or more employees, were excluded from the sample as the survey focused on micro and small enterprises.[2] If businesses with 50 or more employees were selected for the sample, they were either cut during the pre-screening phase of field work or their interviews were removed during data cleaning.

Most economic activities were included in the survey, with the exception of primary industries, such as forestry, mining, and agriculture. For a full list of the types of businesses included and excluded from the interviews, see Table 2.1.[3] Following the exclusion of businesses based on their size and activity, the sampling frame comprised 717,682 businesses, which were 95 percent of the businesses in the 2022 Economic Census. For simplicity, the exclusions are not listed every time results are presented in this report. In the chapters that follow, references to micro and small businesses, businesses in Phnom Penh, manufacturing businesses, and similar terms do not refer to all such entities. Rather, these references pertain specifically to those businesses that fall within the scope of the CBEB.

[2] The criteria used by the Cambodian government to classify businesses is complex. In addition to the number of employees and the type of business, the government considers annual turnover and assets (see UNDP 2023). As information on annual turnover and assets was limited for the businesses in the CBEB survey's sampling frame, such information was not used as criteria to classify business size for eligibility in the survey.

[3] Due to an error in the sampling process, Section N of the International Standard Industrial Classification of All Economic Activities "Administrative and Support Service Activities" was excluded, which could result in bias in the CBEB survey's coverage. However, as firms involved in these business activities account for only 0.3 percent of the sampling frame, this bias is unlikely to be significant.

INCLUDED

- Manufacturing
- Waste collection, treatment and disposal activities; materials recovery; remediation activities and other waste management services
- Construction
- Wholesale and retail trade; repair of motor vehicles and motorcycles
- Transportation and storage
- Accommodation and food service activities
- Information and communication
- Financial and insurance activities
- Real estate activities
- Professional, scientific and technical activities
- Administrative and support service activities
- Arts, entertainment and recreation
- Repair of computers and personal and household goods; Other personal service activities

EXCLUDED

- Agriculture, forestry, and fishing
- Mining and quarrying
- Electricity, gas, steam and air conditioning supply
- Water collection, treatment, and supply; sewerage
- Public administration and defence; compulsory social security
- Education
- Human health and social work activities
- Activities of membership organizations
- Activities of households as employees; undifferentiated goods and services-producing activities of households for own use
- Activities of extraterritorial organizations and bodies

TABLE 2.1: BUSINESS ACTIVITIES INCLUDED AND EXCLUDED FROM THE CAMBODIA BUSINESS ENVIRONMENT BAROMETER SURVEY

Note: Activities are defined according to the International Standard Industrial Classification of All Economic Activities, Revision 4 (UNSD 2008).

2.2. SAMPLING DESIGN

The CBEB used a two-stage stratified cluster sampling design, with geographic clusters selected in the first stage, and businesses within the cluster chosen in the second stage. The clusters comprised communes (rural areas) or *sangkats* (urban areas). However, for practical sampling reasons, communes or *sangkats* that had relatively few businesses were merged into one cluster, and the larger communes or *sangkats* with many businesses were divided into two or more clusters.[4] Probability proportional to size (PPS) sampling was then used to randomly select clusters for the survey. The PPS sampling sets the probability of a cluster being selected directly proportional to its size, which is determined by the number of eligible businesses that were identified in the 2022 Economic Census. In other words, areas with a high concentration of businesses were more likely to be selected than areas with few businesses.

In addition to national-level results, the sampling design allowed for some disaggregation of the results at the provincial level. Phnom Penh, the capital, and four provinces (Battambang, Kampot, Stung Treng, and Takeo) had a sample allocation that allows the disaggregation of the survey's results for these locations. Instead of sampling all provinces in the same manner, this was a compromise between the cost of data collection and providing provincial-level results. For the rest of the provinces, this meant that the number of observations was too small to be presented separately. They are always included in the national-level results, however. In some cases, the remaining 20 provinces were grouped together and referred to as the "rest of the country".

[4] Without this, PPS sampling can result in clusters with the probability of selection that is greater than one (in case of large clusters), or many strata with zero or very few businesses to draw from (in case of small clusters).

In applying cluster sampling, all of Cambodia was divided into 1,579 clusters (509 urban and 1,070 rural) from which 60 clusters were randomly drawn. Eight clusters (four urban and four rural) were selected in each of the four provinces with disaggregated results. Only one cluster, which could randomly be either rural or urban, was selected in the provinces without disaggregated results. In Phnom Penh, eight urban clusters were selected. Thus, in total, 60 clusters were selected for the survey.

In the second stage of sampling design, 2,741 businesses in the selected clusters were chosen for interviews. In Phnom Penh and the four focus provinces, per cluster, an average of 51 businesses were selected for interviews. In the other 20 provinces, the average was 36 businesses per cluster. The selection of businesses was stratified according to formality, size, and economic activity.[5] Since some combinations made the strata too small, some strata were collapsed. In this manner, the survey ended up with nine strata, as listed in Table 2.2. Simple random sampling was then used to sample businesses within each stratum. Even after collapsing some strata, in some clusters there were strata with very few, or no businesses. Because of this, the sample sizes were set individually for each cluster. The final total sample size for the survey was 2,741. The sample size for each province is shown in Figure 2.1 and Figure 2.2.

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5 For the purposes of sampling, businesses that reported registration with the Ministry of Commerce or Provincial Department of Commerce in the 2022 Cambodia Economic Census (NIS 2023) were classified as formal. Size was defined according to number of persons engaged, as reported in the 2022 Cambodia Economic Census, and this was divided into three categories: 4 or fewer, 5–19, and 20–49. It should be noted that this definition was used for constructing the sampling strata, only, and this differs from the size categories used for data analysis. It also differs from the one issued by the Council of Ministers in 2021, which classified enterprises by sector, number of employees, and either assets or annual turnover—whichever is higher (UNDP 2023). Although the CBEB survey sampling frame included questions on assets and turnover, these variables were not used to define firm size due to concerns about the completeness and reliability of the data. The data analysis and results are presented using two size categories—micro businesses (four or fewer persons engaged) and small businesses (5–49 persons engaged)—in accordance with the definition established by the Council of Ministers.

DESCRIPTION
Formal, 1-4 employees, wholesale and retail
Informal, 1-4 employees, accommodation & food services
Informal, 1-4 employees, manufacturing, except food and beverage manufacturing
Informal, 1-4 employees, wholesale & retail
Informal, 1-4 employees, other industries
Informal, 5-19 employees, accommodation & food services
Informal, 5-19 employees, wholesale and retail
Food and beverage manufacturing (formal and informal, 1-49 employees)
All other businesses, including: Formal, 1-4 employees, accommodation & food services Formal, 1-4 employees, other industries Formal, 5-19 employees, excluding all manufacturing Formal other manufacturing Informal, 5-19 employees, other manufacturing Informal, 5-19 employees, other industries Businesses with 20-49 employees excluding manufacturing

TABLE 2.2. LIST OF STRATA APPLIED IN EACH CLUSTER OF THE CAMBODIA BUSINESS ENVIRONMENT BAROMETER SURVEY

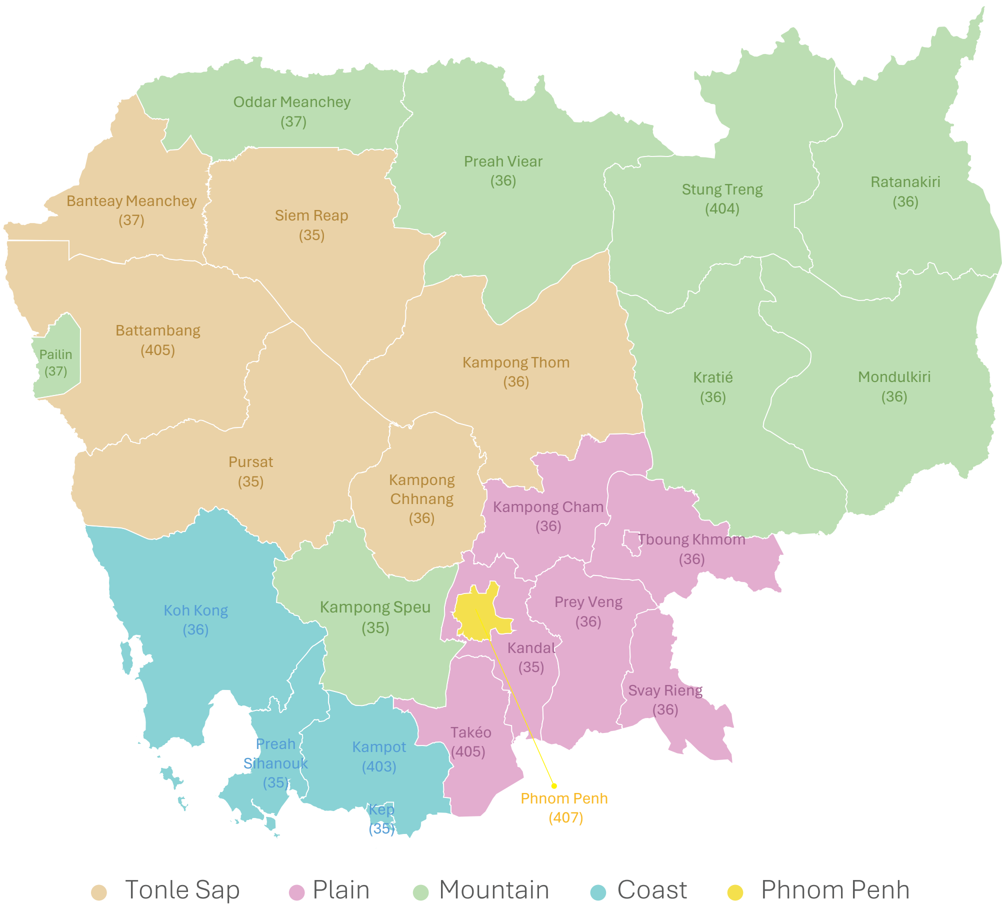

FIGURE 2.1: CBEB SAMPLE SIZE BY LOCATION

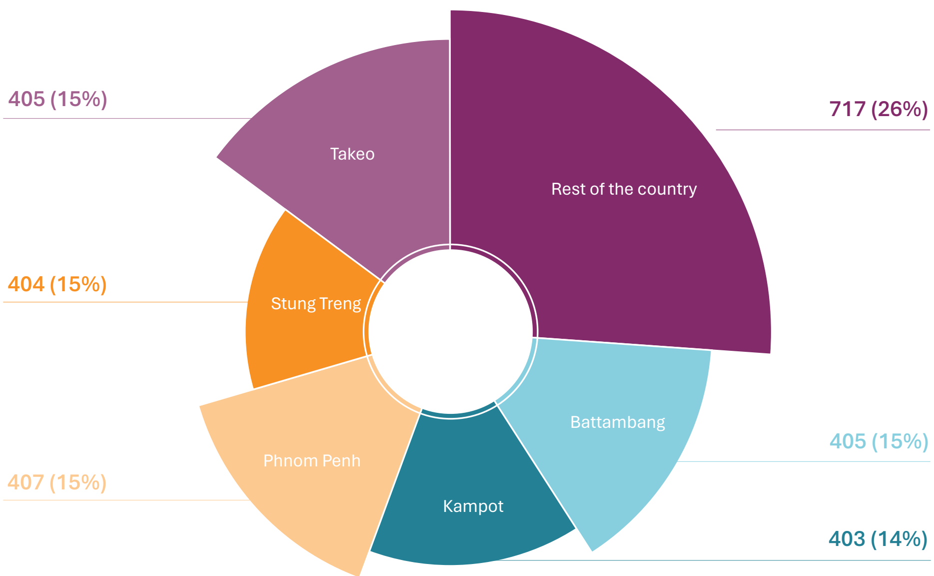

FIGURE 2.2: LOCATIONS OF THE INTERVIEWED BUSINESSES

For each business, the interview was conducted with either the business owner, the manager, or a person assigned by them to respond. The final sampling unit for the survey was the individual firm. One interview was conducted with each firm, and the questions concerned the firm, rather than the respondent. Interviews were conducted face-to-face using Computer-Assisted Personal Interview techniques, and they began to be conducted in early March 2025 and were completed by the end of May 2025. Thus, all interviews were completed before fighting began in July 2025 on the Cambodia-Thailand border.

2.3. WEIGHTING AND DATA ANALYSIS

The CBEB results were weighted to represent the whole target population of businesses in Cambodia instead of the results for just the sample. The two-stage cluster sampling design was considered in statistical inference performed using the collected data. Weighting of the results was carried out using inverse probability weights, which based the weights on the inverse of the probability that a firm would be selected for an interview. Unless stated otherwise, the results presented in this report were weighted in this manner, and they are best understood as an informed estimate of what would be expected if every business had been surveyed.

The results presented in this report are mostly based on weighted tabulations and means of the survey data. Additional data analysis techniques were applied in specific cases. For multiple-choice questions that allowed respondents to select more than one response, the results have been presented as a percentage of the firms, rather than as a percentage of the responses. Therefore, when added up, the total can be more than 100 percent.

The results disaggregated by key variables are presented when statistically significant, in other words, when they are unlikely to have occurred due to chance. During data analysis, all analyzed variables were disaggregated according to the size of the business, formality, location, economic activity, and the respondent's gender. Additional disaggregation was undertaken when deemed appropriate. Differences between two subsamples of variables, such as firms located in two different provinces or classified as formal or informal, were tested for statistical significance. Only differences that were significant at the 5 percent level have been presented in this report. Where applicable, 95 percent confidence intervals are shown in the graphs. These intervals indicate that there is a 95 percent probability that the true value lies within the two limit values represented by the bars. Although in 9 out of 10 cases, the survey respondent was the owner of the business, to be precise in this report, gender disaggregation does not mean disaggregation by the gender of the firm's owner. Instead, gender disaggregation applies to the respondent's gender. The exception is when such disaggregation refers explicitly to the gender of the owner.[6]

Due to the large volume of variables, in cases where no statistically significant differences were found, variables were not always mentioned. Thus, unless explicitly stated, the reader should assume that no differences were found in the disaggregated analysis of the key variables.

[6] In such cases, the answers of respondents who were not owners, which comprise about 10 percent of the sample, were excluded.

CHAPTER 3

PROFILE OF RESPONDENTS

A large variety of businesses were surveyed with the CBEB. As described in the methodology (Chapter 2), with certain exclusions (such as businesses with more than 49 employees and those in primary industries), the CBEB represents all MSEs in Cambodia. Unless mentioned otherwise, the results presented in this report were weighted so that they provide statistics for all the Cambodian MSEs covered by the CBEB, rather than statistics just for the sample. This chapter, however, examines the characteristics of the sample itself (namely, the unweighted statistics) to understand which types of businesses were interviewed and covered in the sample data. Some of the businesses' characteristics (size, main activity, and location) were partially or fully controlled by the sampling design, whereas other characteristics, such as the gender and educational background of the respondent, were the result of the random sampling process.

3.1. BUSINESS CHARACTERISTICS

Most of the businesses in the survey were micro enterprises. Cambodia has different definitions for micro and small enterprises by industry, which consider the number of employees and annual turnover or assets (UNDP 2023). For simplicity in this report, business size was classified only by the number of people engaged in the business. This included the owner and all the part-time and full-time employees, whether they were paid or not. Micro enterprises were businesses that employed four or fewer people, and small enterprises employed between 5 and 49 people. However, these definitions do not necessarily align with the legal definitions in Cambodia; instead, for analytical purposes rather than legal reasons, these definitions reflect differences in businesses' behaviors. As can be seen in Figure 3.1, 75 percent of interviewees worked in micro businesses, and the remaining 25 percent worked in small businesses. The average number of people employed in these businesses was 3.5, of which 0.3 were part-time, and 1.8 were women.

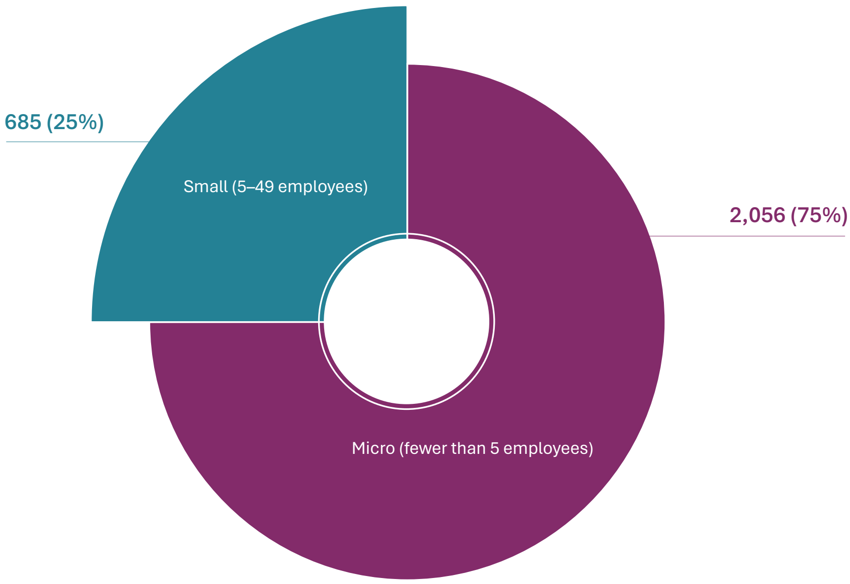

FIGURE 3.1: PROPORTIONS OF THE SURVEYED BUSINESSES BASED ON THE NUMBER OF PEOPLE ENGAGED

Wholesale and retail businesses were the most common in the sample, as is the case with all of the MSEs in Cambodia.[7] The main business activities of the surveyed firms are shown in Figure 3.2. A variety of manufacturing firms comprised about a fourth of the sample, and accommodation and food services comprised another fourth. In total 1,002 or 37 percent of the interviewed businesses were in rural areas, while the remainder (1,741 or 64 percent) were in urban areas.

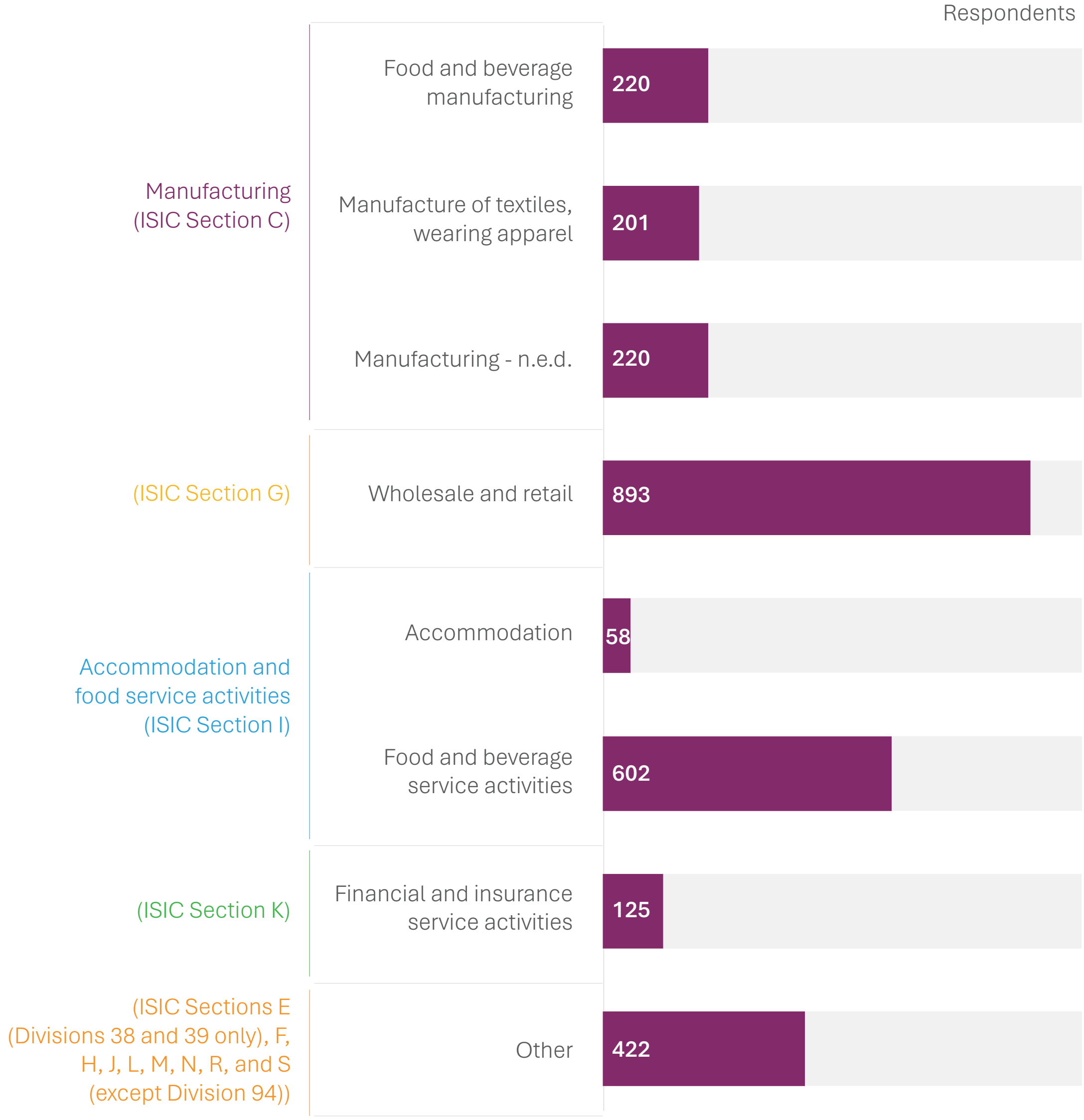

FIGURE 3.2: MAIN ACTIVITY OF THE SURVEY RESPONDENTS' BUSINESSES

Note: ISIC refers to the International Standard Industrial Classification of All Economic Activities (ISIC), Revision 4 (UNSD 2008).

[7] Sixty-six percent of businesses in the Cambodia Economic Census are primarily engaged in retail and wholesale trade or repair of motor vehicles and motorcycles (National Institute of Statistics, 2023). In this report "wholesale and retail" includes repair of motor vehicles and motorcycles as per the International Standard Industrial Classification of All Economic Activities (ISIC), revision 4 (United Nations, 2008).

Of the businesses interviewed, sole proprietorships were by far the most numerous of the formally registered businesses. Twenty-eight percent were classified as sole proprietorships, while 68 percent have remained informal. The other two types of businesses in the sample were partnerships (2 percent) and private limited companies (1 percent). About three-quarters (73 percent) were "home businesses" located at the owner's home (see Figure 3.3). About 17 percent of businesses were in an apartment building, which was separate from the owner's home, and 6 percent were located on the street. The remaining 5 percent of businesses operated in traditional markets, modern shopping malls, or occupied a single city block.

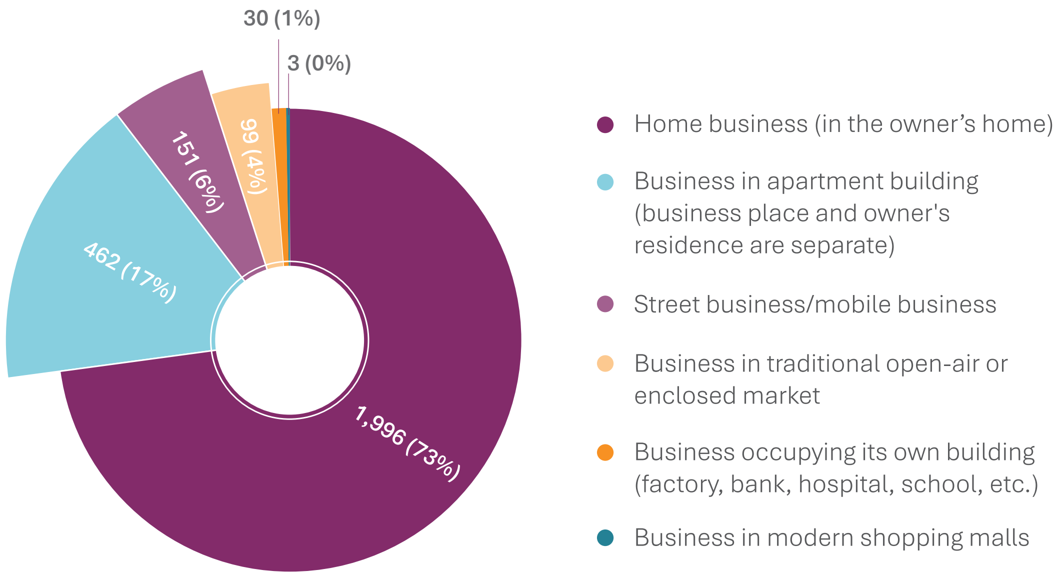

FIGURE 3.3: OPERATING LOCATIONS OF THE BUSINESSES INCLUDED IN THE SAMPLE

The average surveyed business had been operating for 8.4 years, and most for fewer than 20 years. The oldest business surveyed began operating in 1968. See Figure 3.4 for the age distribution of the respondents' firms.

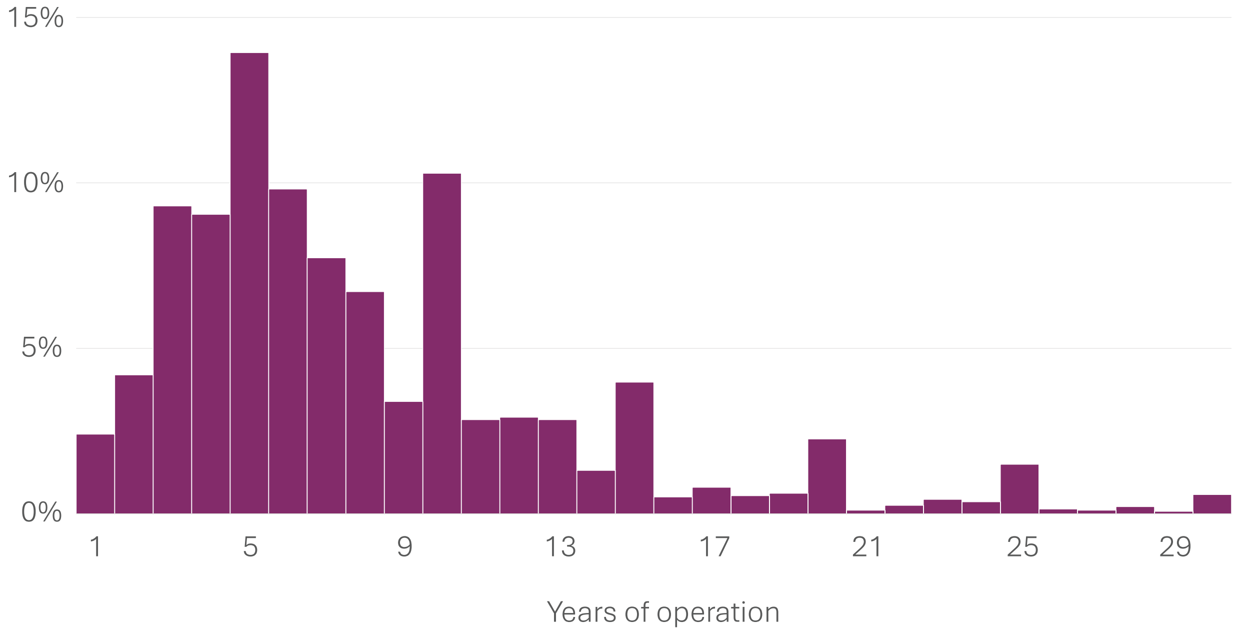

FIGURE 3.4: HISTOGRAM FOR THE AGES OF RESPONDENTS' FIRMS SINCE THEY BEGAN OPERATING

Note: For clarity, firms older than 30 years (0.7 percent of the sample) were cut from the figure.

3.2. PERSONAL CHARACTERISTICS OF RESPONDENTS

In most cases, the person interviewed for the survey was the owner of the business. Less than 10 percent of the interviewees had other roles such as president, general manager, chief executive officer, sales or marketing manager, or chief financial officer. The average age of the respondents was 40, with the youngest, age 18, and oldest, age 83 years (see Figure 3.5).

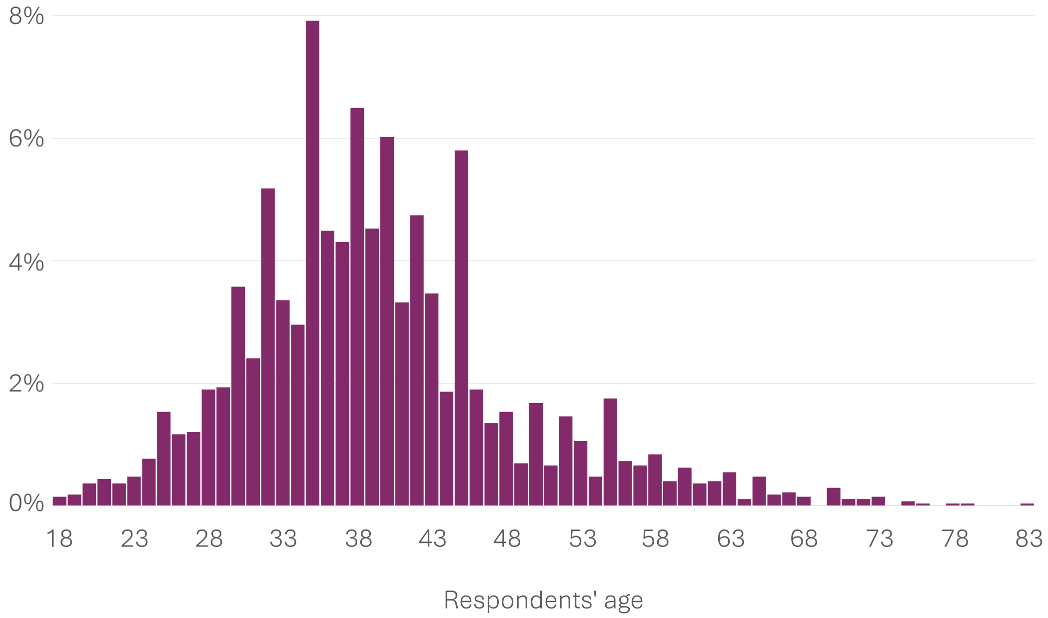

FIGURE 3.5: HISTOGRAM FOR THE AGES OF CBEB SURVEY RESPONDENTS

The majority of the CBEB survey respondents (61 percent) were women (see Figure 3.6), which is the case with most Cambodian business owners (NIS 2023). The gender of respondents also seems to correlate with their businesses' size. While 66 percent of the micro business interviewees were women, 53 percent of the small business interviewees were men. Although the interviewees in Battambang, Kampot, Stung Treng, and Takeo were primarily women, this was not the case in Phnom Penh.

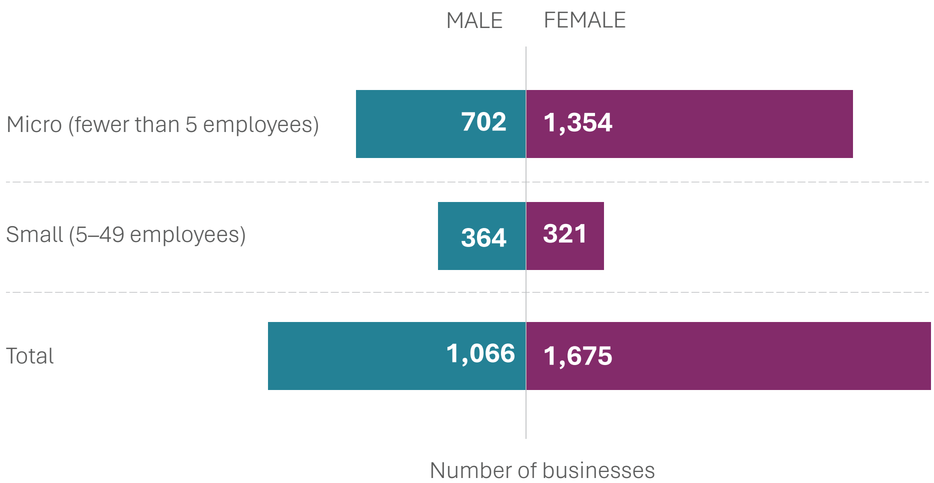

FIGURE 3.6: GENDER OF THE SURVEY RESPONDENTS BY BUSINESS SIZE

Although according to the 2022 Cambodia Economic Census, the majority of MSE owners in Cambodia are women, their proportion in the CBEB survey varied according to the type of business. The gender of the owner was not controlled by the sampling design parameters but instead was selected at random. This resulted in estimating that 66 percent of the MSEs in Cambodia were owned by women. Unlike the 61 percent of the sample mentioned in the previous paragraph, this was the weighted result that represented all MSEs. In the 2022 Economic Census, due to a wider scope of businesses, the proportion of women's businesses was 69 percent. Notably, in the CBEB data, the percentage of female owners seemed to decrease as firm size increased. The 2022 Economic Census data suggest that of all small businesses in Cambodia, roughly half are owned by women. In the 2023 World Bank enterprise survey, which, unlike the CBEB, excluded micro and informal businesses and included large businesses, 40 percent of the businesses had women participating in the ownership (World Bank 2023). Sixty-eight percent of the businesses interviewed for the World Bank's 2024 informal sector enterprise survey were owned by women (World Bank 2024b). In this study, Phnom Penh was an exception as it had a smaller proportion of female owners than the rest of the country (see Figure 3.7). Women's ownership varied considerably, too, regarding the main activity of the business (see Figure 3.8).

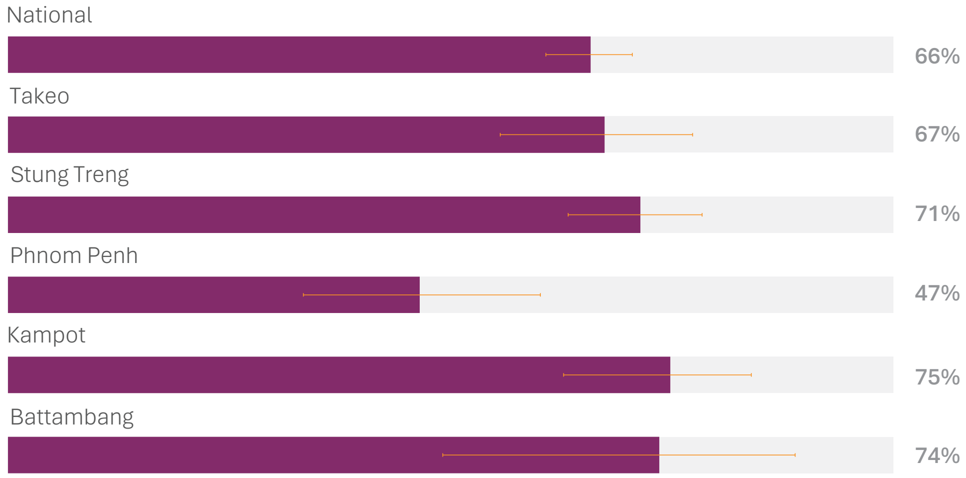

FIGURE 3.7: ESTIMATED PROPORTION OF FEMALE MSE OWNERS IN CAMBODIA BY LOCATION

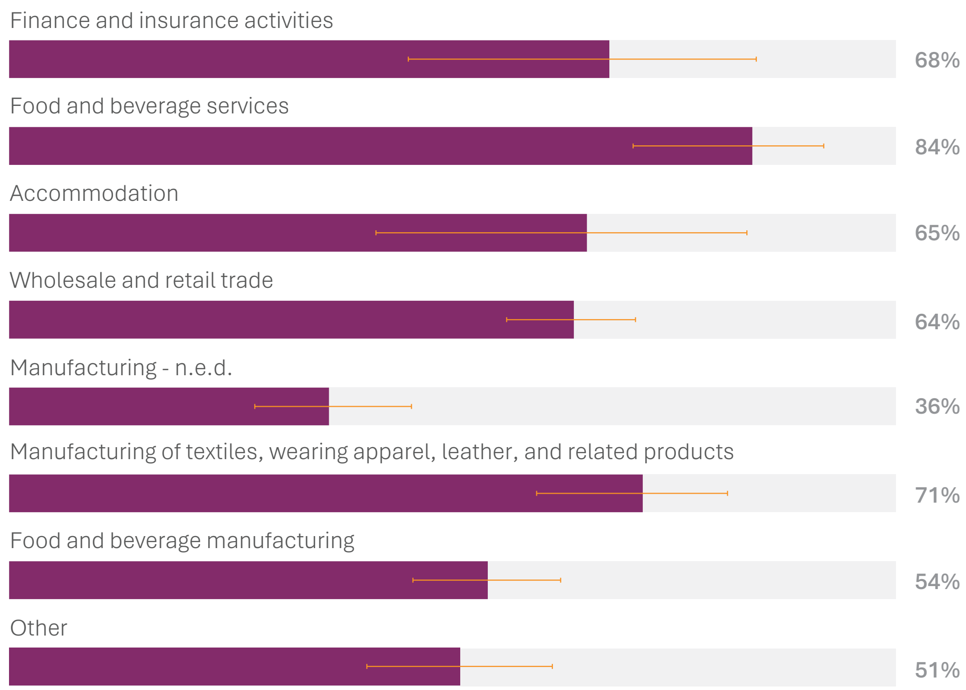

FIGURE 3.8: ESTIMATED PROPORTION OF FEMALE MSE OWNERS IN CAMBODIA BY INDUSTRY

Note: n.e.d. (not elsewhere defined).

About 86 percent of the CBEB survey respondents had completed no more than secondary education (see Figure 3.9). Although only 12 percent of respondents had earned a university degree, only a tiny percentage had no formal education.

FIGURE 3.9: FEMALE AND MALE RESPONDENTS' LEVEL OF EDUCATION

CHAPTER 4

BUSINESS CONFIDENCE, DIGITALIZATION, AND ACCESS TO FINANCE

KEY MESSAGES

- In 2024 most of the MSEs in the CBEB survey identified declining sales as one of their main issues, while in 2025 they reported expectations of declining sales.
- Twenty-five percent of the MSEs reported having loans, while most of the others reported that they did not need a loan. Rural, informal, and micro businesses were all likely to pay higher interest rates.
- A total of 75 percent of MSEs received e-payments; however, this percentage differed considerably between urban and rural areas.
- Very few of the surveyed businesses reported using advanced technologies such as cloud storage, chatbots, and artificial intelligence.

4.1. BUSINESS CONCERNS

According to the CBEB the most significant concern experienced by MSEs in 2024 was a decline in their sales. When establishments were asked to identify their three main concerns in 2024, an estimated 83 percent listed declining sales as one of their top concerns (see Figure 4.1). This reflects businesses' perceptions; the survey did not measure actual changes in sales between 2023 and 2024. Notably, many micro businesses may not maintain sales records, which can make it difficult to verify whether perceptions about their 2024 sales were accurate. Surprisingly, other types of concerns were cited much less frequently. After declining 2024 sales, businesses' next three most frequent concerns were high production costs, increased competition from imported goods, and increased competition from informal firms. Regarding the other choices for concerns, which were loan repayment, high interest rates, high wages, supply chain disruptions, and adverse weather conditions, less than 5 percent of businesses mentioned any of these. Also, 8 percent of businesses reported no concerns at all.

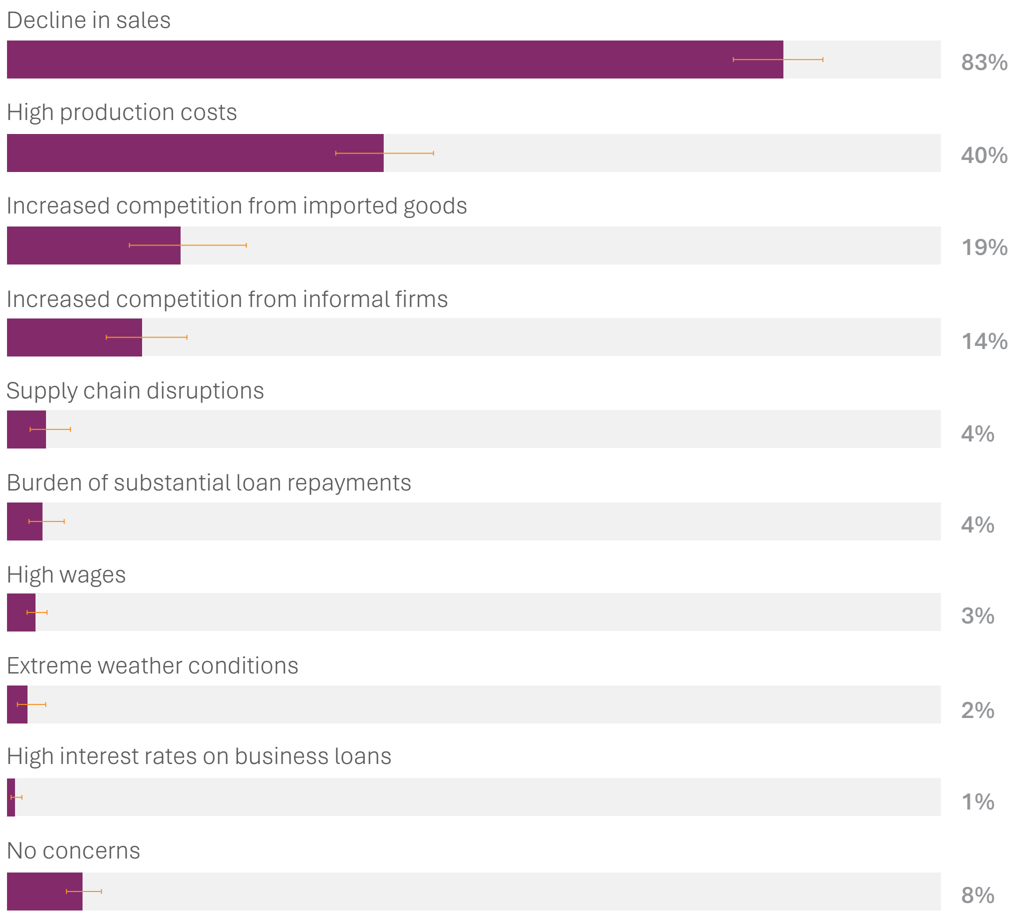

FIGURE 4.1: IN FISCAL YEAR 2024, WHAT WERE THE THREE MAIN CONCERNS THIS ESTABLISHMENT FACED? SELECT UP TO THREE

Declining sales was the most frequently cited concern of women and businesses in Battambang Province, but it was a concern across all types of businesses. Also, women cited concerns about higher production costs more frequently than men. This concern did not vary according to businesses' activity or province, but it was greater in urban rather than rural areas.

In a separate question asking about expected sales, an estimated 73 percent of businesses anticipated their sales to decline in 2025 compared with 2024. This expectation was similar for both men and women. In Kampot and Phnom Penh, businesses were slightly more optimistic, with 54 percent and 60 percent, respectively, predicting lower sales in 2025. Conversely, only 4 percent of businesses expected their 2025 sales to be greater than their 2024 sales. The mean revenue of MSEs within the scope of the survey was about USD10,700 in 2024.

Although many CBEB businesses were pessimistic about their sales for both 2024 and 2025, Cambodia's gross domestic product (GDP) estimates were relatively strong for both years. For 2024 and 2025, the International Monetary Fund (IMF) projected GDP growth of 5.5 percent and 5.8 percent, respectively (IMF 2025b). Although the CBEB survey did not measure businesses' change in sales directly, if respondents' perceptions were accurate for 2024 and 2025, then the results imply that most MSEs would have declining sales. Widespread declines in business sales typically imply a drop in GDP. However, not only did the CBEB survey results contrast with Cambodia's GDP estimates, they contrasted significantly with a survey conducted in 2024 by the Cambodian American Chamber of Commerce (AmCham) for its report, "Opportunities and Challenges in a Rapidly Growing Economy." In this report, 73 percent of respondents expected that their income in 2024 would be higher than in 2023 (Barnett et al. 2024). However, it is important to note that the AmCham survey respondents were primarily large businesses, and this could explain why they differed from MSEs' responses in the CBEB survey.

It is possible that businesses underestimate their sales in relation to past performance. One possible explanation of how declining sales fit in with the macroeconomic picture is that growth would be driven by a small share of large businesses with the aggregate effect being positive. As the CBEB did not include large businesses, this possibility cannot be ruled out. The data indicate that businesses anticipating sales to decline in 2025 make up approximately 72 percent of the total sales of all MSEs within the scope of CBEB. In the 2022 Cambodia Economic Census, the sales of MSEs comprised just more than half (54.8 percent) of the sales of all of the enterprises in Cambodia which means that the MSEs expecting their sales to decline comprised about a third of Cambodia's private sector in sales. Another possible explanation for the difference between positive GDP estimates and the negative perceptions of sales is that sales in general have been moving online. As businesses that operate only online are not covered by the CBEB, this could result in a negative bias on sales outlook. However, this would apply primarily to wholesale and retail businesses.

Based on all these possible explanations, there is reason to believe that MSEs' perceptions about their sales may be more pessimistic than reality. It is possible that they wished to give a negative response in their interview because of fear of tax implications, for example. To clearly understand why the CBEB survey results differ from the overall macroeconomic picture, additional in-depth interviews are needed.

Regarding anticipated capital investment in 2025, the most positive CBEB survey results were in Phnom Penh. When asked to anticipate their capital investment in 2025, just more than half of all the MSEs (52 percent) predicted that their investments would decrease, and only 4 percent predicted an increase. The businesses with the least enthusiasm for capital investment were in Battambang (73 percent predicting a decrease), while only 39 percent of businesses in Phnom Penh were reluctant to increase their capital investment in 2025.

4.2. ACCESS TO FINANCE

Twenty-five percent of Cambodian MSEs reported having a line of credit or loans from a financial institution, and this proportion did not differ between the MSEs that were registered with the Ministry of Commerce and those that were not. However, there was a difference between the firms that had a certificate of tax registration, and those that did not (see Figure 4.2). These data suggest that the businesses that have formalized by registering with the GDT are less likely to have loans. However, rather than concluding that access to credit decreases due to formality, there are more plausible explanations, such as businesses' size. Micro businesses are nearly twice as likely as small businesses to have loans, but there is no gender difference. It is also possible that micro business owners finance their business with personal rather than business loans. Another explanation could be that micro businesses are younger and still repaying the loans they took to establish their business. However, the latter is not supported by the CBEB survey data, which indicate that the age of a business does not correlate with the likelihood of having a loan.

FIGURE 4.2: CURRENTLY, DOES THIS ESTABLISHMENT HAVE OUTSTANDING LINES OF CREDIT OR LOANS FROM A FINANCIAL INSTITUTION?

Note: These data were disaggregated based on MOC and GDT registration, as well as business size.[8]

8 "National" refers to aggregated national level result.

Private commercial and specialized banks were by far the most common sources of loans for the MSEs in CBEB survey. These banks provided loans to 72 percent, while microfinance institutions (MFIs) provided loans to 15 percent of businesses having credit. Hardly any of the surveyed businesses (4 percent) had stated having loans from informal lenders, which were usually relatives and friends, and their loans were interestfree.

When the CBEB survey results were compared with past studies conducted in Cambodia, the data on formal small businesses suggest that a slightly greater proportion had loans. According to the 2023 World Bank survey of formal enterprises, 15 percent of small formal businesses had loans (World Bank 2023), while the CBEB's estimate for the small businesses registered with the MOC was slightly higher (18 percent). However, the World Bank's 2024 informal enterprise survey found that of the informal enterprises in Phnom Penh and Battambang, only 4 percent and 3 percent, respectively, had loans (World Bank 2024b). This differs significantly from the CBEB survey's findings for the same locations (30 percent for unregistered MSEs). While the proportion of MSEs with loans may have increased over time, the differences between the studies could also be explained by differences in their methodology, such as the exclusion of owners' personal loans and different geographic scopes.

When compared with other countries, fewer Cambodian businesses have taken out loans, according to studies. In all the economies covered by the World Bank's enterprise surveys, 35 percent of formal businesses had loans, which is 10 percentage points more than SMEs in Cambodia (World Bank 2025).[9] However, Cambodian businesses appear to have better access to loans than in countries such as Myanmar. In 2020, only 15 percent of formal businesses covered by the Myanmar Business Environment Index had loans (Peltovuori et al. 2020). According to the World Bank, the purchase of fixed assets with a business's funds rather than with external funds (such as loans or issuing shares) is more common in Cambodia than is generally the case in other lower-middle-income countries (World Bank 2023).

Regarding the proportion of MSEs with loans, the CBEB survey found that there were no significant differences between rural and urban areas. Accommodation services were relatively less likely to have loans, which was somewhat surprising given the capital-intensive nature of providing accommodation. Also, these businesses paid, on average, lower interest rates than other types of businesses. However, as noted below, accommodation services were more likely to have requested restructuring of their loan.

[9] Unlike the CBEB survey, the World Bank's enterprise surveys included medium and large businesses.

The most common reason that CBEB firms gave for not having a loan was not needing one. These, along with other reasons, are presented in Figure 4.3. The lack of interest in loans aligns with MSE's concerns about their declining sales, as well as their reluctance to make more capital investments. These data suggest that many MSEs were either not interested in expanding, or that they have not identified opportunities for business growth. Conversely, this could be because respondents were unable to get a loan, and they preferred to say that they did not want a loan. Twenty-seven percent of businesses were concerned that they could not repay a loan, 12 percent felt interest rates were not favorable, and 10 percent said that collateral requirements were too high.

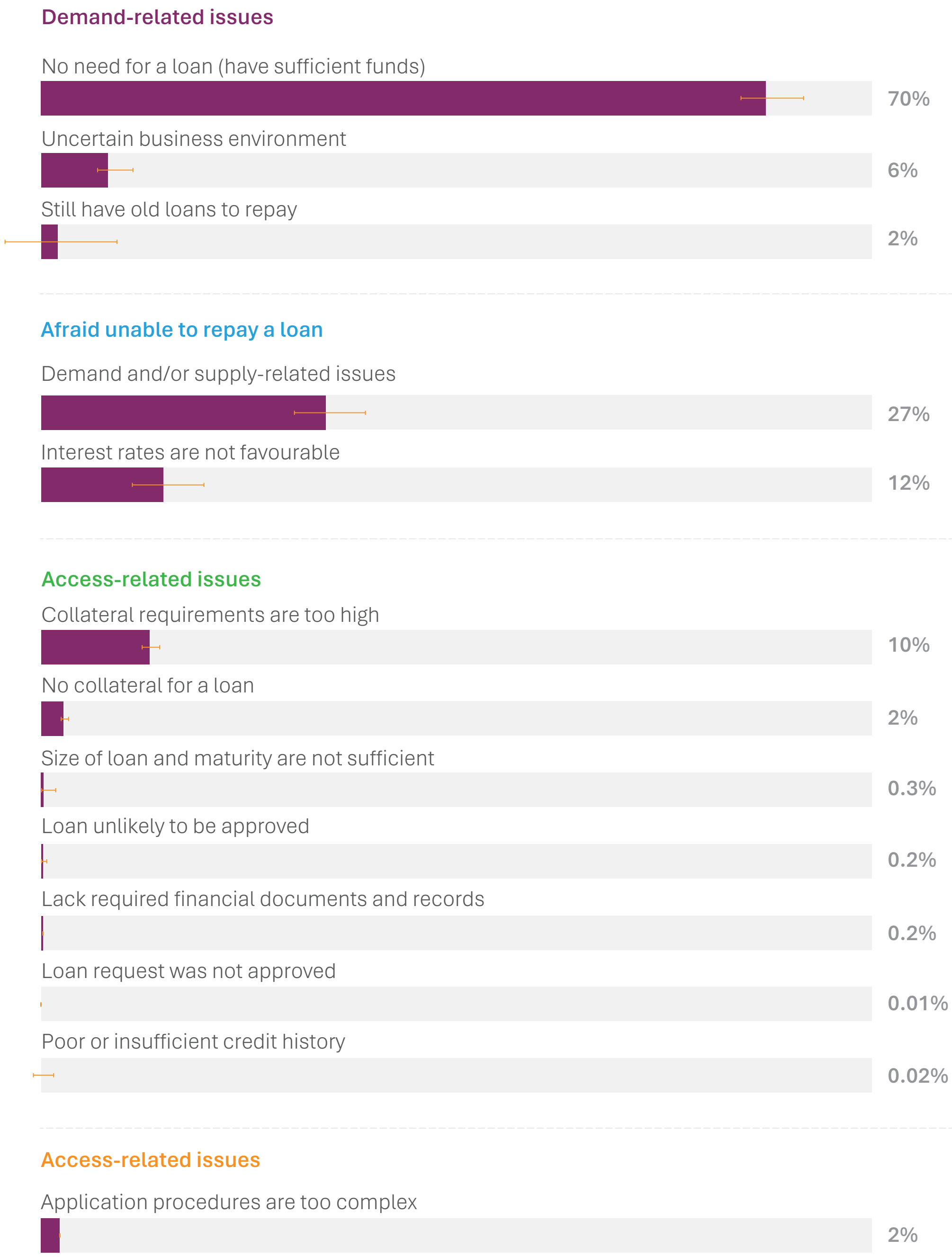

FIGURE 4.3: WHAT WAS THE MAIN REASON WHY THIS ESTABLISHMENT DID NOT APPLY FOR ANY LINE OF CREDIT OR LOAN?

The CBEB survey found that the mean interest rate for MSEs' loans in Cambodia was 12.7 percent, but this varied with firms' characteristics. Whether a firm was in an urban or a rural area appeared to have the greatest impact on its loan's interest rate. CBEB survey data show that, on average, rural firms paid 2.9 percentage points higher interest rates than urban firms. Interestingly, this did not appear to deter rural businesses from taking out loans, as the data show that there were no difference between the proportion of rural and urban borrowers. According to the survey data, the MSEs that were registered with the MOC or the GDT tended to have lower interest rates. Interest rates also tended to be lower the more people the business employed. In contrast, the firms that were informal tended to have higher interest rates. The difference in interest rates for registered and unregistered MSEs was about 1.4 and between micro and small 1.3 percentage points. Also, interest rates were not impacted by gender or whether the business had borrowed from a MFI.

Nearly all of MSEs (87 percent) claimed that their most recent loans required collateral, and this was almost always a hard land title.[10] Also, about 22 percent of businesses reported that they used the owner's personal assets as collateral. Since only a small proportion of loans did not require collateral, it was difficult to determine whether loans with collateral had lower interest rates than loans without collateral.

Loans from MFIs appeared to have the most lenient collateral requirements. While businesses borrowing from MFIs did not report lower interest rates, just over half (52 percent) reported that they had to provide collateral. In contrast, 94 percent of firms with a loan, but not from an MFI, had to provide collateral. With regard to business activity, the survey data indicate that food and beverage services were the least likely businesses to require collateral (72 percent had to provide collateral). Businesses in Phnom Penh appeared to have the most lenient collateral requirements, with 62 percent of MSEs reporting that they had to provide collateral. While business formalization was associated with lower interest rates, formality did not appear to influence the requirements for collateral. In addition, factors such as gender, the size of the business, and whether it was in rural or urban area did not appear to significantly affect collateral requirements.

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[10] In CBEB a hard land title is defined as land that is legally registered with a formal land title, providing proof of ownership and protection under law. In contrast, a soft land title is defined as land that is recognized for use but lacks formal legal document or registration, often carrying fewer protections than land with hard title.

In total, 13 percent of firms had applied for loan restructuring, and men had done this more frequently than women. Also, loan restructuring requests were more likely if businesses provided financial and insurance activities, or accommodation services.

4.3. ADOPTION OF DIGITAL TECHNOLOGIES

Almost two-thirds (64 percent) of the MSEs surveyed had an internet connection for their business. This is similar to the rate of internet connectivity for the general population in Cambodia, which the International Telecommunication Union reported was 61 percent in 2023 (ITU 2026). More than half (56 percent) used a mobile phone for internet connection (see Figure 4.4). As expected, small firms were more likely to use the internet than micro firms (85 percent versus 62 percent); internet use was greater for urban businesses than rural ones (77 percent versus 48 percent); and businesses that were registered with the MOC were more likely to use the internet than unregistered ones (89 percent versus 62 percent). When comparing provinces, Kampot stood out for having a relatively low percentage of MSEs with an internet connection (41 percent).

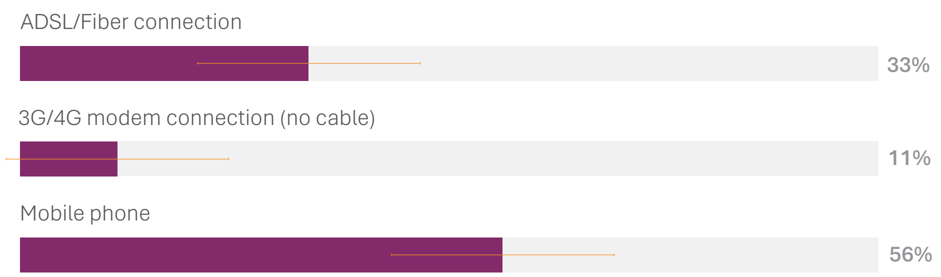

FIGURE 4.4: WHAT IS YOUR INTERNET CONNECTION? PERCENTAGE OF BUSINESSES WITH AN INTERNET CONNECTION AND THEIR TYPE OF CONNECTION

Internet speed was perceived to be the fastest in Battambang and Takeo and the slowest in Stung Treng. This was based on businesses rating their internet's speed with a 5-step Likert scale, and the majority rated their internet service as either "average" or "fast" (see Figure 4.5).

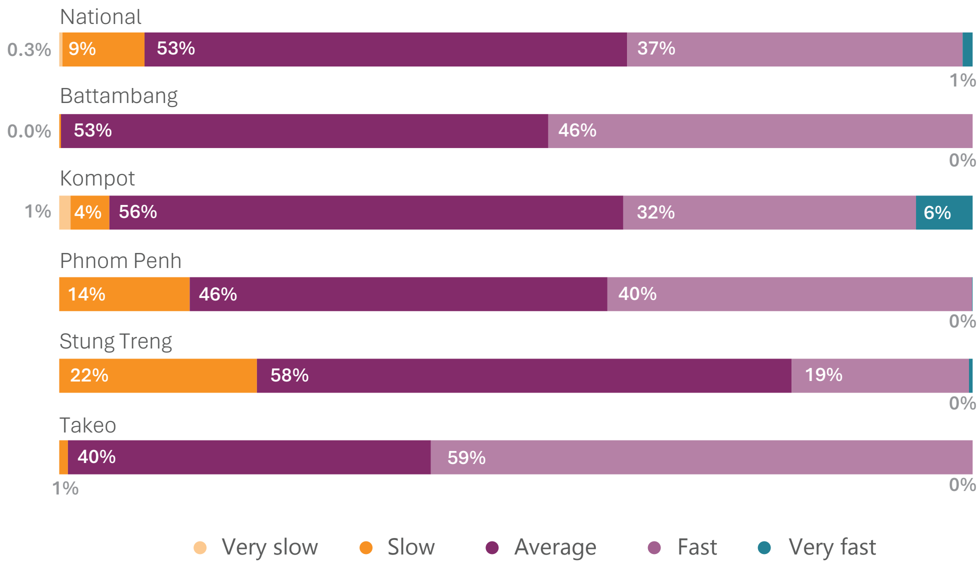

FIGURE 4.5: HOW WOULD YOU RATE THE SPEED OF YOUR INTERNET SERVICE?

This study found that e-payments (electronic/digital payments) were used by 74 percent of Cambodian MSEs. The e-payment platforms of ACLEDA Bank and ABA Bank were the most popular (serving approximately 64 percent and 49 percent of Cambodian MSEs, respectively). KB PRASAC Bank, Wing Bank, and Sathapana Bank were the next most popular e-payment providers, but each was used by only less than 15 percent of MSEs.

The adoption rate for e-payments was high regardless of business size, formality, gender, and location. Unsurprisingly, rural businesses reported being less likely to accept e-payments than urban ones (63 percent versus 83 percent). This difference was likely due to differences in internet connectivity. As expected, the businesses connected to the internet were more likely to accept e-payments. Nevertheless, businesses could accept e-payments without having an internet connection. A total 47 percent of businesses with no internet connection used e-payments through a financial service. With respect to business activity, food and beverage manufacturers had the lowest rate of e-payment adoption (61 percent), which could be because they receive relatively few payments directly from consumers. Financial and insurance service activities had the highest rate of e-payment adoption (95 percent).

With the exception of e-payments, MSEs adoption of digital tools was very low. When asked if they used cloud storage, chatbots, artificial intelligence, drones, or robotics, less than 2 percent of MSEs reported using of any of these. Since digital tools such as cloud storage and artificial intelligence have become relatively common in the world, the low percentage of MSEs reporting their use may indicate that not everyone realizes that they are using these digital tools.

The MSEs that reported using the internet for business operations and accepting e-payments were slightly more optimistic about their potential sales in 2025. Six percent of the e-payment users expected their sales to increase, while less than 1 percent of non-users were optimistic about this. A similar difference was found between internet users and non-users. Even so, pessimistic sales expectations were common for both users and non-users of e-payments and the internet.

CHAPTER 5

BUSINESS REGISTRATION AND LICENSES

KEY MESSAGES

- Although the overall rate of formally registered businesses is still low in Cambodia, the percentage of micro and small enterprises that registered with the Ministry/Provincial Department of Commerce or the General Department of Taxation between 2022 and 2025 increased, respectively, from 6 percent to 10 percent and from 4 percent to 7 percent.

- The CBEB survey data show significant variations in businesses' registration across sectors, with those in the accommodation, finance and insurance services, and real estate sectors showing some of the highest registration rates (an average 80 percent of firms had registered with the MOC). Firms in manufacturing, wholesale and retail, and food and beverage service activities had some of the lowest registration rates.

- Business registration rates varied across provinces, which indicates potential disparities in the enforcement and implementation of registration compliance measures.

- Cambodian businesses are inspected less frequently than their peers in other Southeast Asian countries that have comparative data. On average, inspections occur 0.5 times per year for businesses registered with the MOC. While businesses want as few inspections as possible, as these are interruptive and could require paying unofficial fees, too few inspections could result in businesses not following regulations.

- Almost three-quarters of businesses (73 percent) reported partially filing their tax returns, and more than half (56 percent) reported paying their taxes electronically.


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5.1. BUSINESS REGISTRATION AND LICENSES

RATES OF BUSINESS REGISTRATION AND LICENSES

The CBEB survey found that the formal registration of businesses was relatively low. Nationally, only 10 percent of MSEs had registered with the Ministry/Provincial Department of Commerce (MOC). Registration with the General Department of Taxation (GDT) was also low at 7 percent, and even lower with the Ministry of Labor and Vocational Training (MLVT)—just 1 percent (see Figure 5.1).[11]

The CBEB survey results show that MSEs that were fully compliant with their registration requirements were rare. To be fully compliant, a business needs to register with the MOC, GDT, MLVT, and the National Social Security Fund (NSSF) (MEF 2023). In addition, for certain activities, businesses must obtain permits and licenses from relevant line ministries and agencies. As shown in Figure 5.1, only about 5 percent of the MSEs reported having registered with both the MOC and the GDT, and only 1 percent had registered with the MOC, GDT, and MLVT. Almost none of the MSEs (only 0.2 percent) had complied with all their registration requirements.

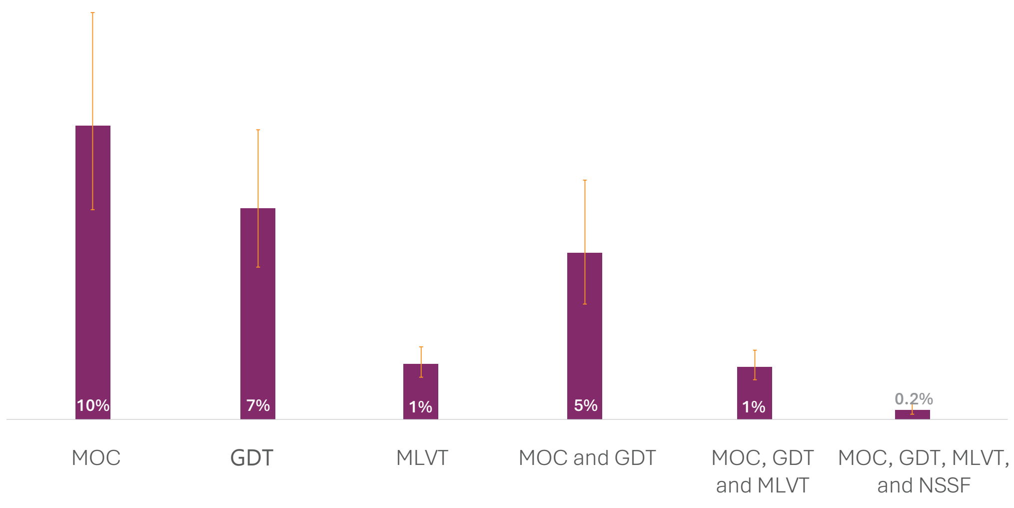

FIGURE 5.1: THE PERCENTAGES OF BUSINESSES REGISTERED WITH THE MOC, GDT, MLVT, AND NSSF

Note: MOC (Ministry of Commerce); GDT (General Department of Taxation); MLVT (Ministry of Labor and Vocational Training); and NSSF (National Social Security Fund)

[11] In the CBEB survey, the level of businesses' registration with the MOC (9.5 percent) was lower than that of the businesses surveyed in 2022 Economic Census (10.2 percent) for two reasons. First, the CBEB survey excluded large businesses (those with 100 or more employees), and second, the survey excluded businesses classified under Sections A, B, D, E, P, and Q of the Census. For example, in the Census, the establishments classified under Section P (Education) comprised 12.7 percent of all the registered firms, which was second in size to the businesses classified under Section G (wholesale and retail trade, repairs to motor vehicles and motorcycles). To sum up, the CBEB excluded large businesses and a number of types that were included in the Census.

Registration rates varied across the CBEB survey's five focus provinces (see Figure 5.2). Registration with the MOC ranged from 5 percent in Takeo to 16 percent in Phnom Penh, while registration with the GDT ranged from 3 percent in Kampot to 13 percent in Phnom Penh. The firms located in Phnom Penh and Stung Treng were more likely to register with the MOC or GDT in comparison with firms in the other focus provinces. Across the focus provinces, very few firms were fully compliant with all the registration requirements, and even the highest rate of full compliance, which was in Phnom Penh, was only about 1 percent.

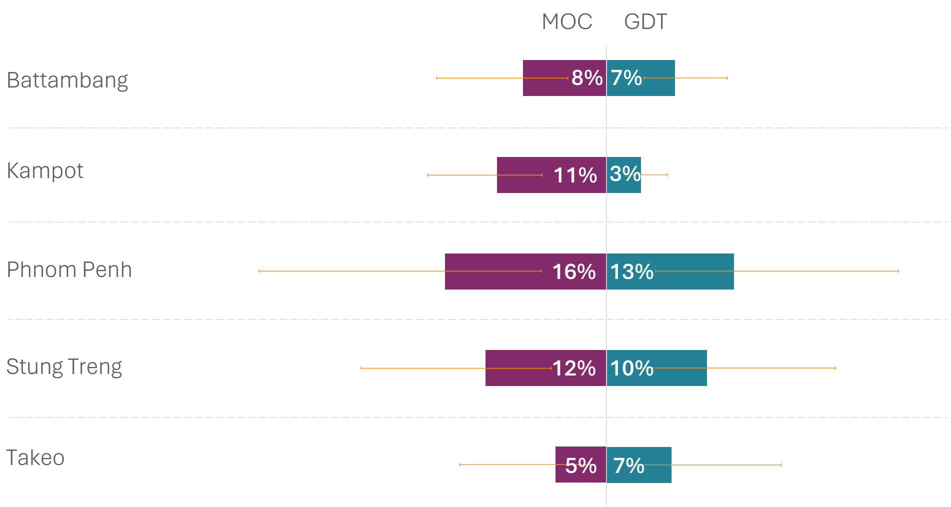

FIGURE 5.2: THE PERCENTAGES OF BUSINESSES REGISTERED WITH THE MOC AND GDT IN PHNOM PENH AND FOUR LOCATION

In addition, there was considerable variation in registration rates across sectors. As shown in Figure 5.3, firms operating in financial and insurance services, real estate, and accommodation services recorded the highest levels of registration compliance. About 70 percent of the micro and small firms operating in the accommodation and financial and insurance services sectors reported having registered with the MOC, while nearly all the firms in the real estate sector had registered with the MOC. Registration with the GDT was also relatively high, with more than half of the firms in the accommodation sector, and approximately 80 percent in real estate having registered. However, the GDT registration rate was substantially lower in the financial and insurance services sector (39 percent).

The findings in the paragraph above were likely due to stricter regulatory requirements and closer government oversight than was the case in sectors such as trade, manufacturing, and other types of services, where informal firms were more prevalent. In addition, most firms operating in the sectors above were larger enterprises, which are typically more visible, and due to the nature of their activities, they are more closely monitored. Given the requirements for operating in financial and insurance services and real estate, firms find it difficult to avoid regulatory compliance.

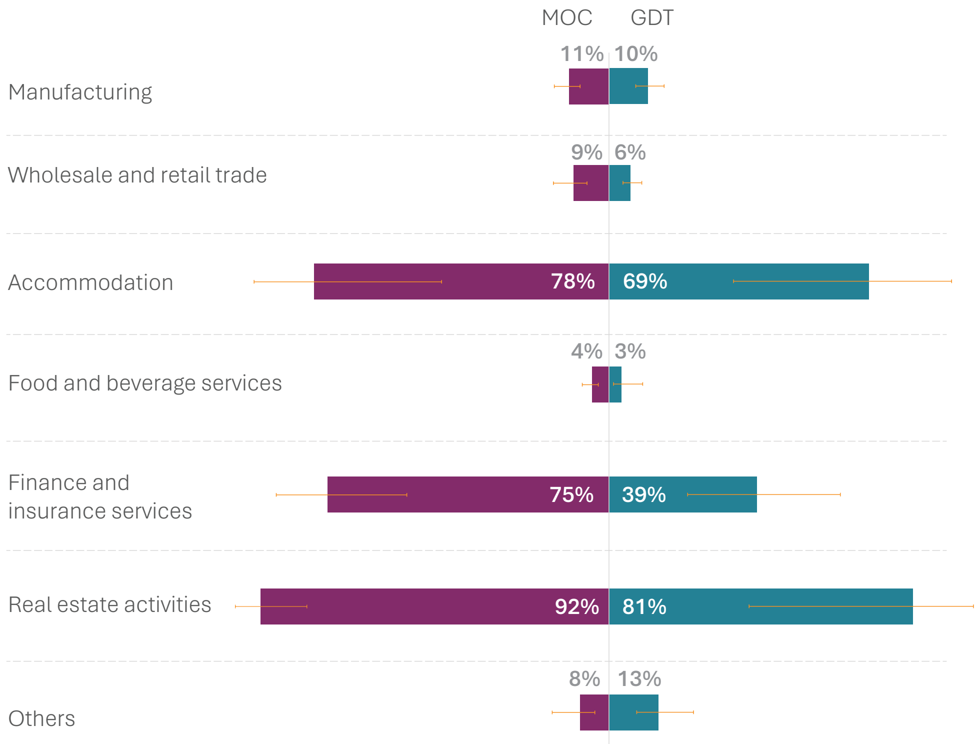

FIGURE 5.3: BUSINESSES REGISTERED WITH THE MOC OR GDT, WITH PERCENTAGES FOR DIFFERENT TYPES OF BUSINESSES

Gender differences in registration rates were reported, particularly with GDT registration. The survey found that businesses run by men were more likely to register with the GDT than those run by women (12 percent versus 4 percent). This gender difference in formalization could be due to the prevalence of women running micro businesses, and many women's lower level of education, which could make registering challenging. Also, men were more likely to run small and medium-sized businesses, which have higher registration rates.

In navigating the registration process, men likely benefit from their higher level of education. Approximately 94 percent of women had a high school education or less and about 4 percent a bachelor's, while 15 percent of men had a bachelor's. Postgraduate degrees were rare for all survey respondents, but especially for women.

Although still low, MSEs' registration rates increased between 2022 and 2025. As shown in Figure 5.4, MSEs' registration with the MOC increased 4 percentage points to 10 percent in 2025 from 6 percent. GDT registrations also increased during this period, rising 3 percentage points to 7 percent from 4 percent.[12]

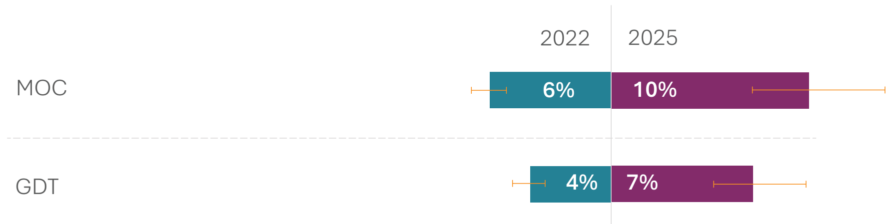

FIGURE 5.4: BUSINESSES' REGISTRATION WITH THE MOC AND GDT IN 2022 AND 2025

Overall, the CBEB survey data show that between 2022 and 2025, registrations increased across firms' characteristics (see Figure 5.5 and Figure 5.6). Regarding size, micro firms recorded the largest percentage of registration increases. Regarding industry, higher increases were observed among firms in financial and insurance service activities, and food and beverage manufacturing.

[12] To assess changes in registration rates over the period between 2022 and 2025, in 2025, a panel dataset was constructed for the CBEB survey, which used comparable questions about MOC and GDT registrations as those in the 2022 Economic Census. Mean registration rates were calculated for each period, and statistical tests of mean differences were conducted to determine whether the observed changes between 2022 and 2025 were significant.

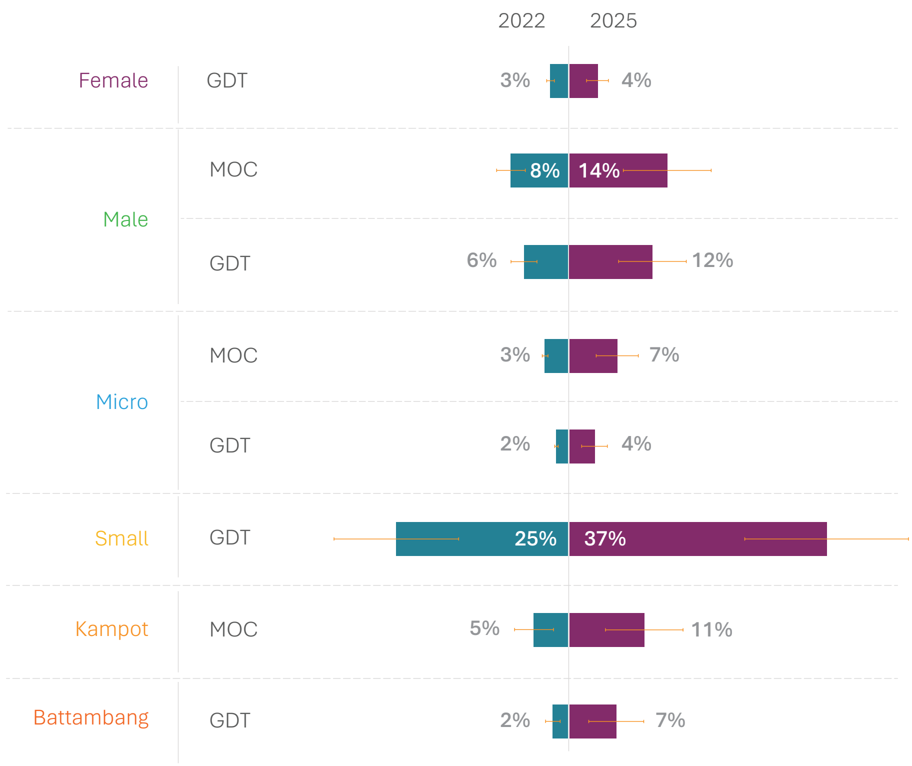

FIGURE 5.5: BUSINESSES' REGISTRATION WITH MOC AND GDT IN 2022 AND 2025, WITH PERCENTAGES FOR BUSINESS SIZE, GENDER, AND WHETHER IN KAMPOT OR BATTAMBANG

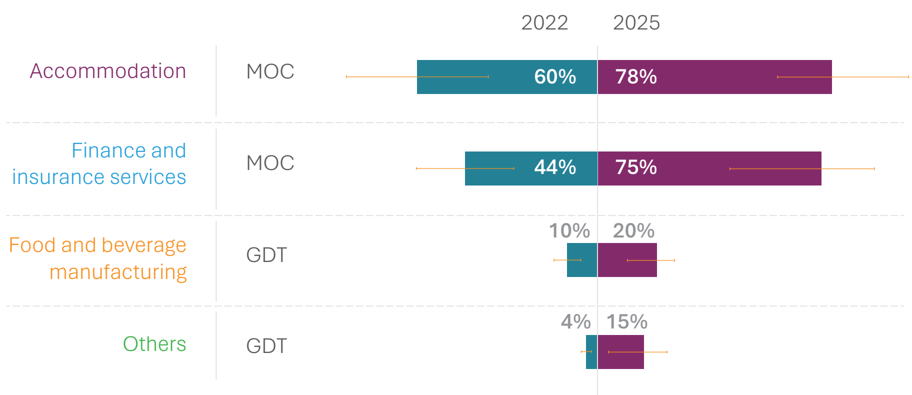

FIGURE 5.6: BUSINESSES' REGISTRATION WITH MOC AND GDT IN 2022 AND 2025, WITH PERCENTAGE FOR THREE BUSINESS TYPES: ACCOMMODATION, FINANCE AND INSURANCE ACTIVITIES, AND FOOD AND BEVERAGE MANUFACTURING

Although MSEs' registration level with the MOC was low, that does not mean that they were operating without any form of registration. Of the unregistered MSEs, 2 percent operated with permits and licenses from other line ministries and agencies (see Figure 5.7). These MSEs were predominantly small, in the manufacturing sector, in Phnom Penh, and run by men.

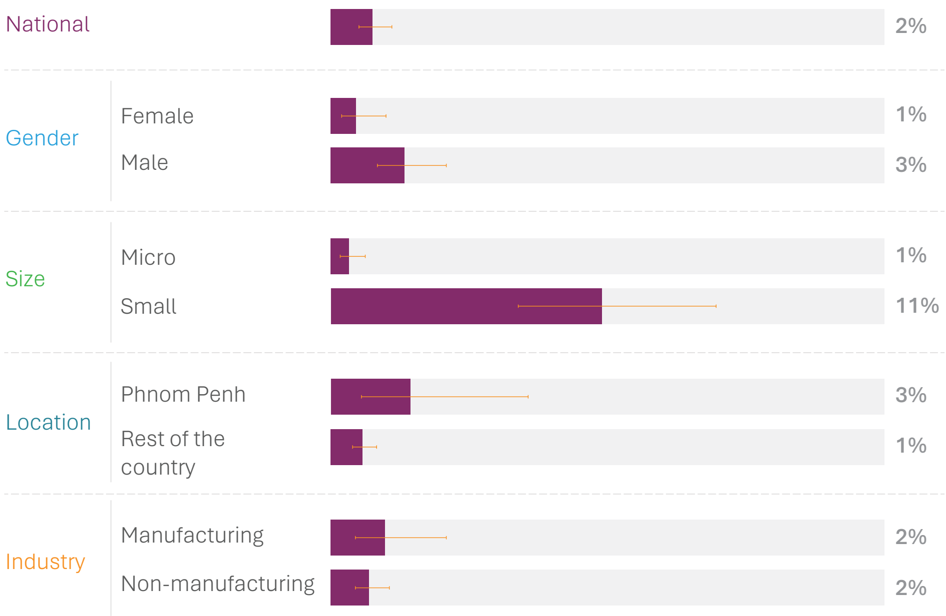

FIGURE 5.7: BUSINESSES' REGISTRATION WITH MINISTRIES AND AGENCIES OTHER THAN THE MOC, WITH PERCENTAGES FOR RESPONDENTS' GENDER, BUSINESS SIZE, LOCATION, AND WHETHER ENGAGED IN MANUFACTURING OR ANOTHER INDUSTRY

Unregistered does not always mean non-compliant, and registered does not always mean compliant. Along with the binary classification of formality/non-formality, this study further categorized registrations into four groups that concern tax compliance. It should be noted that the government exempts firms from tax registration and tax payment if their annual turnover is less than USD 62,500. As shown in Table 5.1, most of the businesses that were not registered with either the MOC or GDT had an annual turnover of less than the minimum taxation threshold. Having an annual turnover that was below the taxation threshold was more common for micro firms than for small ones, and the tax exemption could explain why a large percentage of the micro businesses, which were unregistered with the MOC, GDT, or other ministries, were not entirely non-compliant. Conversely, this study also found that there were enterprises that were registered with the MOC, but they were not tax compliant because they had not registered with the GDT, despite having an annual turnover that met or exceeded the statutory threshold.

	Compliant	Noncompliant
Registered	Registered with the MOC and GDT, with annual turnover of at least USD 62,500	Registered with the MOC but not the GDT even though annual turnover exceeds USD 62,500
	(0.1%)	(0.1%)
Nonregistered	Not registered with the MOC and GDT as annual turnover is below level of USD 62,500	Not registered with the MOC and the GDT even though annual turnover exceeds USD 62,500
	(93%)	(0.3%)

TABLE 5.1: PERCENTAGES OF BUSINESSES THAT ARE REGISTERED AND COMPLIANT OR NOT WITH THE MOC OR GDT

Note: USD (United States dollars). For the purpose of analysis, only, the definition for small and medium enterprise is the one issued by the Cambodian Council of Ministers in 2021. This classifies enterprises based on their sector, number of employees, and either their assets or annual turnover—whichever is higher. Since CBEB Survey respondents were not asked about their assets, this study used the number of persons engaged and annual turnover to classify firms. The definition for each classification was partially drawn from the Asian Development Bank (ADB 2025). The total in this matrix does not add up to 100 percent as some enterprises did not meet the criteria used to classify the four groups in the matrix.

BUSINESS REGISTRATION CHANNELS AND ADMINISTRATION PROCEDURES

Despite the availability of the government's online business registration portal, the Online Business Registration Service (OBRS), most firms registered in person through a One Window Service Unit or Office (OWSU/OWSO) or another government agency. More than half of the businesses (60 percent) that registered with the MOC reported using an OWSU/OWSO versus the 25 percent that registered in person at another government office. Almost no MSEs (0.1 percent) reported completing their registration online. Firms also used third-party providers to handle their registration and obtain specialized licenses and permits. Of the MSEs registered with the MOC, about 6 percent reported using a third party to obtain their certificate of registration. Currently, firms in Cambodia can register and obtain licenses and permits through three main channels. The first channel is the CamDX portal, a one-stop service that allows enterprises to register as small, medium, or large taxpayers, and simultaneously complete their registration with the MOC, GDT, MLVT, and NSSF. Firms can also use the CamDX portal to apply for specialized licenses from agencies such as the Ministry of Tourism (MOT); Ministry of Industry, Science, Technology & Innovation (MISTI); and Ministry of Agriculture, Forestry, and Fisheries (MAFF). The second channel is an OWSU or OWSO, which provides services that are tailored to the needs of micro enterprises. The third channel is registering directly with the relevant ministry, either in person or online. Although the CamDX portal provides an integrated online registration system, firms registering with CamDX still have the option to register separately with the relevant ministries and agencies.

A possible explanation for MSEs' relatively low utilization of the OBRS was their lack of awareness about it. A high percentage of unregistered MSEs (86 percent) were unaware of the OBRS, or they were unsure about how to use it to register. Due to the system's relatively recent introduction in June 2020 (RGC 2020), information about the OBRS has likely been slow in reaching a wide audience, and especially the micro and small businesses operating in rural areas.

This study found that the businesses that used an OWSU or OWSO for registration were satisfied with their experience. Figure 5.8 illustrates MSEs' satisfaction level with the one window services of the MOC, GDT, and MLVT. Overall, about half of the MSEs expressed satisfaction, while the other half reported a neutral experience. These percentages indicate that although one window services met basic expectations, enhancing service quality could increase users' satisfaction.

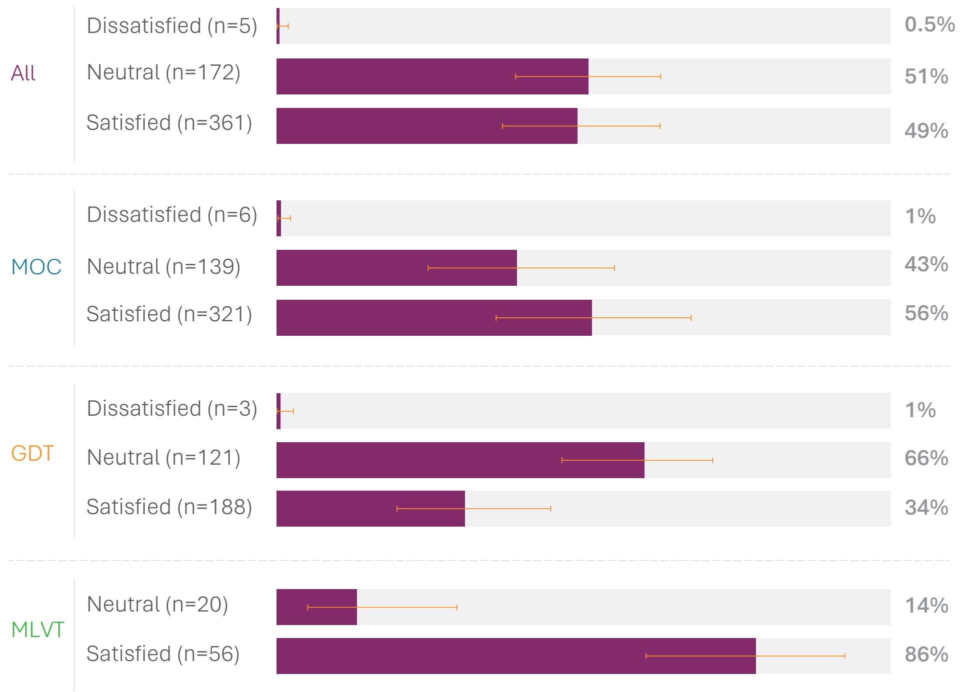

FIGURE 5.8: SATISFACTION LEVEL OF BUSINESSES THAT USED EITHER AN OWSU OR OWSO TO REGISTER WITH THE MOC, GDT, OR MLVT

This study found that it could take about 29 days or more for businesses to receive their registration certificates, licenses, and permits (see Figure 5.9). In some cases, obtaining the required documents could take as long as 90 or even 120 days. About 17 percent of the firms that registered with the GDT reported waiting for more than 30 days for their certificate of registration, while the 11 percent that registered with the MLVT reported waiting this long. However, only 4 percent of the firms that registered with the MOC reported waiting for more than 30 days. Also, the reported number of days waiting for documents did not vary with businesses' size, industry, location, registration channel, or the gender of the respondents. Similar waiting periods were reported in previous studies on business registration and regulatory compliance in Cambodia. For example, in 2023, the World Bank noted that firms in Cambodia waited for 30.2 days, on average, to obtain their licenses and permits, while the average for economies in East Asia and the Pacific was 19 days (World Bank 2023).

FIGURE 5.9: NUMBER OF DAYS BUSINESSES WAITED TO OBTAIN THEIR REGISTRATION CERTIFICATES, LICENSES, AND PERMITS FROM THE MOC, GDT, OR MLVT

Some MSEs reported paying informal fees as part of the registration process, and this did not vary with business size, industry, location, or gender of the respondents (see Figure 5.10). Overall, about 10 percent of businesses reported paying informal fees at least once during the registration process. This relatively low rate likely reflects the predominance of informal micro and small businesses, which likely have few or no interactions with government agencies. Although this study's results for informal payments were lower, the findings are consistent with previous studies that documented the persistence of informal payments as a barrier to doing business in Cambodia. For example, in 2023 the World Bank found that about 27 percent of firms experienced at least one informal payment request, and 46 percent expected to give gifts to public officials to get things done. This occurred across all sizes of firms and sectors, and whether the owner was male or female. Veung and Sean (2023) also found that 39 percent of surveyed firms in Cambodia reported making informal payments to officials to facilitate their administrative procedures.

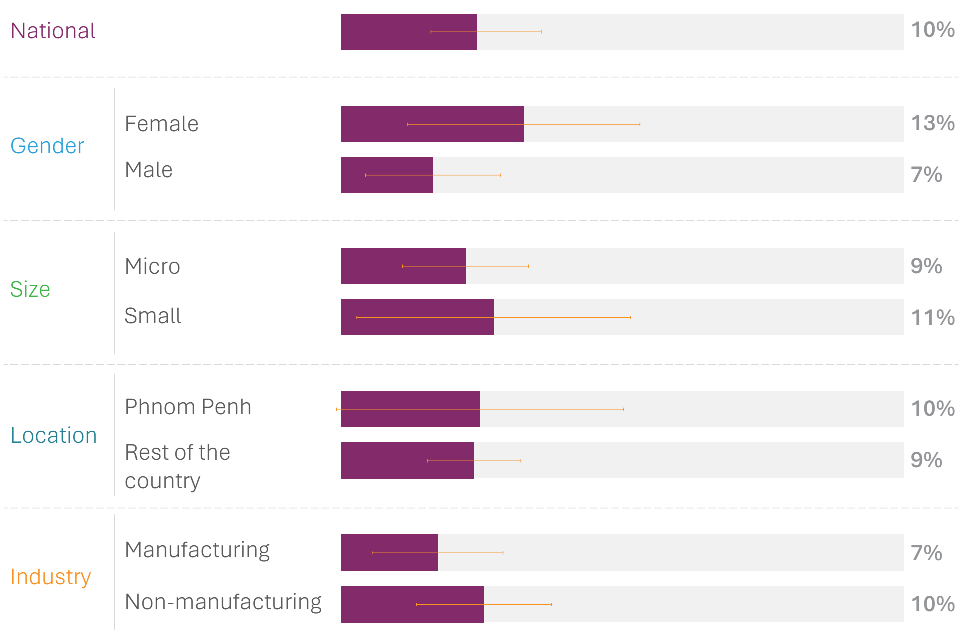

FIGURE 5.10: BUSINESSES THAT PAID INFORMAL FEES AT LEAST ONCE WHEN REGISTERING THEIR BUSINESS OR OBTAINING LICENSES AND PERMITS, WITH PERCENTAGES FOR BUSINESS SIZE, RESPONDENTS' GENDER, LOCATION IN PHNOM PENH OR ELSEWHERE, AND ENGAGED IN MANUFACTURING OR ANOTHER INDUSTRY

Note: Because the responses "Don't know" (2 percent) and "Refused" (1 percent) are included in this figure, the incidence of paying informal fees may be underreported.

REASON OF REMAINING INFORMAL

The most frequently reported reason that unregistered businesses gave for not registering was that their business was too small to require registration (see Figure 5.11). About 73 percent of unregistered MSEs gave this explanation. Other common reasons for not registering were that few businesses register, businesses did not know how to register, registration costs were too high, and the registration process was too complex. These reasons for not registering were similar across all firm sizes, industries, locations, and with both genders.

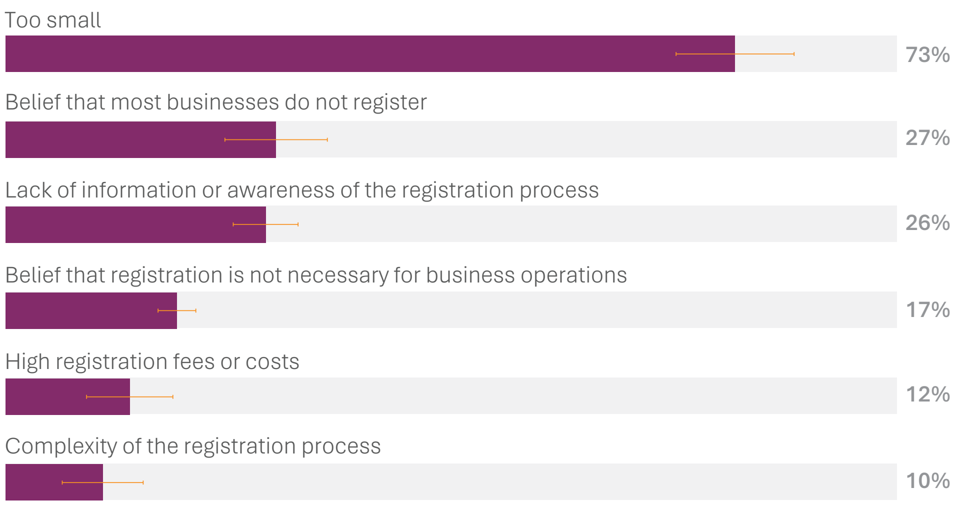

FIGURE 5.11: REASONS FOR NOT REGISTERING THE BUSINESS

Note: The calculations for this figure included the response "Don't know", which was given by about 5 percent of the unregistered firms. Statistical tests of the differences in reported reasons across firms' characteristics showed no significant variation at the 5 percent level.

Similar reasons for not registering a business as those in CBEB survey were reported in other enterprise surveys. For example, the World Bank's 2024 "Informal Sector Enterprise Survey" reported that the top three reasons why firms remain unregistered were the cost and time required to register, concerns about tax compliance, and lack of information about where and how to register. Lack of awareness about registration requirements was also evident, with only 9 percent of informal firms reporting that they were aware of the requirement to register their business with the MOC. According to the United Nations Development Programme, the reason firms gave most frequently for not registering was the lack of benefits resulting from registration (UNDP 2023). The other common reasons respondents gave in the UNDP's study were the prevalence of unregistered businesses and the costs associated with registration.

CBEB MSES' EXPERIENCES WITH, AND THEIR OPINIONS ABOUT THE ADVANTAGES AND DISADVANTAGES OF FORMALIZATION

MSEs had mixed views about the benefits and costs of business formalization. Some firms reported potential advantages such as better access to finance, government support, and market opportunities, while others perceived formalization as burdensome due to higher costs, stricter regulatory requirements, greater scrutiny from authorities, and difficulties in closing down the business. As shown in Figure 5.12, of the unregistered firms, approximately half either agreed or strongly agreed with statements about the benefits of registration, which ranged from the ability to expand the business to easier access to loans, and not being asked by government officials for informal payments. Notably, between 9 percent and 11 percent of the firms responded "don't know" with regard to the possible benefits, which suggests that they might not be aware of these. Differing answers were also given when MSEs were asked about the disadvantages of registration (see Figure 5.12). For example, about 63 percent of unregistered firms either strongly disagreed or disagreed about whether they would be asked to pay back owed taxes if they were not registered. Responses also differed about the difficulties in closing a registered business, which suggests that this is a topic that needs further research.

In addition, the survey's results indicated that firms may believe that some of the benefits of formalization could vary with a firm's size. Of the unregistered micro firms, 49 percent agreed or strongly agreed that registration would make it easier to obtain loans from banks, while only 25 percent of the unregistered small firms agreed or strongly agreed with this.

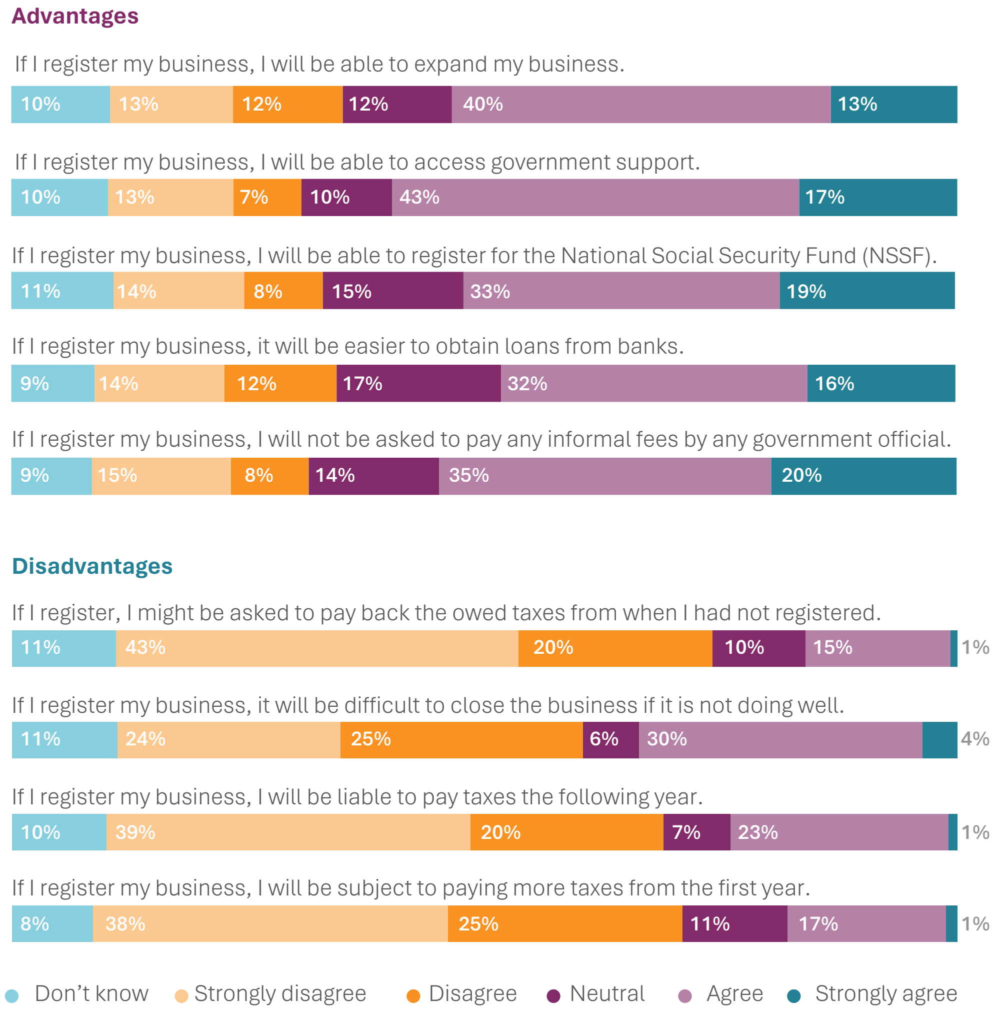

FIGURE 5.12: MSES' OPINIONS ABOUT THE ADVANTAGES AND DISADVANTAGES OF REGISTRATION

Most of the firms that registered with the MOC in a calendar year that differed from when they began operating reported that, following registration, there was no change in their sales, access to finance, or the credibility of their business (see Figure 5.13). While more than half of the firms reported no change in their sales, 91 percent reported no change in their ability to access finance. Also, about 68 percent of firms reported no change in their tax obligations. However, a relatively high percentage of businesses refused to answer questions concerning tax, which suggests that since registering, they might be underreporting their taxable income.

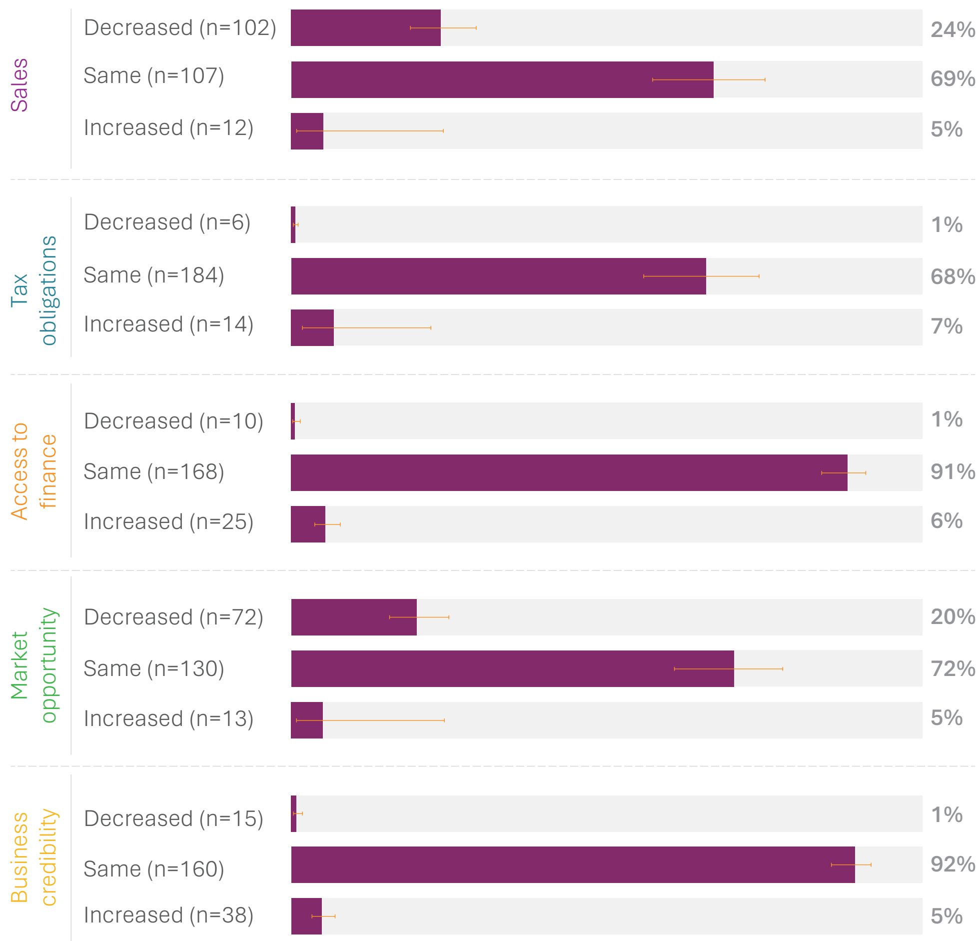

FIGURE 5.13: CHANGES IN BUSINESSES' SALES, TAX OBLIGATIONS, ACCESS TO FINANCE, MARKET OPPORTUNITIES, AND BUSINESS CREDIBILITY SINCE REGISTERING THE BUSINESS

Note: The calculations for this figure include the responses, "Don't know" and "Refused". Overall, the proportion of "Don't know" responses was relatively small—on average, 1 percent of the 231 eligible responses for each of the changes. A similar pattern occurred for the responses "Refused", except for tax obligations, in which case "Refused" accounted for 23 percent of all the businesses.

This study also examined the relationship between registration and sales by regressing annual sales figures with firms' registration status (see Figure 5.14). The results of this calculation indicated that the relationship appeared to be unclear, with responses varying across the definitions of formalization and firms' size. Overall, a positive correlation was found between sales and registration with the MOC, or with both the MOC and GDT; however, no significant correlation was found between higher sales and registration only with the GDT. For all firms, firms that had registered with MOC had 34 percent higher sales than those that had not. Also, firms that had registered with both MOC and GDT had 54 percent higher sales than those who had not. Regarding size, for micro firms, there was no correlation with higher sales if registration was only with the MOC or the GDT; however, there was a positive correlation with higher sales if micro businesses had registered with both the MOC and GDT. For small enterprises, sales were higher if they registered with either the MOC or GDT. It should be noted, however, that correlation does not imply cause. More productive firms with higher sales might be more likely to register, not necessarily implying that registration leads to higher sales and greater productivity.

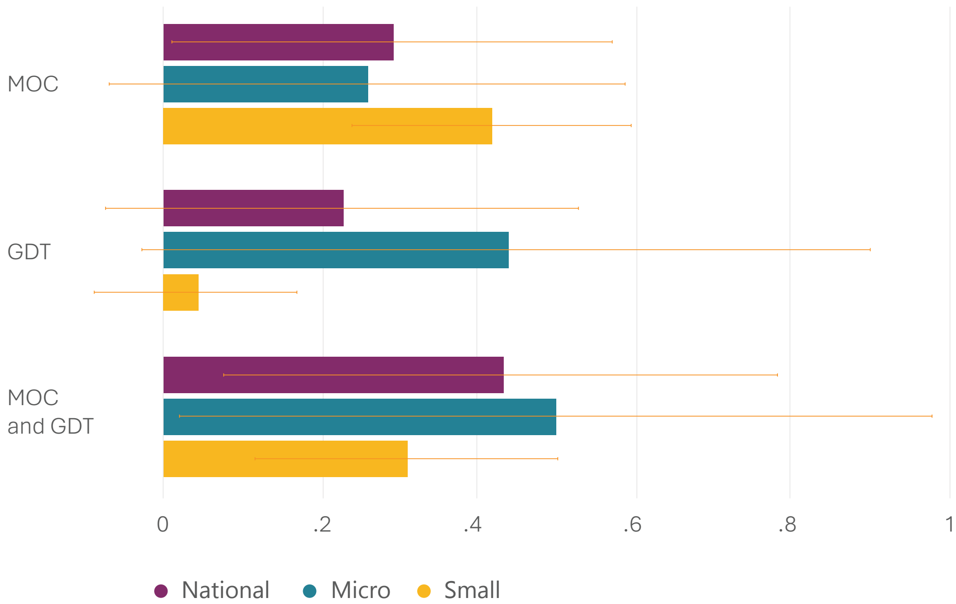

FIGURE 5.14: CORRELATION BETWEEN FIRMS' SALES AND THEIR REGISTRATION WITH THE MOC, GDT, OR BOTH

Note: In this figure, the dependent variable was the logarithm of annual sales, while the independent variables were whether the firm was registered with the Ministry of Commerce, General Department of Taxation, or both. The gender of the respondents, years in business, location, and industry are the control variables. The analysis was carried out with 2,639 firms, as 102 excluded due to their lack of data for their annual sales.

INCENTIVES TO FORMALIZE

Tax exemption and amnesty for unpaid taxes were the most frequently reported incentives that could encourage unregistered firms to register (see Figure 5.15). Almost 67 percent of businesses reported that tax incentives could encourage them to register. The other reported incentives were simplification of the registration process and the chance to expand the business.

The reported incentives to register varied with the size of the business. In addition to tax exemptions, more small businesses than micro businesses identified registration simplification as an important motivation for registering (17 percent versus 5 percent). This suggests that the ease of registration and administrative efficiency were particularly valued by the businesses that had greater operational capacity and interest in growth.

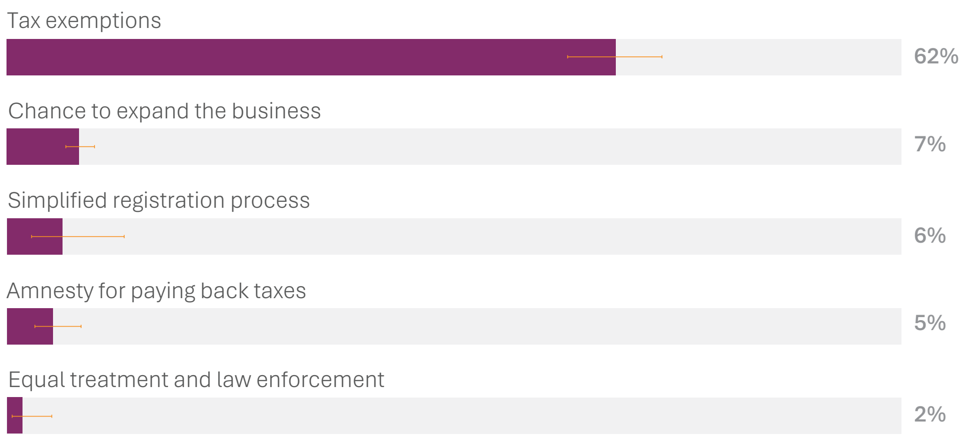

FIGURE 5.15: INCENTIVES THAT HAVE ENCOURAGED BUSINESSES TO REGISTER

Note: This calculation included the responses “Don’t know” and “Refused”, which comprised, respectively, about 16 percent and 2 percent of the total unregistered firms.

INTENTION TO REGISTER

Hardly any of the unregistered firms expressed the intention to register, and this was true even for the firms that acknowledged the benefits of business registration or were aware of the government's tax and other incentives for registered firms (see Figure 5.16). Only 1 percent of the unregistered firms planned to register, and the rest either had no plan to register or were undecided. The micro firms (1 percent) were less likely to have a plan than the small firms (5 percent). Among firms that said they had plans to register, nearly 80 percent were unsure when they would do this. Only about 7 percent reported that they would register either this year or next year. This reluctance to register was even observed with the 1 percent of unregistered firms who said that tax exemptions would encourage them to register, and those who thought that the current government incentives were sufficient to encourage registration. This reluctance to register might be due to underlying factors, which include: limited trust in public institutions; the perception that compliance costs would outweigh the benefits; and the belief that remaining informal provides greater flexibility, and less risk of government scrutiny, and requests for unofficial payments. MSEs also had doubts about the implementation of tax incentives and the other benefits for registered businesses.

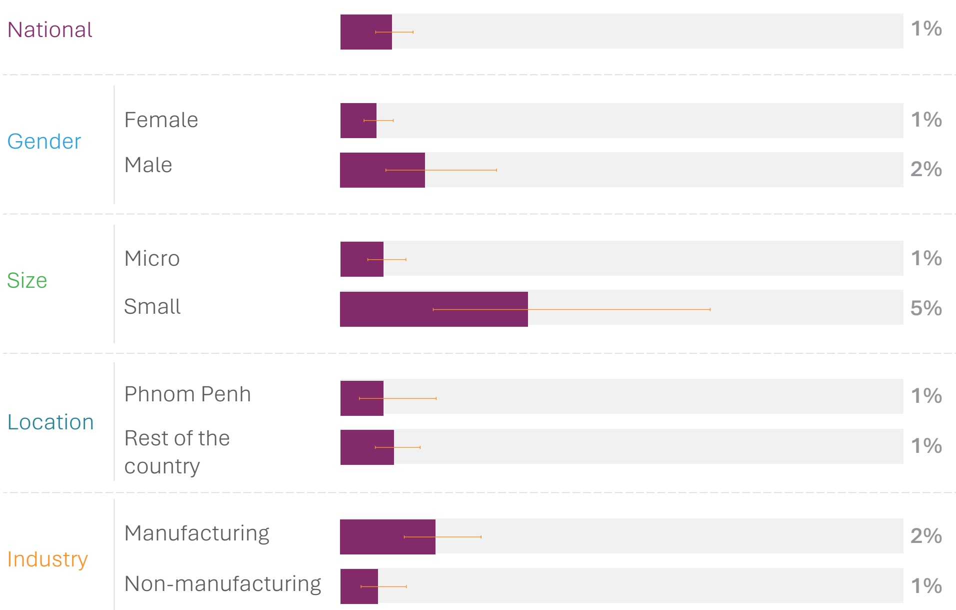

FIGURE 5.16: UNREGISTERED BUSINESSES THAT PLAN TO REGISTER, WITH PERCENTAGES FOR BUSINESS SIZE, RESPONDENTS' GENDER, LOCATION IN PHNOM PENH OR ELSEWHERE, AND ENGAGED IN MANUFACTURING OR ANOTHER INDUSTRY

Note: The data in this figure includes the proportion of those unregistered firms that "Refused" to answer.

5.2. BUSINESS INSPECTION

The CBEB data suggests that about one-third of formal businesses are inspected each year by the government. Only 5 percent of all MSEs, whether formal or informal, reported that they had a government inspection in fiscal year 2024. If businesses without any form of registration are excluded, this figure for inspections rises to 32 percent. Interestingly, a small number of MSEs reported that their business was inspected despite not being registered. Businesses in Battambang were less likely to face inspections than ones elsewhere in Cambodia. As shown in Figure 5.17, 78 percent of inspected firms were inspected by the General Department of Taxation (GDT) or its branches, and this was followed by the Ministry of Interior or local authorities.

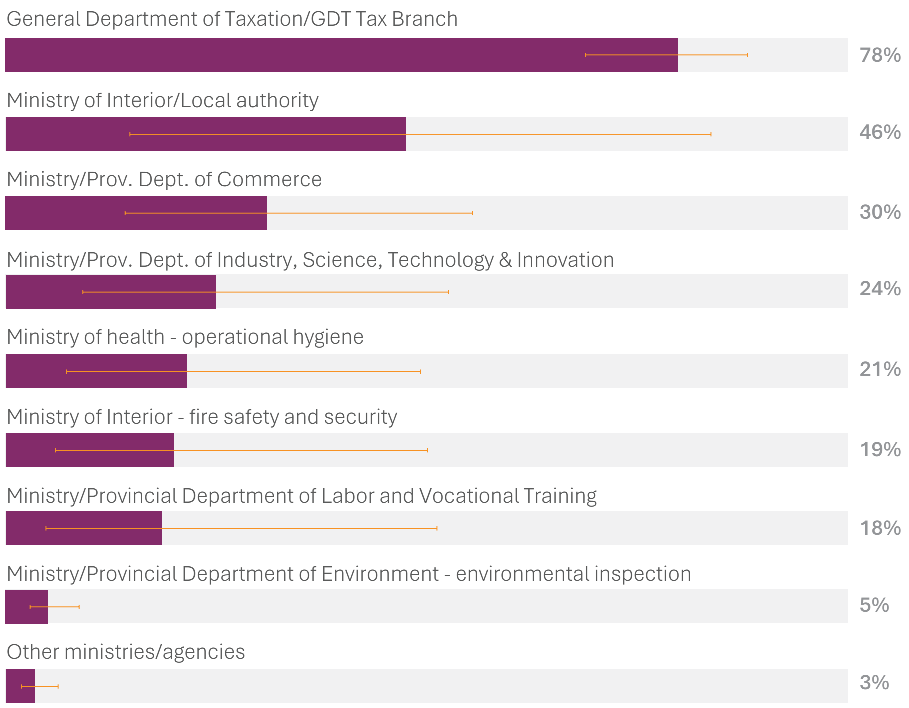

FIGURE 5.17: WHICH OF THE FOLLOWING GOVERNMENT MINISTRIES AND AGENCIES DID THE BUSINESS INSPECTIONS?

This study found that in comparison with some other countries in Southeast Asia, business inspections in Cambodia were relatively less burdensome (see Figure 5.18). For the businesses that were registered with the Ministry of Commerce, the average number of inspections was only 0.5 per year, which was significantly fewer than inspection rates in some other countries in the region. Figure 5.18 compares the frequency of business inspections in Cambodia with those in the Lao People's Democratic Republic and Myanmar. This figure shows that in Cambodia, inspections are far less common than even in Myanmar, which is surprising given that the country is engaged in a civil war. In Vietnam, 5 percent of businesses were inspected more than three times per year (Malesky et al. 2025), while in Cambodia, such frequency only occurred with a tiny fraction of businesses (0.1 percent). While business environment studies often advocate reducing inspections, an extremely low inspection rate can signal weak regulatory enforcement and higher risks for consumers and employees.

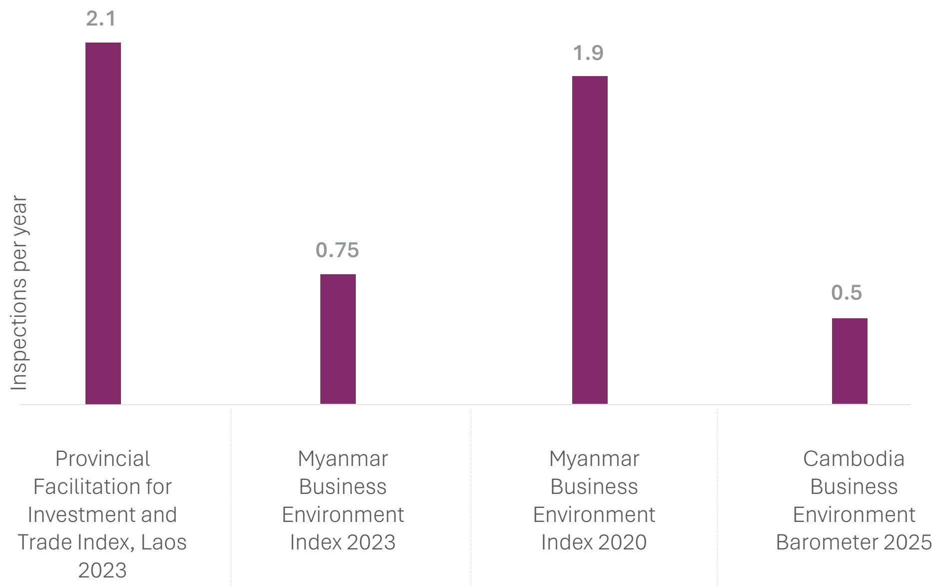

FIGURE 5.18: THE MEAN NUMBER OF FORMAL BUSINESS INSPECTIONS CONDUCTED BY GOVERNMENT IN CAMBODIA, LAO PDR, AND MYANMAR

Sources: The Asia Foundation (2024) for Laos and DCID and TAF (2024) for Myanmar.

With some government inspections, Cambodian businesses were required to pay informal fees. Since businesses are not legally required to pay fees during inspections in Cambodia, any payments reported in this study were informal. Although the data indicate that 17 percent of inspected businesses paid informal fees, the incidence could be underreported, as some businesses might not want to admit paying such fees. The precision of this study's estimate for paying fees is also low because only a small proportion of businesses were inspected. This made identifying any differences in the disaggregated data difficult. The reported unofficial fees ranged from USD 2.00 to USD 250.00, with a mean of USD 17.54.

Assessing the fairness of government inspections proved challenging: 72 percent of MSEs rated their inspections as neither fair nor unfair on a five-point Likert scale. Although the number of MSEs was limited, firms in Kampot were more likely to perceive their inspections as either "fair" or "very fair", while firms in Takeo were less likely to respond positively. When asked how to improve inspections, 17 percent of MSEs rated the inspection process as already satisfactory, while others suggested the following changes:

- 37 percent wanted fewer inspections
- 34 percent wanted better communication and guidance prior to the inspection
- 29 percent wanted greater transparency in the inspection process
- 20 percent wanted inspections to be more focused on supporting compliance rather than imposing penalties

In the section of the survey for businesses with GDT registration, 17 percent reported being inspected by the GDT in 2024. Interestingly, firms were more likely to be inspected by the GDT if they had also registered with the MOC. Most businesses experienced only one inspection in fiscal year 2024, though some reported as many as 12. For the inspected firms, the mean number of inspections was 1.7 per year, or 0.3 inspections when averaged across all GDT-registered firms. When asked if a gift or unofficial payment was expected or requested during the GDT's inspection process, 9 percent of MSEs reported that they provided a payment or a gift.

5.3. TAX FILING

Businesses' tax filing practices varied considerably across Cambodia. Approximately two-thirds of firms outsourced their tax-related activities, such as tax preparation, filing, and payments on profits, labor, value-added tax (VAT), general sales tax (GST), or sales tax. Most firms outsourced only some of their tax-related tasks and completed the remainder internally. However, Battambang and Kampot stood out for having an exceptionally high proportion of businesses handling all their tax-related processes themselves, 97 percent and 89 percent, respectively. Conversely, outsourcing was the norm in Takeo and Phnom Penh, where only 5 percent of businesses carried out all tax-related tasks internally. Regarding size, business activity, and gender, there were no significant differences in tax-related activities.

The businesses that completed all tax processes internally spent an average of 21 hours preparing, filing, and making tax payments in fiscal year 2024. The total time businesses spent ranged from 5 to 96 hours. A quick estimate suggests that the average MSE spent 0.3 percent of their total working time on tax-related tasks.[15] While this amount of time may appear insignificant, reducing it would lead to productivity gains at the national level.

The majority of MSEs used electronic tools in filing and paying their taxes for fiscal year 2024. Twenty percent filed their taxes fully electronically, 73 percent did this partially electronically, and 7 percent used no electronic tools at all. Regarding paying their 2024 taxes, 25 percent of MSEs reported paying electronically, 56 percent did so partially, and 20 percent made no use of electronics in paying their taxes. Larger businesses and women's businesses were the ones most likely to file their taxes entirely electronically, but in paying taxes electronically, there were no gender differences. Unsurprisingly, the MSEs most likely to file and pay their taxes electronically were those providing financial and insurance services, and in Stung Treng, where MSEs rated the internet as comparatively slow, very few reported filing and paying their taxes electronically.

[15] This was calculated based on the assumption that businesses operated for 249 working days in fiscal year 2024, and that full-time employees worked for 7.5 hours per day, and part-time employees for 3.75 hours per day.

5.4. NSSF REGISTRATION

This study found that very few MSEs were registered with the National Social Security Fund (NSSF). Only about 2 percent of MSEs had registered, even though almost two-thirds (65 percent) were aware of the NSSF. One reason for the small number of registrations could be that only 25 percent of MSEs that were aware of the NSSF knew that their business could register with the NSSF. Businesses can register with NSSF as long as they have completed MOC registration. Although many MSEs were not aware of this, registering with the NSSF is possible for owners and workers in informal MSEs if they are certified as self-employed or as informal economy workers by an OWSO.

MSEs' awareness about the possibility of registering with the NSSF varied geographically. While MSEs' awareness about NSSF registration was relatively high in Phnom Penh (44 percent) and Takeo (41 percent), it was nearly non-existent in Stung Treng and Kampot (3 percent for each). This study found that some of the benefits of registration were better known than others. Nearly all the MSEs that were aware of the NSSF knew that NSSF registration would provide free health services. Also, while about half of MSEs knew that the NSSF provided workers with protection against work-related injuries and illnesses, almost no one knew about the tax incentives for employers or the legal compliance requirements of NSSF registration.

This study found that while MSEs' contributions to the NSSF were small, they were still significant. The MSEs that were members of the NSSF paid an average monthly contribution of KHR 79,330 (USD 19.04)[16] or KHR 15,006 (USD 3.60) per worker. For the average MSE, this was approximately 2 percent of its annual gross revenue. Also, the NSSF members tended to be the larger MSEs, which had an average of 5.6 workers, while the non-members employed only 2.3 persons, on average. Only 42 percent of MSEs registered with NSSF were micro businesses.

[16] This is based on an exchange rate of 1 Cambodian riel (KHR) to 0.00024 US dollar.

The top two reasons that firms gave for not registering with the NSSF were that their business was too small or that they were not required to register. For all the reasons provided by MSEs, see Figure 5.19. The results suggest that businesses are not aware that there is no minimum size criteria for voluntary registration. However, this study also found that unless NSSF registration was mandatory, many would not be interested in doing so. This could be either because the benefits of registration were not attractive enough or because businesses were not aware of the benefits. Indeed, insufficient information about the benefits of the NSSF was the third most common reason given for not registering. This study found that only 3 percent of Cambodian MSEs planned to register with the NSSF. While this percentage seems very small, if all registered, they would more than double the NSSF's current MSE membership.

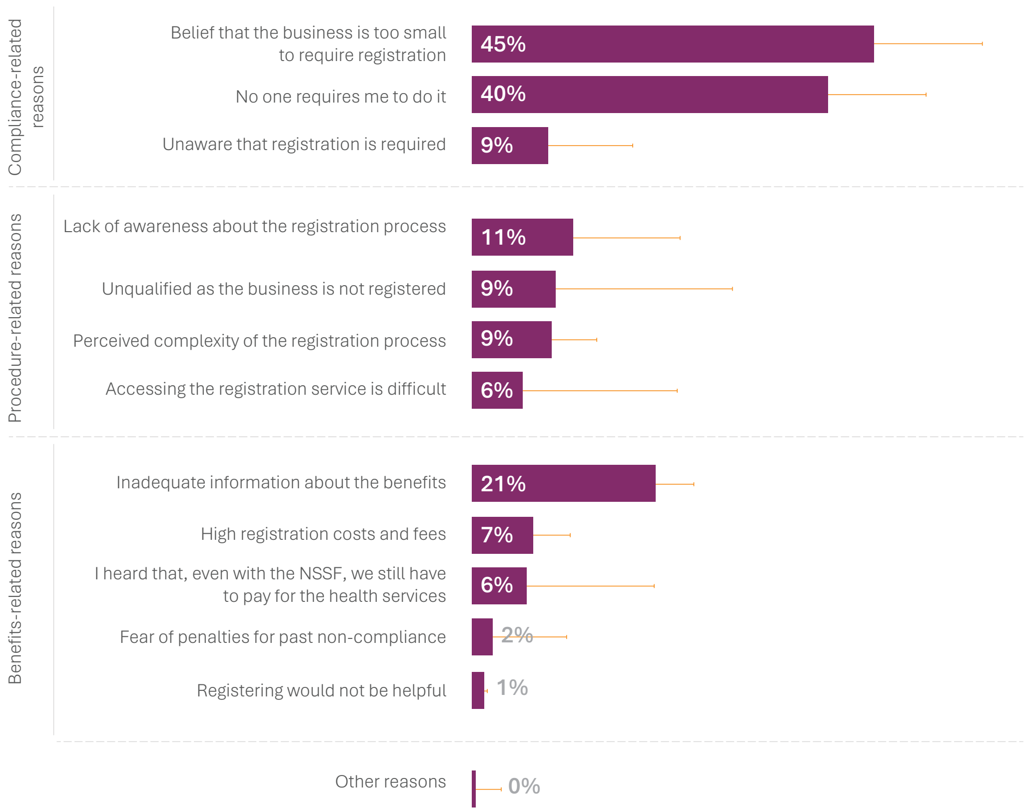

FIGURE 5.19: WHAT ARE THE REASONS THIS ESTABLISHMENT HAS NOT REGISTERED WITH THE NSSF FOR OWNERS?

CHAPTER 6

PUBLIC SERVICE DELIVERY

KEY MESSAGES

- For the unregistered businesses, few of the survey respondents were aware of or had used the services of a One Window Service Unit or Office (OWSU/OWSO), and this did not vary with the businesses' size, industry, or gender of the owner.

- Unregistered businesses' awareness of OWSUs/OWSOs, and use of their services, was greater in Phnom Penh than in the rest of the country, and micro businesses were more likely to be aware of and use an OWSU/OWSO's services.

- The unregistered firms that had used an OWSO's services, in particular, reported a variety of benefits, including saving money and time due to streamlined processes.

- About 80 percent of the survey respondents were not aware of the government institutions, support programs, and policy initiatives intended to benefit the private sector.

- About 40 percent of the survey respondents rated the quality of their garbage collection services as "good" or "excellent", and the most-cited service improvements were frequent pickups, larger bins, and lower prices.

- The incidence of theft appeared to be low. In the past three years, fewer than 3 percent of the survey respondents' businesses had experienced a theft.


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ONE WINDOW SERVICE MECHANISM

6.1. ONE WINDOW SERVICES

The One Window Service (OWS) mechanism was designed to streamline and improve the delivery of public services by integrating them in a single location. The OWS mechanism aims to reduce bureaucratic procedures; improve public service provision's efficiency, transparency, and accountability; and make government services more accessible for the public and businesses, and particularly at the subnational level.

The One Window Service (OWS) mechanism operates at the provincial, municipal, and district levels. At the provincial and municipal levels, the mechanism is the One Window Service Unit (OWSU), while at the district level, it is the One Window Service Office (OWSO). OWSOs also operate at the commune/*sangkat* level so that relevant public services reach everyone. This local-level mechanism enables people to access essential administrative services without needing to travel to district or provincial offices. Table 6.1 provides an overview of the key features and functions of the OWSUs and OWSOs. [17]

	OWSUs	OWSOs
Administrative level	Operate at the provincial level	Operate at the district level
Primary purpose	Coordinate and deliver a broader range of public services from various provincial-level ministries and agencies	Provide basic administrative services closer to citizens, improving access to these government services
Scope of services	Provide more complex or cross-sectoral services, including business registration, investment licensing, and inter-departmental coordination	Provide services such as civil registration, micro and small business registration, licenses, and construction permits
Target users	The public, investors, and firms requiring higher-level or multi-sectoral services	The public and micro and small businesses seeking basic administrative services

TABLE 6.1: THE DIFFERENCES BETWEEN OWSUS AND OWSOS

[17] Refer to https://www.owso.gov.kh/en for more information.

MSES' AWARENESS ABOUT THE SERVICE OF OWSUS AND OWSOS

This study found that unregistered firms' awareness of the services provided by OWSUs and OWSOs was limited (see figure 6.1). Overall, 31percent of the unregistered firms reported being aware of an OWSU, compared with 40 percent who knew about an OWSO. Although awareness about OSWOs was higher, the fact that more than half of the unregistered firms were unfamiliar with both one window services demonstrates the need for better promotion. Lack of awareness did not change with firm size, industry, or the gender of the respondents.

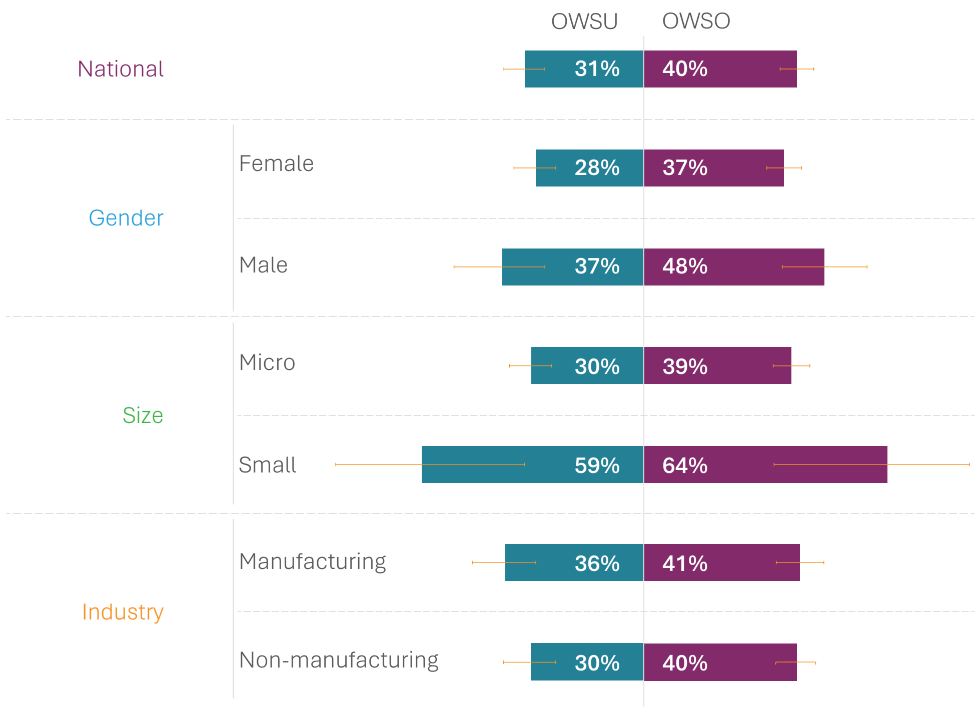

FIGURE 6.1: UNREGISTERED BUSINESSES THAT KNEW ABOUT OWSU OR OWSO, WITH PERCENTAGES FOR BUSINESS SIZE, RESPONDENTS' GENDER, AND ENGAGEMENT IN MANUFACTURING OR ANOTHER INDUSTRY

Unregistered MSEs' awareness about OWSUs and OWSOs varied across this study's focus locations (see Figure 6.2). More than half of the unregistered firms in Phnom Penh reported being aware of either an OWSU or OWSO, whereas in the four focus provinces, awareness was less than 50 percent.

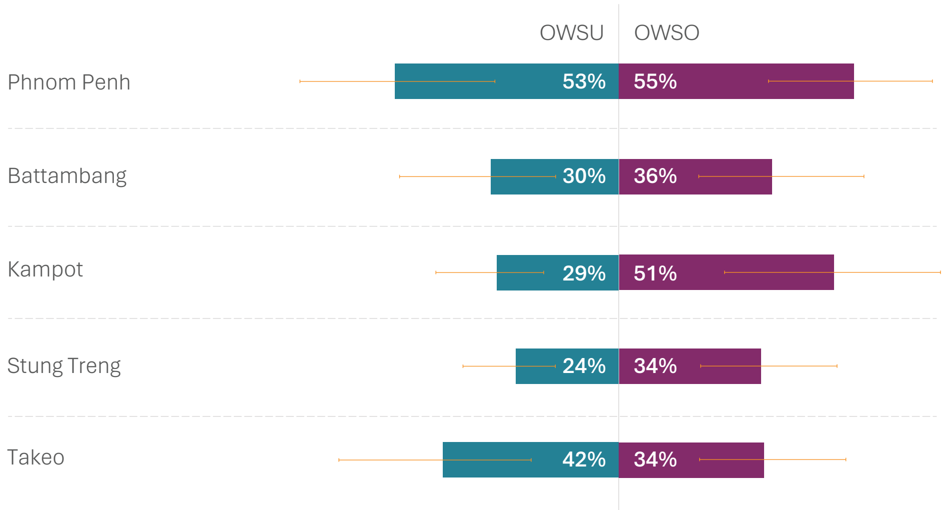

FIGURE 6.2: UNREGISTERED BUSINESSES IN ONE OF THE FIVE LOCATIONS THAT KNEW ABOUT AN OWSU OR OWSO

SERVICE UTILIZATION AT THE OWSU AND OWSO

Despite unregistered businesses' awareness of OWSUs or OWSOs, few made use of their services (see Figure 6.3). Only about 20 percent reported using the services, and this did not vary with business size, industry, or the gender of the owner. The utilization rate was higher in Phnom Penh than in the four focus provinces, and it was the lowest in Kampot, despite the firms' comparatively high awareness (see Figure 6.4).

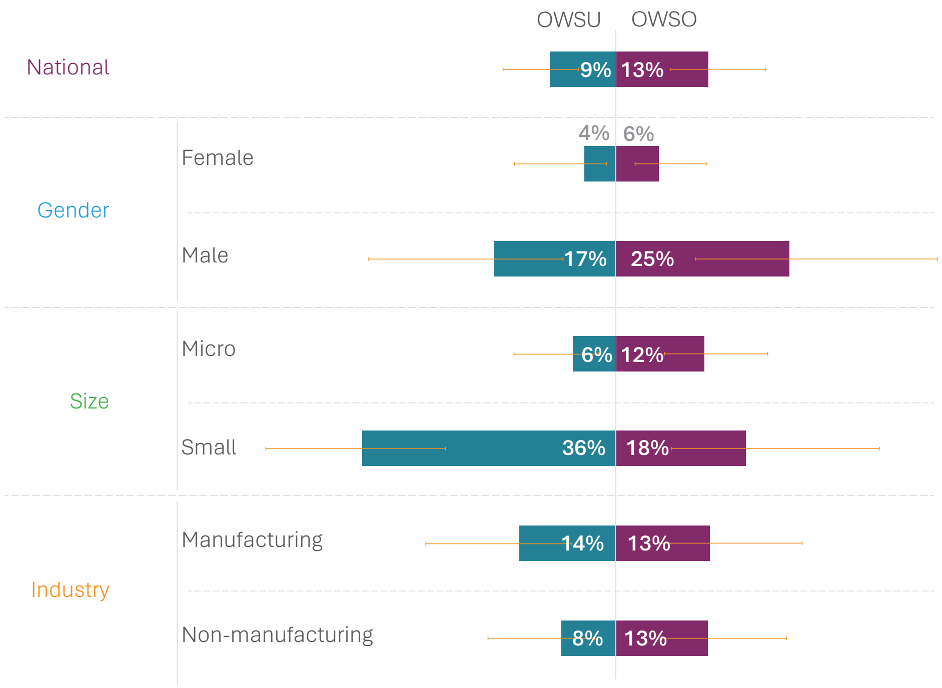

FIGURE 6.3: UNREGISTERED BUSINESSES THAT USED THE SERVICES OF AN OWSU OR OWSO, WITH PERCENTAGES FOR BUSINESS SIZE, RESPONDENTS' GENDER, ENGAGEMENT IN MANUFACTURING OR ANOTHER INDUSTRY, AS WELL AS FOR ALL OF CAMBODIA

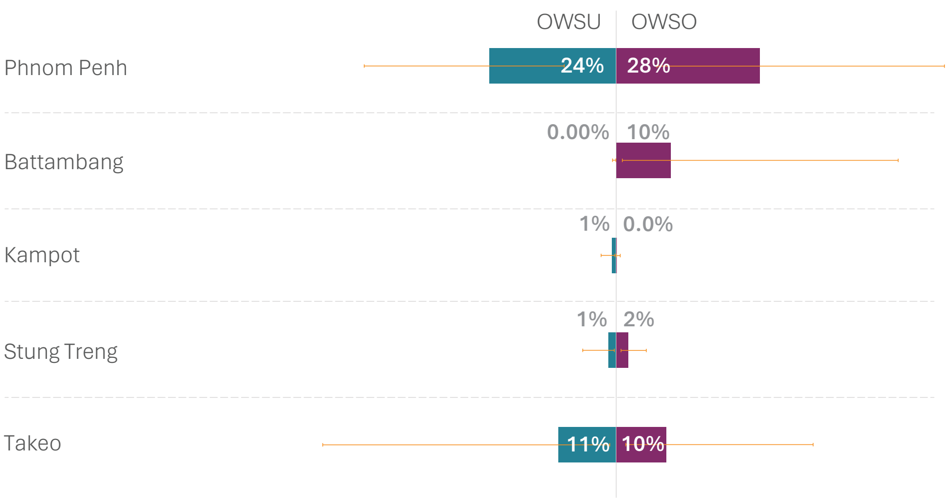

FIGURE 6.4: UNREGISTERED BUSINESSES THAT USED THE SERVICES OF AN OWSU OR OWSO IN ONE OF FIVE LOCATIONS

CHANNELS OF ACCESS

In-person use was the most common approach for accessing OWSUs or OWSOs' services (see Figure 6.5). The use of third-party intermediaries was also relatively common and particularly for the services provided at an OWSO.

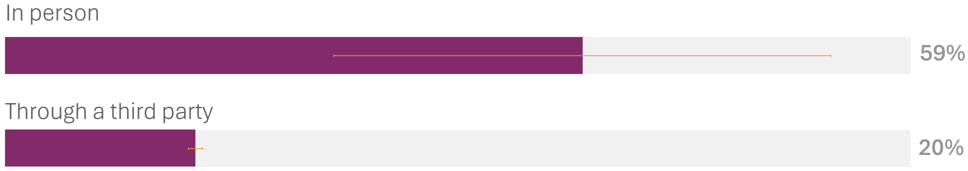

FIGURE 6.5: UNREGISTERED BUSINESSES THAT ACCESSED AN OWSU OR OWSO IN PERSON OR THROUGH A THIRD PARTY

BENEFITS OF OWSO UTILIZATION

Unregistered firms cited a range of benefits from using a one-window service, and particularly the use of an OWSO (see Figure 6.6). These benefits included saving time, streamlined processes, and targeted guidance. The firms also highlighted other benefits, such as cost savings and not paying unofficial fees.

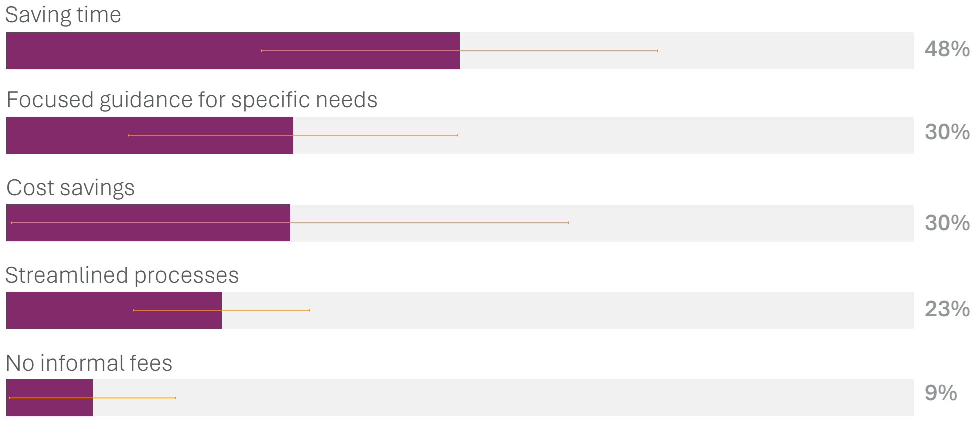

FIGURE 6.6: UNREGISTERED BUSINESSES' OPINIONS ABOUT THE BENEFITS OF USING AN OWSO'S SERVICES

RATING OF THE COMPLEXITY OF DOCUMENT REQUIREMENTS

Most of the unregistered firms that utilized an OWSU or OWSO gave a neutral rating regarding the complexity of the business registration documents (see Figure 6.7). While the findings in this study were not as informative as desired, other surveys have highlighted concerns about the complexity of registration documents and poor service quality. For example, in 2025, the National Committee for Sub-National Democratic Development Secretariat (NCDDS) reported that users perceived the quality of business registration services at OWSUs and OWSOs to be lower than for other administrative services (NCDDS 2025). This low rating was given in both urban and rural areas, and in response, the NCDDS has emphasized the need to improve the business registration process due to its crucial role in supporting MSEs.

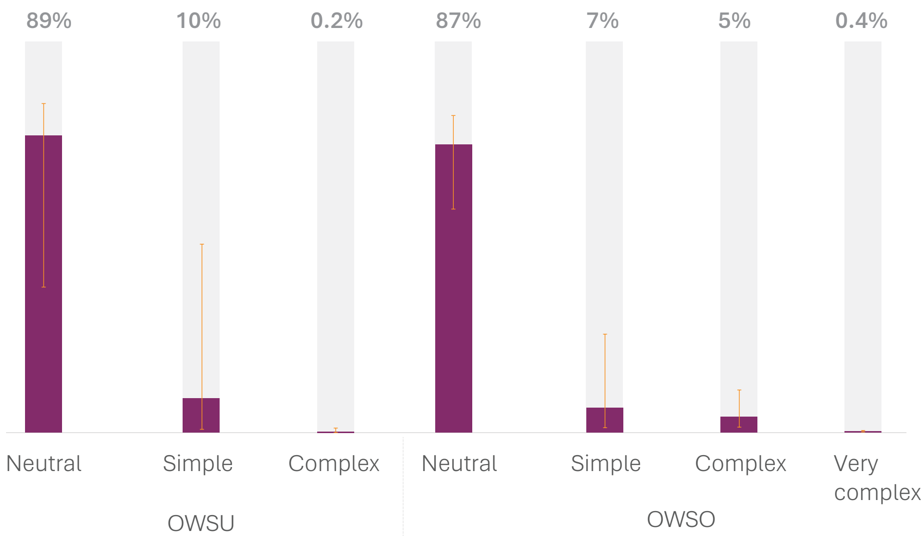

FIGURE 6.7: BUSINESSES' OPINIONS ABOUT THE COMPLEXITY OF USING AN OWSU OR OWSO

6.2. MSES' AWARENESS OF GOVERNMENT INSTITUTIONS, SUPPORT PROGRAMS, AND POLICY INITIATIVES

MSEs' awareness of the government institutions, programs, and policies that are the most relevant for the private sector was generally low (see Figure 6.8). About 70 percent to 80 percent of MSEs were unaware of the government initiatives that can assist micro, small, and medium-sized businesses in various aspects of their operations. For example, 73 percent of micro and small businesses were unaware of the services provided by the Ministry of Industry, Science, Technology & Innovation (MISTI). Manufacturing firms' awareness was comparatively higher than other firms as they have had repeated interactions with the ministry, but even so, 64 percent of manufacturers reported they did not know about the services.

The government has implemented various programs to support formal and informal MSMEs (see Figure 6.9). For example, the Digital Platform for Onboarding the Informal Economy was launched in December 2024 under the National Strategy on the Development of the Informal Economy 2023–2028. This platform provides a digital system for the voluntary registration of actors in the informal economy such as self-employed individuals, seasonal workers, and the employees of micro businesses. This enables the government to register them, link them up with services and support, and collect relevant information. For self-employed individuals, registration on the platform is a prerequisite for enrolling in the NSSF.

KhmerSME is another important national digital initiative. This digital information platform, which is managed by Khmer Enterprise for MISTI, is a one-stop resource where MSMEs can obtain information and guidance on the laws and regulations related to starting a business, incentives for MSMEs, capacity building and training programs, access to finance and related support, and other features. Despite its significance, 82 percent of MSEs were unaware of KhmerSME' existence (see Figure 6.9).

Regarding access to finance, the government has established the SME Bank of Cambodia (SME Bank) and the Credit Guarantee Corporation of Cambodia (CGCC) to support the financial inclusion and growth of MSMEs. The SME Bank provides concessional loans and co-financing schemes in partnership with commercial banks and microfinance institutions, which help MSMEs to obtain affordable financing for expansion and recover from difficulties such as floods and fires. The CGCC offers credit guarantees to financial institutions, which reduces their risk of lending to MSMEs and encourages the greater flow of credit to businesses that lack sufficient collateral to borrow from other lenders. Despite the importance of these financial initiatives, most of the MSEs in this study were unaware of their existence.

Awareness of the policy support available to MSMEs from the government was also low (see Figure 6.10). For example, the government provides tax incentives to encourage informal SMEs to register with the GDT. By registering, SMEs in priority sectors—wholesale and retail trade, accommodation and food and beverage services, handicrafts, and agricultural commodities—can gain relief from taxes, fees, penalties, and other obligations for a specific period (MEF 2024). However, despite this valuable policy support, 80 percent of the MSEs had no awareness of its existence.

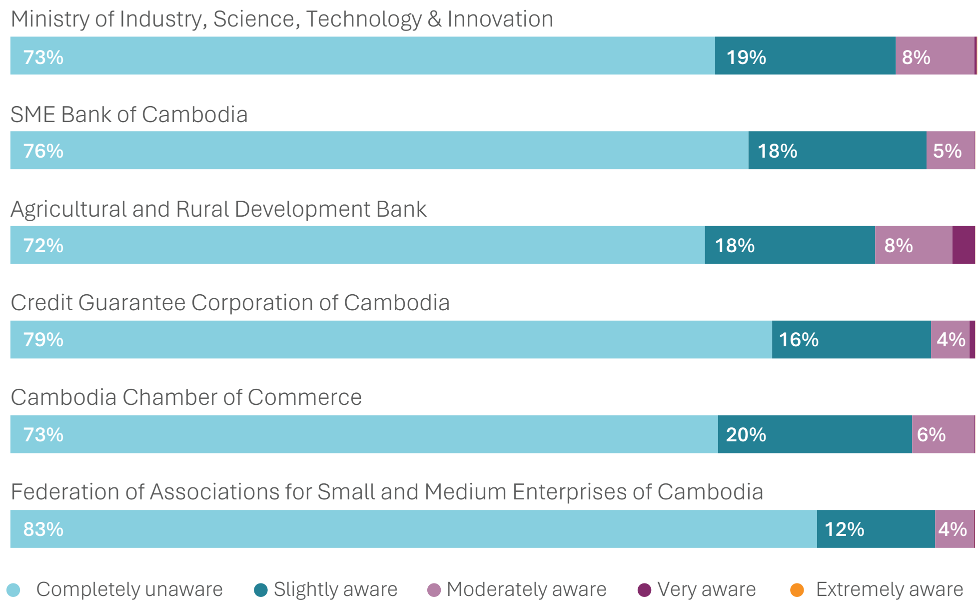

FIGURE 6.8: MSES' AWARENESS OF THE ORGANIZATIONS AND FINANCIAL INSTITUTIONS THAT SUPPORT THE PRIVATE SECTOR

[18] Refer to https://www.khmersme.gov.kh/en/ for more details.

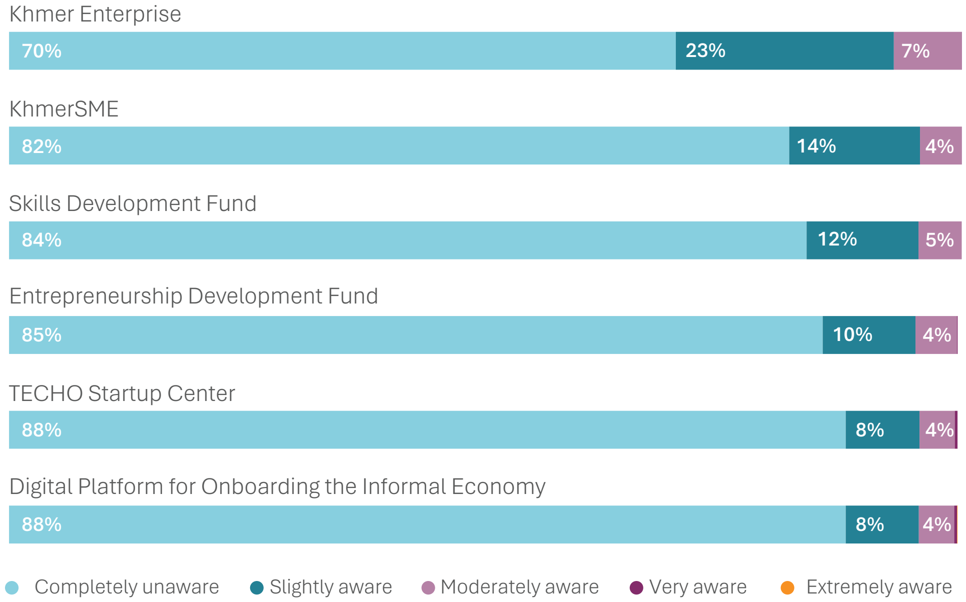

FIGURE 6.9: MSES' AWARENESS OF THE GOVERNMENT PROGRAMS THAT SUPPORT THE PRIVATE SECTOR

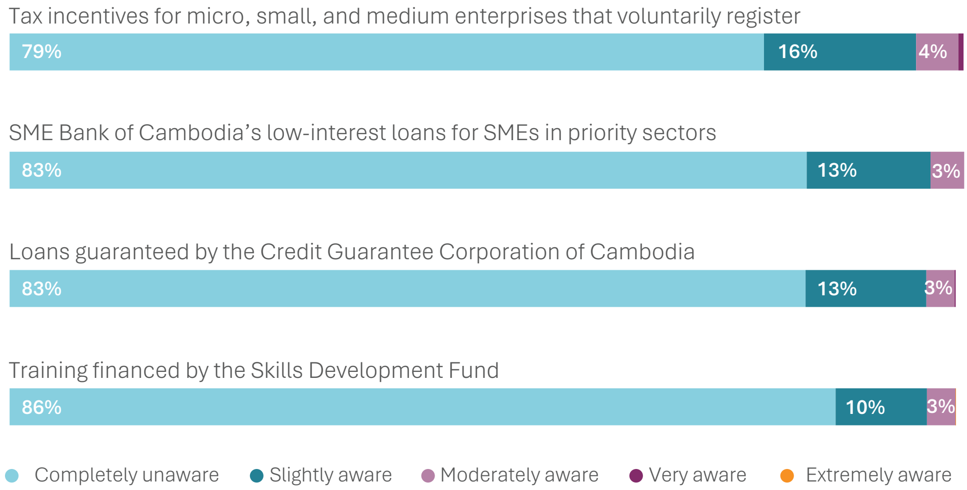

FIGURE 6.10: MSES' AWARENESS OF THE TYPES OF GOVERNMENT FINANCIAL SUPPORT FOR THE PRIVATE SECTOR

This study found that social media outlets were MSEs' most common source for business information (see figure 6.11). Understanding which sources firms use to obtain information for their operations is crucial not only for the firms themselves but also for the government agencies and initiatives that are seeking to improve the dissemination of information. For firms, access to timely and reliable information supports better decision-making, compliance, and competitiveness. For government, identifying the most effective communication channels helps to ensure that policies, support programs, and services reach their intended audience. Of social media, Facebook stood out as the most commonly used platform (used by 96 percent of the businesses). Telegram was second but used by only 3 percent of businesses. The businesses sharing information with their peers was also substantial, which highlights the important role that business networks and peer learning play in supporting businesses' development. Notably, nearly 30 percent of MSEs reported that they did not use any business information source in operating their business.

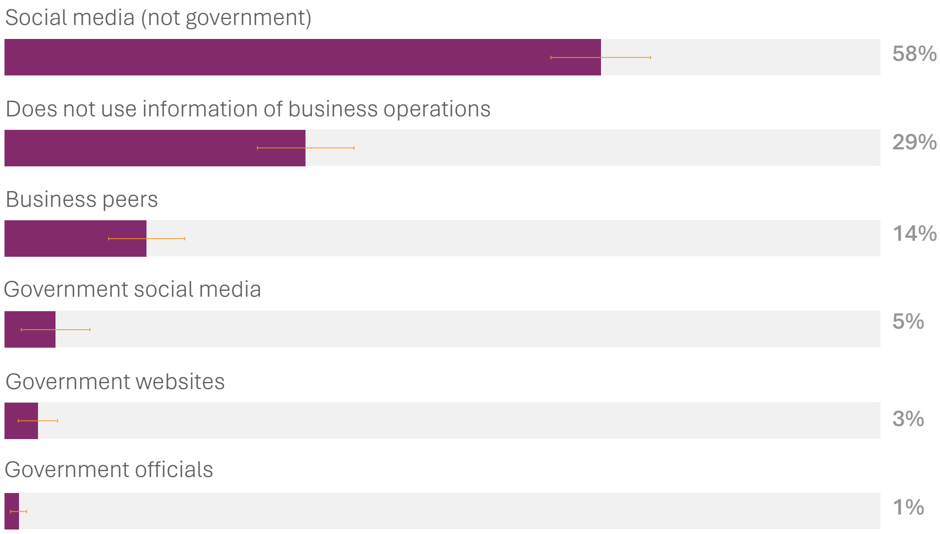

FIGURE 6.11: THE SOURCES THAT BUSINESSES USE TO OBTAIN RELEVANT BUSINESS INFORMATION

CONFIDENCE IN GOVERNMENT POLICY IMPLEMENTATION

Overall, approximately 38 percent of MSEs reported being either "confident" or "very confident" that the government would consistently implement its policies as announced (see Figure 6.12). MSEs' confidence levels were generally similar; however, those that were not engaged in some type of manufacturing expressed greater confidence than the ones in manufacturing. It is also noteworthy that about 60 percent of MSEs selected "neutral" as their response, which indicates that a large percentage were uncertain about the government's ability to follow through on its policy commitments. This could reflect MSEs' limited experience with policy outcomes or government's insufficient communication about its actions.

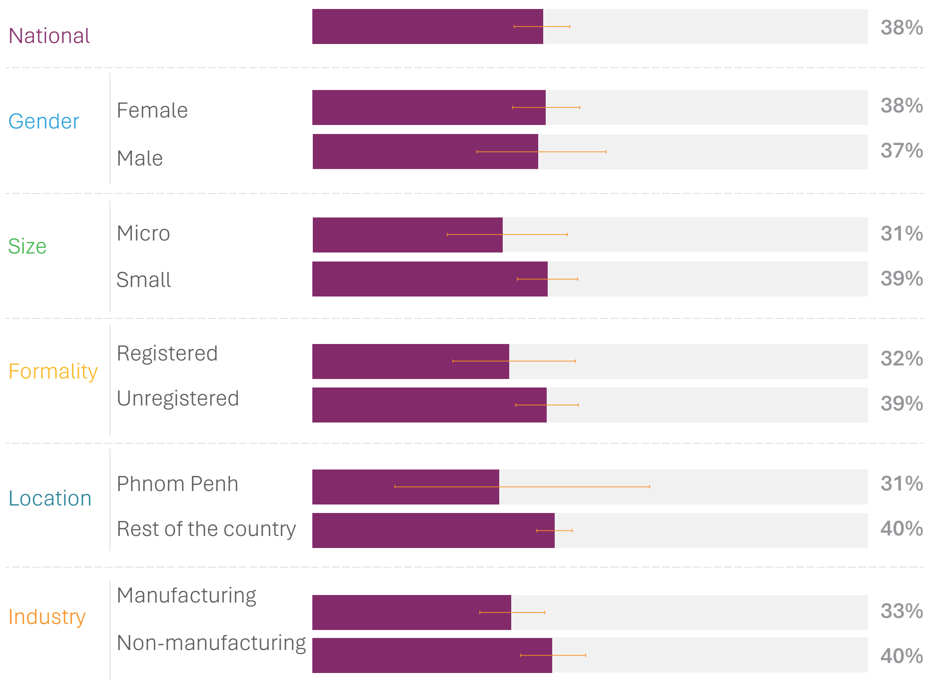

FIGURE 6.12: MSES THAT ARE "CONFIDENT" OR "VERY CONFIDENT" THAT GOVERNMENT POLICIES WILL BE IMPLEMENTED, AS ANNOUNCED, WITH PERCENTAGES FOR BUSINESS SIZE, RESPONDENTS' GENDER, BUSINESS FORMALITY, LOCATION IN PHNOM PENH OR ELSEWHERE, AND ENGAGED IN MANUFACTURING OR ANOTHER INDUSTRY

6.3. MEMBERSHIP IN BUSINESS ASSOCIATIONS

The number of MSEs who belonged to business associations or networks was quite small (see Figure 6.13). Overall, only 3 percent of MSEs were members; however, the percentage was higher if businesses were registered and run by men and located in Phnom Penh. Variations also occurred within these groups: for registered firms and those in Phnom Penh, the upper bound of the 95 percent confidence interval exceeded 30 percent, indicating that while the overall membership rate was low, some subgroups might have substantially more participants.

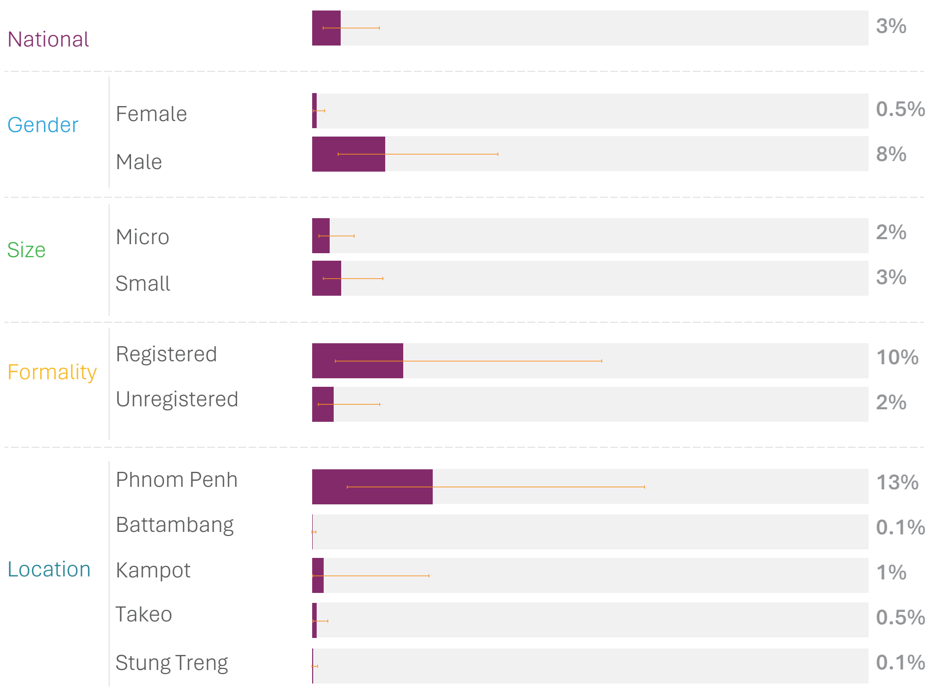

FIGURE 6.13: BUSINESSES THAT BELONG TO A BUSINESS ASSOCIATION OR NETWORK, WITH PERCENTAGES FOR BUSINESS SIZE; RESPONDENTS' GENDER; BUSINESS FORMALITY; AND LOCATED IN PHNOM PENH, BATTAMBANG, KAMPOT, TAKEO, OR STUNG TRENG

Networking was the benefit that members of business associations and networks cited the most often. The fact that MSEs prioritized networking aligns with how business associations and networks usually provide their services (group events such as meetings, luncheons, workshops, and forums, and a directory of members).

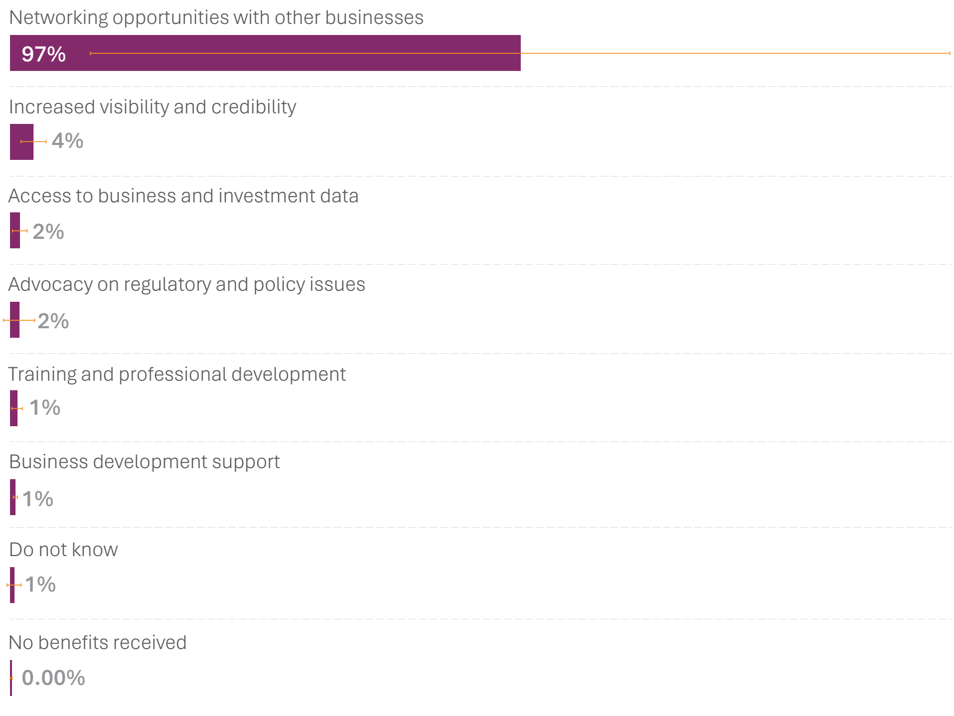

FIGURE 6.14: THE BENEFITS BUSINESSES REPORT FROM BELONGING TO A BUSINESS ASSOCIATION OR NETWORK

6.4. RELATIONSHIP WITH GOVERNMENT

About 40 percent of the MSEs reported that they had no significant relationships with government (see Figure 6.15). This was the answer to a survey question about which government actors had the greatest impact on the respondent's business in terms of their relationship with the government. The results largely reflect the high level of business informality in Cambodia. Notably, 20 percent of MSEs selected "don't know" in answering this question. For the businesses that had some form of government registration, only 13 percent reported having no interactions with government. The answers regarding government interaction also varied with the type of business: accommodation services had the lowest share (5 percent said no interactions with the government), followed by financial and insurance services (14 percent) and food and beverage manufacturing (23 percent) (see Figure 6.16). All these businesses are usually among the most regulated business activities. Also, small businesses were more likely than micro businesses to have a relationship with government, but this did not differ by gender.

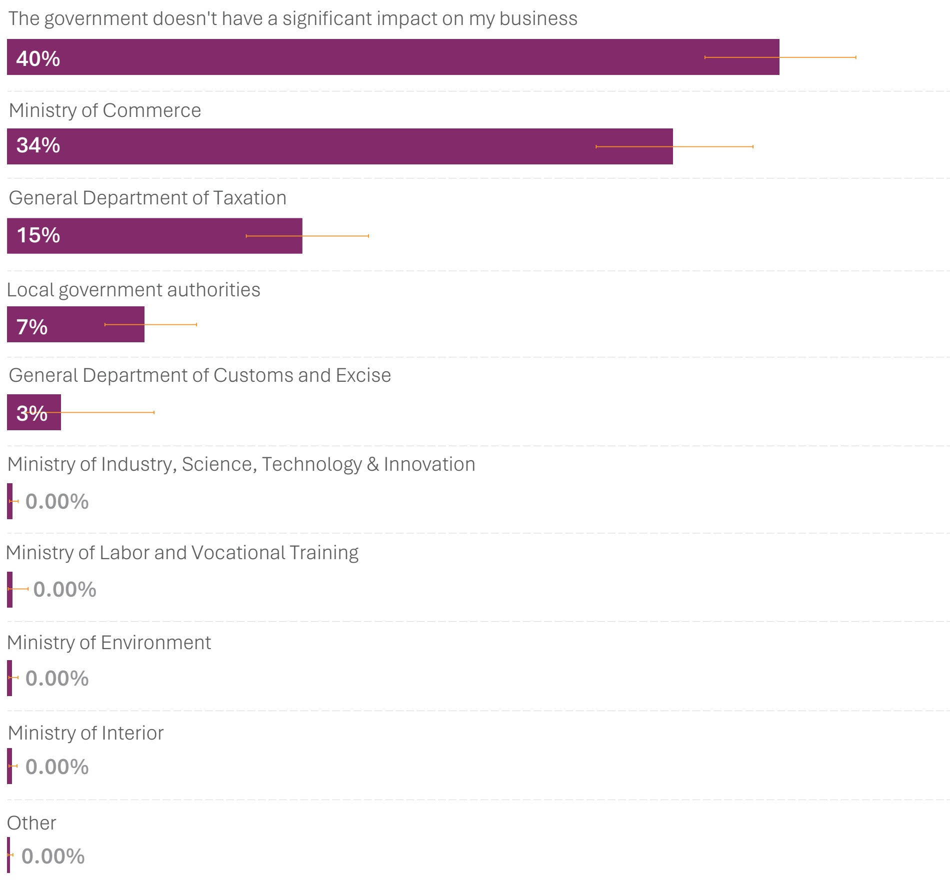

FIGURE 6.15: WHICH OF THE FOLLOWING GOVERNMENT ACTORS HAS THE GREATEST IMPACT ON YOUR BUSINESS IN TERMS OF YOUR RELATIONSHIP WITH THE GOVERNMENT?

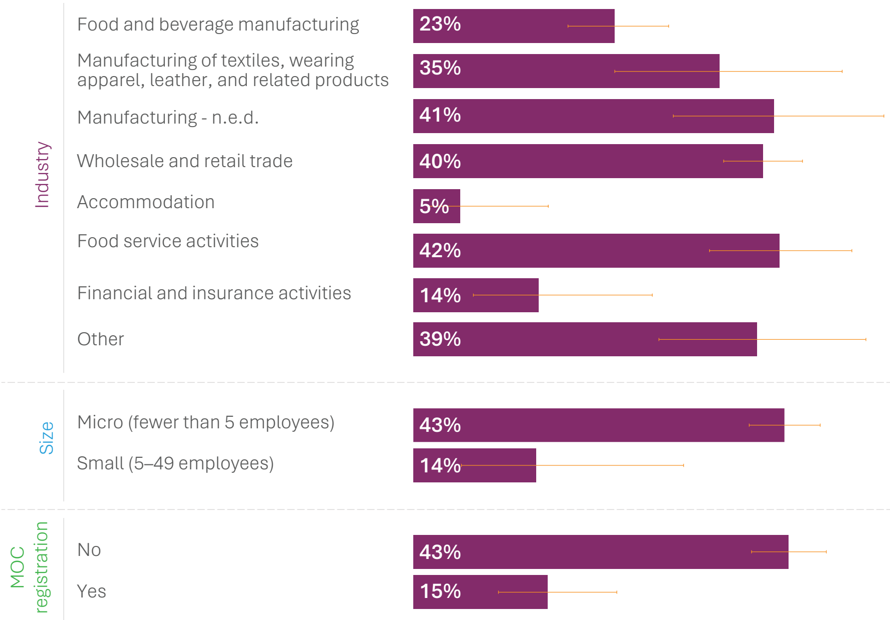

FIGURE 6.16: PROPORTION OF BUSINESSES RESPONDING THEY HAVE NO RELATIONSHIP WITH THE GOVERNMENT IN RESPONSE TO "WHICH OF THE FOLLOWING GOVERNMENT ACTORS HAS THE GREATEST IMPACT ON YOUR BUSINESS IN TERMS OF YOUR RELATIONSHIP WITH THE GOVERNMENT?". DISAGGREGATED BY INDUSTRY, SIZE, AND WHETHER THE FIRM HAS REGISTERED WITH MOC OR NOT.

There are large differences in whether businesses had relationships with government by location (see Figure 6.17). In Phnom Penh, only 3 percent of MSEs reported having no significant interactions with government, and the percentage was relatively low in Battambang (13 percent), but in Stung Treng, 84 percent of MSEs had no relationships with government. While these differences between locations may be partially explained by differing amounts of formalized businesses, they are more likely because government services are concentrated in Phnom Penh and possibly a few other centers of economic activity in Cambodia.

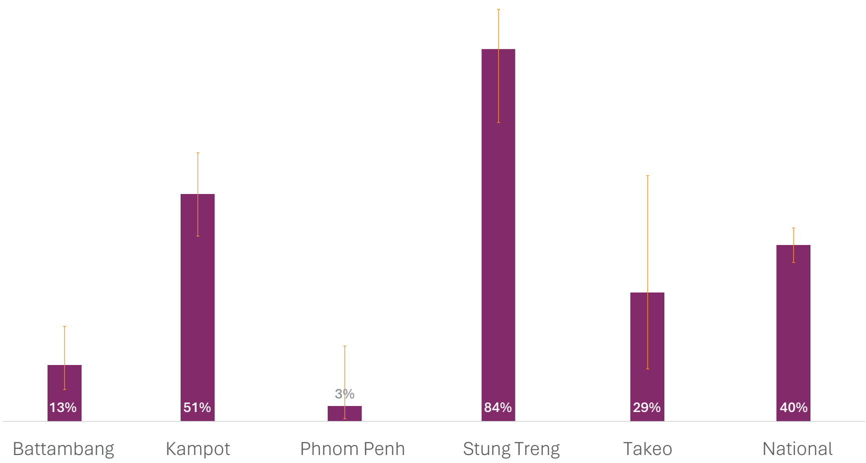

FIGURE 6.17: PROPORTION OF BUSINESSES RESPONDING THEY HAVE NO RELATIONSHIP WITH THE GOVERNMENT IN RESPONSE TO "WHICH OF THE FOLLOWING GOVERNMENT ACTORS HAS THE GREATEST IMPACT ON YOUR BUSINESS IN TERMS OF YOUR RELATIONSHIP WITH THE GOVERNMENT?" DISAGGREGATED BY LOCATION.

The Ministry of Commerce and the General Department of Taxation were the most important government agencies for businesses, followed by the local authorities (see Figure 6.15). Of MSEs offering accommodation services, 61 percent reported that their government interactions were primarily with the GDT. This percentage, which was much higher than for all the surveyed MSEs, reflects accommodation providers' relatively high rate of GDT registration. Businesses in Phnom Penh, Kampot, and Takeo were more likely to consider local authorities as their most important government relationship, which was not the case in Battambang, Stung Treng, and the rest of the country. Other government ministries and agencies seemed to have a role only with those businesses that were related to their area of responsibility.

6.5. SECURITY AND GARBAGE COLLECTION

EXPERIENCE WITH THEFT AND CONFIDENCE IN LOCAL SECURITY

Fewer than 3 percent of MSEs reported experiencing theft in the past three years, which indicates that theft was generally not a major concern (see Figure 6.18). However, there were some geographic differences. In Battambang, 8 percent of firms reported experiencing theft, which was nearly three times the national average (see Figure 6.18).

Previous surveys in Cambodia found similar results. In 2023, the World Bank found that formal businesses rarely considered crime, theft, and disorder to be major concerns (World Bank 2023). Only 4 percent of businesses reported these concerns as their biggest challenge, and these were large businesses.

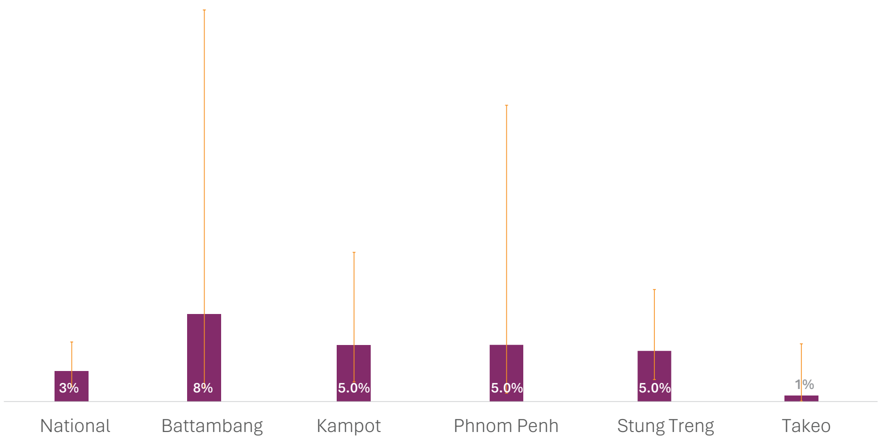

FIGURE 6.18: BUSINESSES THAT HAVE EXPERIENCED THEFT, WITH PERCENTAGES FOR FIVE LOCATIONS, AND FOR ALL OF CAMBODIA

MSEs were largely confident that local authorities could deter thieves—63 percent were "confident" or "very confident" (see Figure 6.19). Confidence levels were generally consistent across businesses' characteristics, but this varied with location. Firms in Phnom Penh had less confidence in local authorities' ability to deter theft compared to firms in the rest of the country (41 percent versus 59 percent).

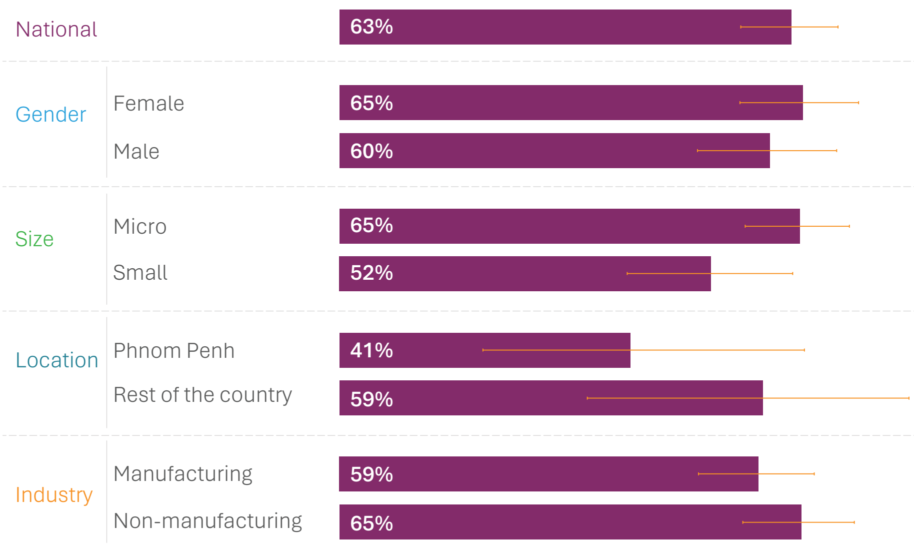

FIGURE 6.19: BUSINESSES THAT WERE "CONFIDENT" OR "VERY CONFIDENT" THAT LOCAL AUTHORITIES CAN PREVENT THEFTS, WITH PERCENTAGES FOR BUSINESS SIZE, RESPONDENTS' GENDER, LOCATION IN PHNOM PENH OR ELSEWHERE, AND ENGAGEMENT IN MANUFACTURING OR ANOTHER INDUSTRY.

GARBAGE COLLECTION SERVICES

Approximately 40 percent of the firms in this study rated the quality of their garbage collection services as "good" or "excellent" (see Figure 6.20). These ratings were generally consistent across businesses' characteristics, including their size and sector, but not their location. Firms in Phnom Penh tended to give their garbage collection services higher ratings than businesses in other locations, which suggests that service quality is better in the capital. It is important to note that some firms did not use garbage collection services. This was more common with micro firms and those away from the capital, which could indicate their limited access, lower demand, saving on collection costs, and alternative waste management practices such as burning or burying waste. In contrast, all of the firms in Phnom Penh reported using a garbage collection service, which indicates the near-universal coverage in the capital (see Figure 6.21).

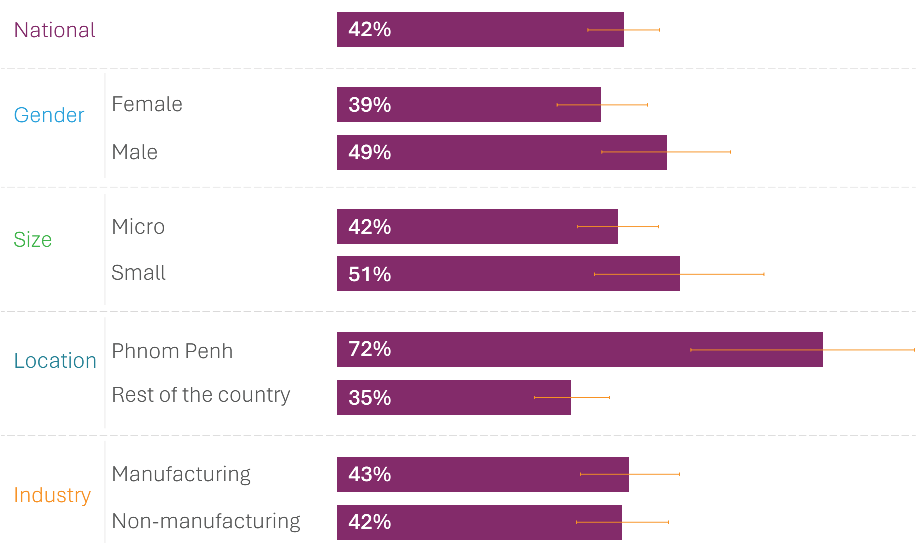

FIGURE 6.20: BUSINESSES THAT RATED THE QUALITY OF THEIR GARBAGE COLLECTION SERVICE AS "GOOD" OR "EXCELLENT", WITH PERCENTAGES FOR BUSINESS SIZE, RESPONDENTS' GENDER, LOCATION IN PHNOM PENH OR ELSEWHERE, AND ENGAGEMENT IN MANUFACTURING OR ANOTHER INDUSTRY

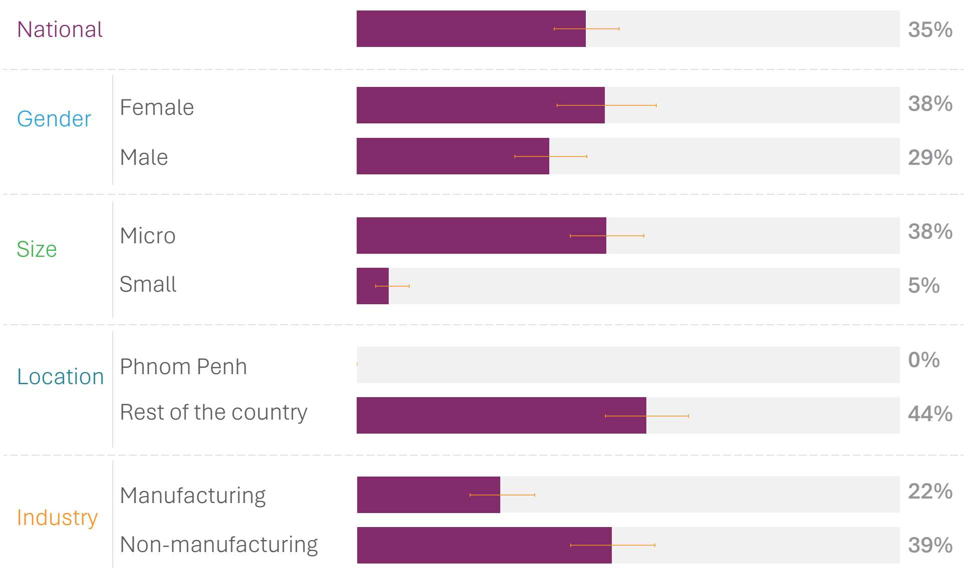

FIGURE 6.21: BUSINESSES THAT DO NOT USE A GARBAGE COLLECTION SERVICE, WITH PERCENTAGE FOR BUSINESS SIZE, RESPONDENTS' GENDER, LOCATION IN PHNOM PENH OR ELSEWHERE, AND ENGAGEMENT IN MANUFACTURING OR ANOTHER INDUSTRY

MSEs suggested several ways to improve garbage collection services. The three most common ones were more frequent pickups, larger bins, and lower prices (see Figure 6.22). Applying this advice could improve businesses' satisfaction with garbage collection services and encourage greater uptake, especially in the provinces.

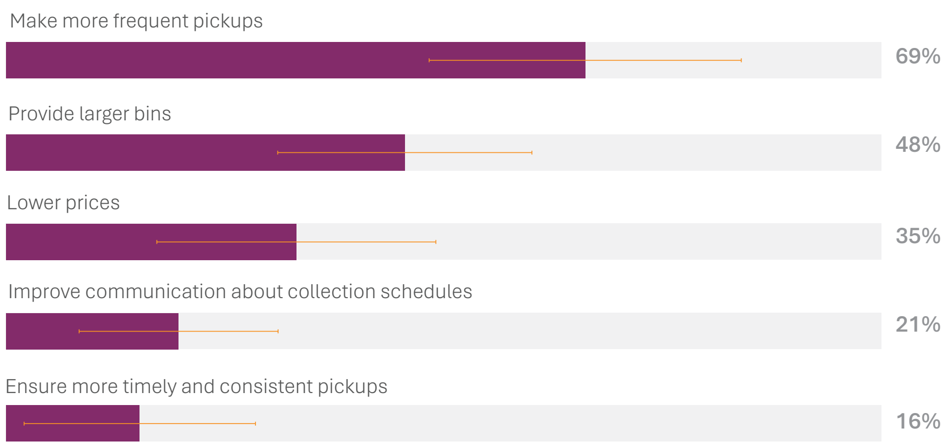

FIGURE 6.22: BUSINESSES' TOP FIVE SUGGESTIONS FOR IMPROVING GARBAGE COLLECTION SERVICES

CHAPTER 7

CONCLUSIONS AND RECOMMENDATIONS

Cambodia has made considerable progress in improving its business environment over time, which is due to ongoing reforms, macroeconomic and political stability, and better integration of the country, regionally and globally. For example, between 2016 and 2023, businesses expressed less concern about most business environment dimensions covered in the World Bank's Formal Sector Enterprise Surveys— such as regulation, access to finance, competition and public procurement, and workforce constraints (World Bank 2024c). Through the Pentagonal Strategy Phase I (RGC 2023a), and the National Strategy on the Development of the Informal Economy 2023–2028 (RGC 2023b), the government has prioritized regulatory simplification; digitalized business registration; achieved greater transparency; provided better access to finance and markets, especially for micro, small, and medium enterprises; and provided tangible benefits for businesses that formalize. Despite these improvements and businesses' generally positive sentiments, informality remains prevalent. In 2022, only about 10 percent of over 700,000 enterprises were registered, which poses ongoing challenges for private sector governance, competition, and resilience to shocks. Addressing these issues requires an integrated, evidence-based approach; however, policy-relevant evidence remains limited and fragmented.

The results of the Cambodia Business Environment Barometer (CBEB) Survey provide high-resolution data on formal and informal micro and small businesses across sectors and the whole country. It offers critical insights to inform private sector policy development, implementation, and monitoring. These results should help to strengthen public-private dialogue and support inclusive and diversified economic growth.

The CBEB survey, which was conducted between March and May 2025, collected extensive information from 2,741 formal and informal micro and small enterprises (MSEs) in the capital, Phnom Penh, and all of Cambodia's provinces. To enable detailed geographic comparisons, the survey sampled about 400 MSEs each in Phnom Penh, and the provinces of Battambang, Kampot, Stung Treng, and Takeo. Data from the survey were disaggregated across several dimensions—the gender of the respondents; the formality of enterprises; and enterprises' size, industry, and location.

BUSINESS CONFIDENCE, DIGITALIZATION, AND ACCESS TO FINANCE

In contrast to Cambodia's positive macroeconomic data, the CBEB survey found that many MSEs had more pessimistic views. Most businesses (83 percent) reported declining sales as one of their three main concerns in 2024, and 73 percent expected their sales to fall further in 2025. MSEs also had limited plans for capital investment, and they were reluctant to take out loans. While multiple factors could explain the latter, one could be that firms did not expect their revenues to grow. Firms' second most frequent concern about 2024 was high production costs, which an estimated 40 percent of MSEs had among their top three concerns. Even though the survey question was about challenges in 2024, which was a period of low inflation, because the survey was conducted just after a short period of higher inflation in early 2025, this may have contributed to firms' concerns about high production costs.

Regarding access to credit, 25 percent of MSEs had outstanding loans or credit—a percentage that was relatively low in comparison with other countries. Most businesses without any loan financing reported that they did not want it. The other reasons given were unfavorable interest rates, fear of being unable to repay a loan, and the uncertain business environment. These responses suggest that many micro and small business owners did not consider that their prospects were currently good enough to take on debt, even if borrowing was possible. The response of "no need for a loan" may, in fact, indicate that borrowing terms were not attractive enough. Also, at the time of the survey, even with collateral, the average interest rate was relatively high, which could indicate supply-side constraints. In addition, getting a loan from a conventional bank without substantial collateral was largely impossible. Microfinance institutions were more lenient with their collateral requirements, but their interest rates were comparable to commercial banks. However, only 10 percent of MSEs listed collateral requirements as their reason for not having a loan.

Although Cambodian businesses have widely adopted e-payment platforms, only a few MSEs reported using cloud storage, chatbots, or artificial intelligence. However, not using such technology is not necessarily a problem, as use does not guarantee higher productivity. Lack of digitalization could explain MSEs' concerns about declining sales, as enabling e-payments could increase sales to consumers who prefer to make payments; however, the CBEB survey results provide limited evidence to support this view. While MSEs who accept e-payments were slightly more likely to forecast sales growth for 2025, the majority of e-payment adopters still expected their sales to decline in 2025.

BUSINESS REGISTRATION AND LICENSES

The CBEB survey results show increased business registration between 2022 and 2025, but with relatively low overall registration and uneven registration patterns across business size, respondents' gender, industry, and geographic location. Business registrations with the Ministry of Commerce and the General Department of Taxation significantly increased between 2022 and 2025, rising from 6 percent to 10 percent and from 4 percent to 7 percent, respectively. However, regarding the total number of firms, the percentage has remained low (10 percent), and few firms have complied with all the registration requirements. The rate of businesses operating with permits and licenses from relevant ministries and agencies was also low (2 percent). This study found that the percentage of registrations varied significantly with businesses' size, industry, and location, as well as the gender of the respondent. More men reported registering their business than women (12 percent versus 4 percent). Also, the businesses engaged in manufacturing, wholesale and retail sales, and food and beverage services activities had lower registration rates than those in accommodation, financial and insurance services, and real estate activities. This study found, too, that firms in Phnom Penh were more likely to register than those in Battambang, Kampot, Stung Treng, and Takeo. These results could indicate disparities in the enforcement of compliance measures across both industries and locations.

Three reasons for not registering were reported the most frequently. The top reason for not registering, which 73 percent of respondents gave, was that their business was too small to warrant registration. This was followed by 27 percent of firms that reported not registering because most businesses are unregistered, which could suggest that they have concerns about unfair competition from unregistered businesses if they register. The third reason for not registering, which 26 percent of firms gave, was lack of awareness about how to register, which indicates information gaps and weak government outreach. These three reasons for not registering were broadly consistent across firm sizes, industries, locations, and respondents' gender. In addition to firms' reasons for not registering, the survey's findings suggest that firms may not clearly understand the potential benefits of registering their business and the disadvantages of not registering.

The survey's results indicate that MSEs had mixed perceptions about and experiences with formalization. Most of the registered businesses reported no noticeable changes in the key dimensions of their business's performance after registration, which were their sales, access to finance, and prospects in the market. Perceptions about the lack of immediate, tangible benefits from registering a business likely reinforce owners' decision not to register, especially if their firm is operating at survival levels. Notably, hardly any of the unregistered firms expressed the intention to register. Although about 1 percent of these said that they planned to register, 80 percent of these firms were unsure when they would register.

BUSINESSES' AWARENESS AND INFORMAL CHANNELS

While the government has launched a range of programs to promote enterprise development, knowledge about these remains limited. A total of 70 percent of MSEs were unaware of institutions such as the SME Bank of Cambodia, the Credit Guarantee Corporation of Cambodia, or the Federation of Associations for Small and Medium Enterprises of Cambodia. Similarly, 80 percent of firms were not aware of support programs such as KhmerSME, Khmer Enterprise, the Skills Development Fund, or the Digital Platform for Onboarding the Informal Economy. This low level of awareness suggests that these support mechanisms for businesses may not be effective in reaching their intended beneficiaries, particularly the smaller and informal firms. This could be due to difficulties in providing information and engaging in outreach. In addressing these problems, the government should consider using social media, and particularly Facebook, as well as peer networks, as this study found that MSEs rely heavily on these for getting business information.

Summary of the Key Differences Found in Businesses' Characteristics

Business Confidence, Digitalization, and Access to Finance

Informal versus formal

- The results suggest that formalizing a business can help in obtaining loans with lower interest rates.

Female versus male

- While female respondents seemed even more concerned than male respondents about their declining sales in 2024, regarding prospects for 2025, there was no notable gender difference.
- Loan restructuring was more frequently requested by male respondents.

Rural versus urban

- Urban businesses were more concerned about high production costs.
- Rural businesses had to pay considerably higher interest rates to get loans.
- Rural businesses were less likely to accept e-payments, which could be because they have less access to the internet.

Micro versus small

- Micro businesses were more likely to have loans than small businesses, which may be due to a mix with business owners' personal loans.
- Larger businesses were likely to pay lower interest rates.

Business Registration and Licenses

Female versus male

- Fewer female respondents reported having a registered business than male respondents.

Industry

- MSEs engaged in manufacturing, wholesale and retail, and food and beverage services activities had a lower business registration rate compared to MSEs engaged in accommodation, financial and insurance services, and real estate activities.

Location

- MSEs in Phnom Penh had a higher rate of business registration than those in Battambang, Kampot, Stung Treng, and Takeo.

Micro versus small businesses

- In addition to tax exemptions, small firms more frequently identified the simplified business registration process as an important motivation to register, compared to micro businesses.

Based on this study's evidence, the key recommendations are presented below, along with areas that need further analysis.

Concerns about low sales and access to credit

Recommendations:

- The government should explore low-cost mechanisms for tracking the perspectives and experiences of micro and small enterprises. The government's macroeconomic data and government-private sector dialogue mechanisms may concern the performance and experiences of larger, formal enterprises, and those that belong to business associations. As a result of this focus, there is a significant lack of information about the conditions, constraints, and behavior of the largely informal micro and small businesses, and this limits the government's ability to design well-targeted and effective policies for them.

Further analysis:

- Conduct more in-depth analysis of MSEs' perceptions about their sales to answer questions such as: Do MSE's perceptions about their sales match their actual sales? Do the MSE owners without systematic recordkeeping have an accurate picture of their sales?
    - Do the MSE owners without systematic recordkeeping have an accurate picture of their sales?
    - Do MSE respondents intentionally underestimate their business's prospects when participating in a survey? If the answer is "yes", why do MSE owners do this?
    - Are MSEs, and particularly informal businesses, adequately covered by macroeconomic indicators?
- In addition to analyzing CBEB survey data in conjunction with other sources of data, answering these questions may require qualitative interviews with MSE owners, monitoring their sales performance, and collecting the same kind of quantitative data from medium and large enterprises.

- Most MSEs reported that they did not need a loan. While this answer is consistent with firms' expecting their sales to decline in 2025, and not expecting to increase their capital investment, there may be other reasons why firms stated that their business does not need a loan. These could be their limited business prospects, lack of plans to grow, insufficient understanding of business finance, inability to access a business loan, and unattractive loan conditions. It is important, as well, to understand how many MSEs mix personal loans with those from financial institutions, how they manage the loans, and whether the businesses that would benefit the most from access to credit, have access to credit.

- For all these reasons, it would be helpful to conduct in-depth interviews with a selection of survey respondents to better understand their responses regarding their need for loans, the types of loans that micro and small businesses have, and how they utilize external capital. Furthermore, it would be useful to conduct further analysis of the CBEB data in conjunction with other data sources to better identify firms that would most benefit from loans and look more closely at their challenges in accessing loans. This would help in pinpointing the access-to-credit challenges that matter the most.

- Rural businesses paid higher interest rates than urban ones. Is this due to higher risks in running businesses in rural areas or because credit markets are less efficient in rural areas? Since rural business owners are willing to pay higher interest rates for loans, is this because they get better returns on the capital they employ than is the case with urban businesses? Or could their willingness to pay higher interest rates be due to the differences in the characteristics of rural businesses versus urban ones?

Low business registration and lack of licenses

Recommendations:

- The government should develop a strategy that more explicitly prioritizes formalization and ensures that the existing priorities are clearly and consistently communicated across the relevant levels of administration, including provincial authorities.

- The government should improve businesses' understanding of the incentives for them to formalize and ensure that these incentives are consistently and transparently provided.

Further analysis:

- Document the locations and types of outreach activities, the communication channels, and information materials that subnational authorities use to raise micro and small enterprises' awareness about the need to formalize, and the registration support available for them. This should include identifying who is being reached and how (for example, in-person visits, community meetings, digital tools, and mass media); the clarity and consistency of the messages being delivered; and the gaps in coverage. The goal is to strengthen coordination, tailor outreach to local contexts, and improve the effectiveness of formalization efforts.

- To raise awareness about business registration processes and the tangible benefits of formalization, pilot-test the use of businesses' peers and local champions such as respected entrepreneurs, business association leaders, and the owners of formally registered firms.

Limited awareness of how to register a business

Recommendations:

- Continue outreach activities to encourage businesses to register and meet regulatory requirements by publicizing the advantages for businesses that become formal versus the disadvantages of remaining informal.

- Raise businesses' awareness about government services for the private sector and on-going updates by improving the government communications strategy through the use of social media, and especially of Facebook, as well as businesses' peers.

- Use businesses' current low level of awareness about the Digital Platform for Onboarding the Informal Economy as the baseline for monitoring and evaluating the success of government outreach efforts to raise awareness about the platform.

Further analysis:

- Conduct evaluations of government support programs to assess their effectiveness in reaching and informing MSEs. This should include examining uptake rates, barriers to participation, and administrative complexity, as well as measuring the impacts on MSEs' performance, their decision to formalize, and their resilience.

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