

The Effect of Covid-19 on Household Enterprise (MSMEs)

The Headline Results Series¹. Round 1 Data Collection. May 2020

Angkor Research and Consulting and Future Forum²

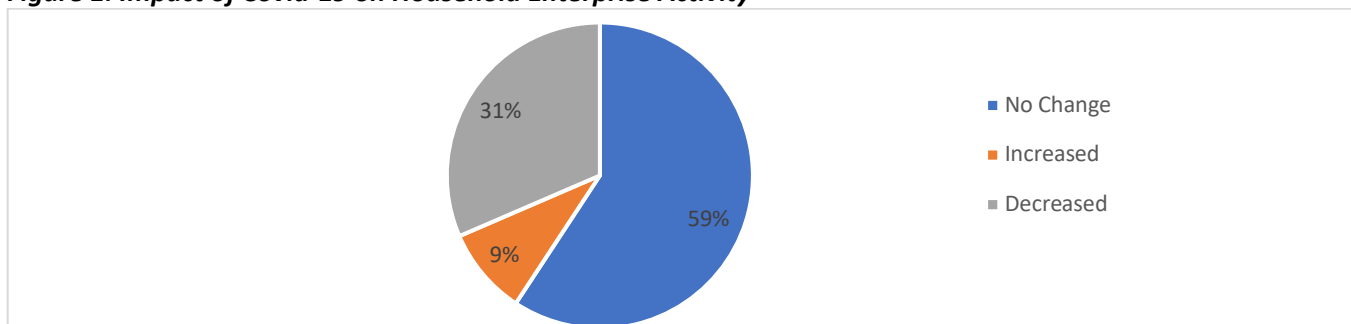
Micro, small, and medium enterprises (MSMEs) are long considered to be a crucial driver of economic growth and development, and the case for Cambodia is no different. In the context of the kingdom, they have been identified as playing a crucial role in the creation of jobs; the generation of income in low-income and vulnerable populations; and the fostering of a dynamic private sector³. Specifically, MSMEs in Cambodia account for up to 70 percent of total employment, 99 percent of companies, and 58 percent of GDP⁴. In acknowledgement of the significant role that MSMEs play in economic growth and development, the Royal Government of Cambodia has undertaken a series of supportive policy measures including the production of the SME Development Framework (2006) and the priority platforming of the sector in the Rectangular Strategy (Phase IV), and Cambodian Sustainable Development Goal Framework (goal 8)⁵. In early 2020, the government launched SME bank with initial capital of USD100 million to provide financing for SMEs⁶. Despite the sector's importance and scale, it is not immune to the economic ripples, set off under the Covid-19 pandemic, that threaten to undermine contemporary economic growth and development.

Noting the critical gap in ground-level data to make informed policy decisions in response to the pandemic, Angkor Research and Consulting, in partnership with Future Forum, are undertaking an economic impact study, and subsequent policy review, on Covid-19. Specifically, the project is studying the economic impacts of COVID-19 on Cambodian citizens occupying activities that are expected to be hit the hardest by the pandemic. ***The headline results series will provide policy stakeholders an opportunity to explore key findings from each round of data collection throughout the project.*** The remainder of this brief will detail the headline results pertaining to household enterprises in the study.

[1] Household Enterprise at the Village Level

The 54 village chiefs interviewed reported a total of 1,083 businesses that closed between January and April 2020, in the targeted villages. Figure 1 contains the village chief insights on the impact of Covid-19 on the activity of operating household enterprises. Specifically, it looks at the direct impact that the pandemic has had on enterprise in the community. Encouragingly, as of April, two-thirds of the sample had noted either no-change (59 percent) or an increase in change (9 percent) in business activity in the community. However, with the impact of the pandemic not yet fully played out by April, it is worrying to note the one-third response for those who felt that business had decreased. Of those who noted a change to business activities, 59 percent pointed to a lack of customers as the leading cause for the change.

Figure 1. Impact of Covid-19 on Household Enterprise Activity



¹ This Covid-19 Economic Impact Study for Cambodia has been funded, initiated, designed, and implemented by Angkor Research and Consulting. Analysis and write-up have been conducted in project partnership with Future Forum.

² This study is supported by the Australian Government through the Department of Foreign Affairs and Trade and The Asia Foundation. The views expressed in this study are of the authors' alone and are not necessarily the views of the Australian Government or The Asia Foundation.

³ IFC (2010)

⁴ Ministry of Industry and Handicraft (2018) [newly renamed to the Ministry of Industry, Science, Technology and Innovation in 2020]

⁵ See [Open Development Cambodia](#) for a comprehensive overview.

⁶ [Khmer Times](#) (2020)

[2] Characteristics of Household Enterprises

Table 1 contains the information on types of household enterprise by region. Table 1 contains the information on types of household enterprise by region. Grocery and restaurant and mobile food service enterprises are the two most frequent types of enterprise present across all provinces; accounting for 51% of the total survey sample.

Table 1: Types of Household Enterprise by Region

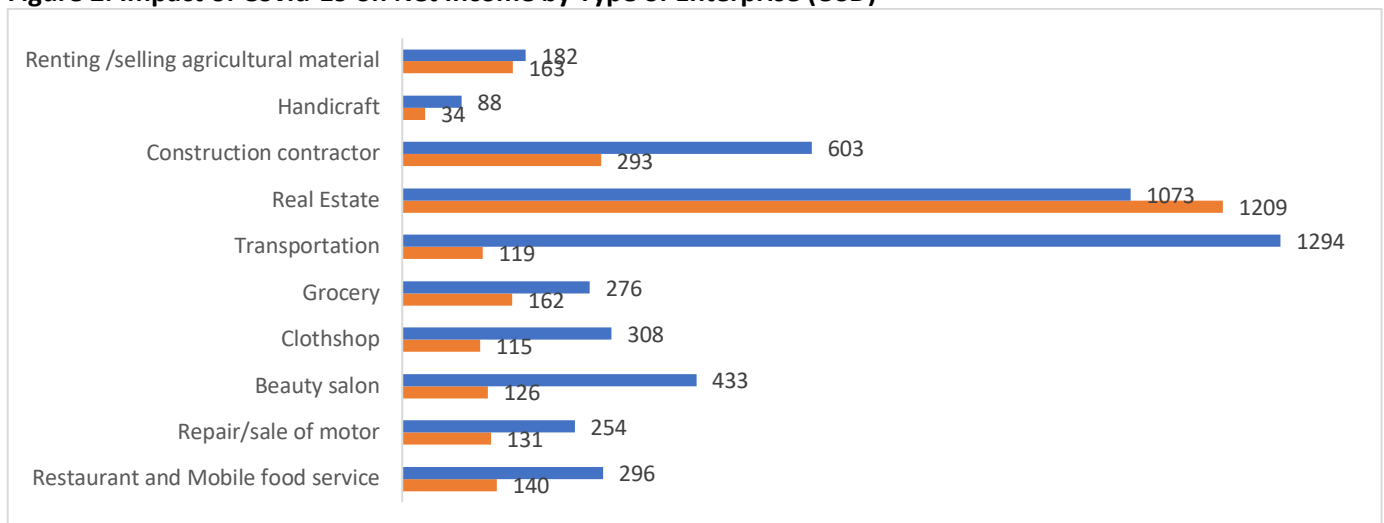
Type of HHE	Total (N=930)		Phnom Penh (N=342)	Kampot (N=121)	Siem Reap (N=190)	Svay Rieng (N=151)	Kampong Speu (N=126)
	Fr.	%	%	%	%	%	%
Grocery	267	29	30	27	27	30	29
Restaurant and Mobile Food Service	204	22	23	26	19	23	18
Transportation	86	9	15	6	5	7	7
Real Estate	50	5	7	3	7	3	4
Clothing Shop	37	4	6	-	-	3	6
Beauty Salon	33	4	5	5	-	3	3
Repair/Sale of Motor	40	4	3	4	3	9	6
Renting/Selling Agricultural Material	32	3	-	-	6	7	6
Handicraft	18	2	-	6	4	-	-
Construction Contractor	24	3	-	3	5	3	5
Other	139	15					

[2] The Impact of Covid-19 on Net Income

The average net income of household enterprises in the sample fell by 56 percent, from 461.2 USD in January to 203.2 USD in April 2020. By province, household enterprises in Phnom Penh and Kampong Speu saw the largest reduction in net income between January and April, falling 58 and 55 percent respectively. By comparison household enterprises in Kampot province experienced a comparatively less severe loss of 28 percent.

Figure 2 contains the breakdown of net-income change by type of household enterprise. Transportation was the sector that was most severely impacted, witnessing a 91 percent loss of average income between January and April. This was followed by beauty salons, clothing shops, and handicraft (71, 63, and 61 percent respectively). Curiously, despite the recorded loss of income across all other types of household enterprise, real estate represents an outlier to the trend, with a recorded increase of net income over the period of 12 percent.

Figure 2: Impact of Covid-19 on Net Income by Type of Enterprise (USD)

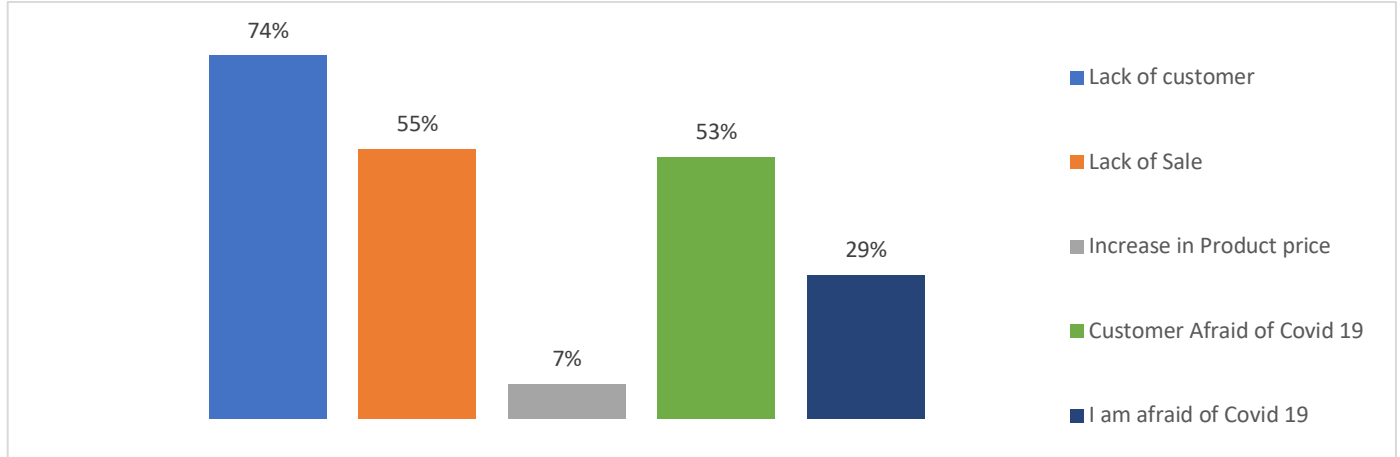


[3] Reported Issues for Household Enterprises (January to April)

Figure 3 contains the responses from household enterprises when asked what issues they have encountered between January and April as a result of Covid-19. Five categories emerged as the primary issues for the period. A lack of

customers was cited by 74 percent of respondents as the key issue, whilst an explicit lack of sales and loss of customer's due to a fear of Covid-19 a close second and third.

Figure 3: Reported problems of household enterprise between January and April



The rest of this section explores changes in household enterprise circumstance in more detail. Specifically looking at changes in customer behaviour and material costs.

[a] Change in Customers

733 of 930 household enterprises reported a change in their customer base. 97 percent of them stated that their customer base decreased (see table 2) while only 3 percent reported the increase. Of the 3 percent that reported an increase (20 households) seven are in groceries, seven are in restaurant and mobile food service, 3 are in motor repair, and the remaining 3 are split evenly between a beauty salon, transportation, and laundry.

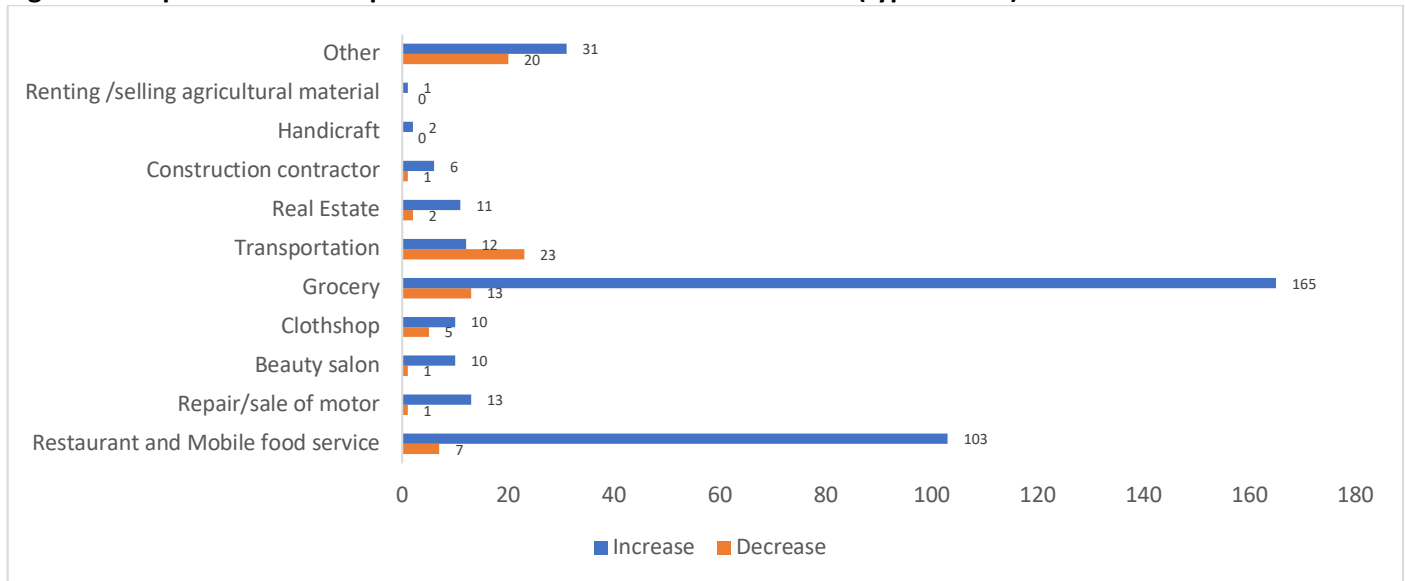
Table 2: Enterprises that reported decrease in customers

Type of HHE	PP	SRP	KPP	SvRP	KSP	Total
Restaurant and Mobile food service	67	20	22	25	16	150
Repair/sale of motor	9	4	3	12	6	34
Beauty salon	17	2	5	5	2	31
Cloth shop	17	1	2	5	7	32
Grocery	89	39	26	34	24	212
Transportation	45	8	6	10	9	78
Real Estate	10	7	1	4	3	25
Construction contractor	0	7	3	4	3	17
Handicraft	2	5	1	0	1	9
Renting /selling agricultural material	0	4	3	6	1	14
Other	33	28	18	15	17	111
Total	289	125	90	120	89	713

[b] Cost of Material

437 of the 930 household enterprises reported that the cost of material they bought for their business had changed; with 83.3 percent of them noting that the change was a price increase. Figure 4 contains the breakdown between types of household enterprise. The largest discrepancy is in the transportation industry where 23 households operating reported that their input prices had fallen; the only industry to have a higher percentage of enterprises noting a decrease in material cost over an increase.

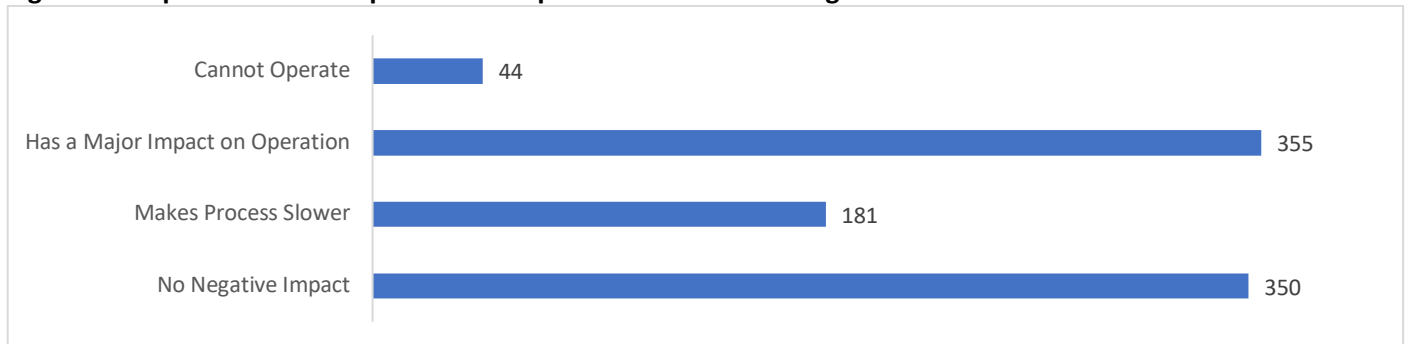
Figure 4: Respondents who reported the cost of material for business (type of HHE)



[4] Impact of Social Distancing on Enterprise Operation

When asked about the impact of social distancing measures on their operation, 350 household enterprises answered that they could adopt social distancing without negative impact; 181 household enterprises answered that social distancing made their process slower; 355 household enterprises answered that social distancing had major impacts on operation; and 44 household enterprises answered that they could not operate because of social distancing (see Figure 5).

Figure 5: Respondents who reported the impacts of social distancing



[5] Summary of Findings

In summary, the first round of data collection has identified that household enterprises are facing a combination of operational and clientele disruptions as a result of Covid-19. Some 31 percent of enterprises at the village level are facing a decrease in activity, whilst 62 percent of business owners have noted some level of difficulty in operating under conditions of social distancing. Overall, net income has decreased 56% between January and April 2020, with concerns being cited around lack of customers and reductions in sales.

At the provincial level, our survey identifies that Phnom Penh and Kampong Speu have been negatively impacted the most between January and April, whilst Kampot has fared the best. At a sectoral level, the transportation sector was impacted the most, with 91 percent of respondents noting a reduction in income from Covid-19; while only one in ten of those operating in the renting/selling agricultural material sector were impacted as such. Curiously, the real estate sector increased its' average net income by 13 percent.