

SMEs thrive, but also face challenges



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By Brennan Stark*

While approved investments for large-scale projects in Cambodia saw exponential growth in 2011, smaller, less capital-intensive businesses are sprouting up quickly in the Kingdom's capital. Hang Rithyavuth (top) instructs a student during a piano lesson at the Mozart Music Centre yesterday in Phnom Penh. The centre is one of the capital's small- and medium-sized businesses.

The vast majority of Cambodian businesses are small- to medium-sized enterprises, or SMEs, according to the Federation of Associations for Small and Medium Enterprises of Cambodia. FASMEC estimates the SME numbers at about 500,000.

The enterprises have become a driving force in the economy by employing 1.4 million Cambodians, or more than 12 per cent of the labour force, FASMEC President Te Taing Por said last week.

Yet competition among Cambodia's entrepreneurs is fierce and capital from banks often hard to secure, which edges some businesses out of the market, officials at the federation have said.

Many SMEs are far from earning a sufficient cash flow, FASMEC executive director Lun Yeng said.

Some individuals at the hearts of the businesses said innovation, especially the introduction of previously unavailable products, has brought enormous success into the sector.

The key, according to Legend Cinema marketing executive Koy Soheat, is offering something that people want but don't have, which he says was easy in an economy still in its developing stages. The theatre, which opened last July, became Cambodia's first cinema to offer screenings of fully-licensed, digitalized Hollywood movies.

"When we first opened, expats and foreigners were coming up to us and saying, 'I have been waiting more than 10 years for something like this to finally come here'," he said.

Special efforts are devoted to securing 3D titles, which Koy Socheat says are in high demand. “They don’t care about which movie it is, or what’s going on, or which actors are in it, they only care about wearing those 3D glasses.”

With plans to expand to six new locations in Phnom Penh this year, it’s likely Legend Cinema will exceed the 100-staff-or-fewer limit that classifies it as an SME, an outline provided by FASMEC officials.

Other Phnom Penh SMEs making only a tiny fraction of the theatre, however, still consider themselves successful. Money was never the main goal of her business, co-owner of Mozart Music Centre Malika Ok said.

“If we thought only of profit, we couldn’t teach music in Cambodia,” she said, adding that the centre’s low prices would encourage more students to pick up instruments.

Even with financial obstacles, Mozart could open another centre within two years if the number of students continues to expand, Malika Ok said.

“Both word-of-mouth and our annual performances with the Institut Français du Cambodge have made us increasingly popular,” Mozart founder and primary music instructor Hang Rithyavuth explained.

The number of SMEs sprouting up in Cambodia is also growing, says Te Taing Por, who attributes the increase to recent “political stability and the growth in GDP for Cambodians, which provides more buying power in the market”.

Business registration statistics at the Ministry of Commerce suggest the development is parallel with the national economic growth, totalling a 6.9 per cent increase in 2011.

Although Te Taing Por said the government could adopt more measures to assist the enterprises, he added that last week’s government issuing of a new prakas aimed at speeding up and simplifying Cambodia’s business registration process was a step in the right direction.

The prakas is expected to transform a tedious three-step licensing process for new businesses into a “one-stop shop,” as Lun Yeng put it, and would encourage the further development of small businesses.