



វិទ្យាស្ថានបណ្តុះបណ្តាល និង ក្រាវប្រធានដើម្បីអភិវឌ្ឍន៍កម្ពុជា

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IMPACT ASSESSMENT OF BUSINESS ASSOCIATION MEMBERSHIP ON SMALL AND MEDIUM ENTERPRISES' GROWTH PERFORMANCE: EVIDENCE FROM ENTERPRISE SURVEY OF CAMBODIA

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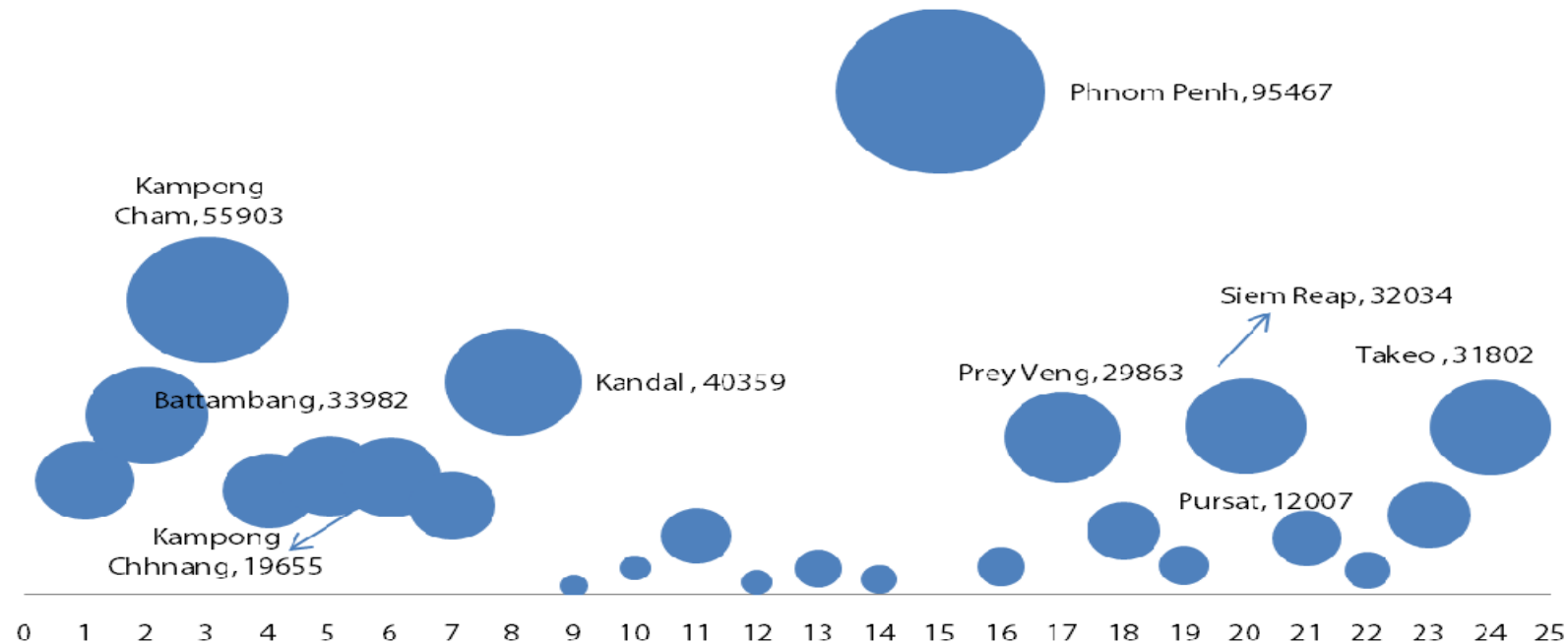
STUDY OBJECTIVES

Main objectives

1. To examine a firm's decision to participate in a Business Association, and
2. To assess the impact of SMEs memberships in business associations or chambers of commerce on firms' medium and long term outcomes.

A GLANCE AT SMES' STATISTICS

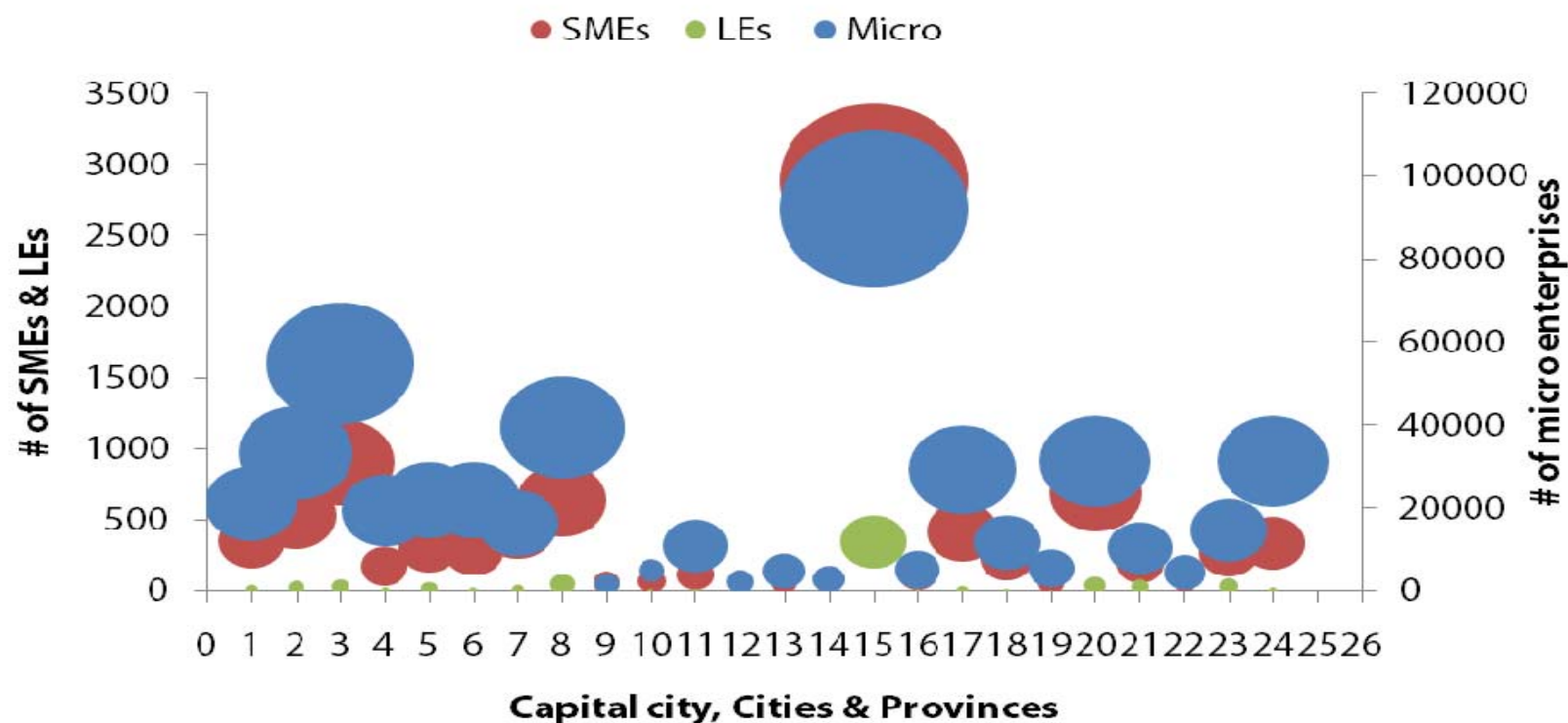
Figure 1: Number of Establishment as share of Total Establishments, 2011



1-24 indicates the 24 cities and provinces in Cambodia as in the following order: (1) Banteay Meanchey, (2) Battambang, (3) Kampong Cham, (4) Kampong Chhnang, (5) Kampong Speu, (6) Kampong Thom, (7) Kampot, (8) Kandal, (9) Kep, (10) Koh Kong, (11) Kratie, (12) Mondul Kiri, (13) Oddar Meanchey, (14) Pailin, (15) Phnom Penh, (16) Preah Vihear, (17) Prey Veng, (18) Pursat, (19) Ratanak Kiri, (20) Siem Reap, (21) Sihanoukville, (22) Stung Treng, (23) Svay Rieng, and (24) Takeo

A GLANCE AT SMES' STATISTICS (CONT)

Figure 2: Number of Micro, Small and Medium and Large Enterprises as share of Total Establishment by Size of Persons Engaged, Province 2011



1-24 indicates the 24 cities and provinces in Cambodia as in the following order: (1) Banteay Meanchey, (2) Battambang, (3) Kampong Cham, (4) Kampong Chhnang, (5) Kampong Speu, (6) Kampong Thom, (7) Kampot, (8) Kandal, (9) Kep, (10) Koh Kong, (11) Kratie, (12) Mondul Kiri, (13) Oddar Meanchey, (14) Pailin, (15) Phnom Penh, (16) Preah Vihear, (17) Prey Veng, (18) Pursat, (19) Ratanak Kiri, (20) Siem Reap, (21) Sihanoukville, (22) Stung Treng, (23) Svay Rieng, and (24) Takeo

PERCEIVED CHALLENGES & SMES SUPPORT ACTIVITIES

- **Constraints to growth:** small size, relatively low bargaining power, difficulty in obtaining investment loans, vulnerable to idiosyncratic risks resulted from vertical and horizontal competing forces, high costs of administrative compliances and weak legal enforcement (see, for example, Sukiassyan & Nugent 2008; Beck *et al.* 2008; Stephanou & Rodriguez 2008; Aterido *et al.* 2009).
- **Support programmes:** training, advice, subsidies to SME-tailored policy have been availed for SMEs' owners-managers to take advantage (Wren & Storey 2002; Batra & Mahmood 2003; Bennett 2008; Zecchini & Ventura 2009; Han & Benson 2010; Czarnitzki & Hottenrott 2011; World Bank 2010; Chheang *et al.* 2011).
- **Cambodian SMEs are still in their initial stages of development. Rigorous implementation has been lacking and unsatisfactory.**

LITERATURE REVIEW AND THEORETICAL ASPECTS

- **Two theoretical perspectives:** the pluralism and the public choice theory (see, for example, Becker 1985; Moore & Hamalai 1993; Goldsmith 2000: 40-41)
- **Pluralist theory of interest groups** gives importance to business associations and other formally organised groups → collectively increase political and economic bargaining power and influence public policy to improve overall business environment.
- **Public choice theorists** see such associations as counterproductive and discriminatory due to its rent-seeking behaviour to benefit special interest groups at the expense of majority.

ECONOMETRIC SPECIFICATIONS

- The study adopts a non-experimental approach and uses a variety of econometric methods to measure average treatment effects of membership in BAs or CoC on a number of firms' intermediate outcomes and long-term growth performance.
- Proposed econometric models:
 1. **Propensity Score Matching (PSM)**, and
 2. **PSM and OLS**
 - Matching methods: Nearest Neighbour and Kernel

DATA AND DESCRIPTIVE STATISTICS

The study uses 2007 World Bank Enterprise Surveys of Cambodia. It is also called Investment Climate Survey (ICS).

Indicator	Obs.	%	Being member of BA or CoC		% of being member of BA or CoC	
			Yes	No	Yes	No
Between 5 & 19	204	40.6	12	192	5.9	94.1
Between 20 & 99	146	29.1	31	115	21.2	78.8
More than 99	152	30.3	96	56	63.2	36.8
Exporting firm	126	25.2	80	46	63.5	36.5
No-exporting firm	375	75.8	58	317	15.5	84.5
Firm with term loan	109	21.7	40	69	36.7	63.3
Firm without term loan	393	78.3	99	294	25.2	74.8
100% domestically owned	319	63.5	44	275	13.8	86.2
100% foreign owned	142	28.3	74	68	52.1	47.9
Join venture	40	7.9	21	19	52.5	47.5

PRELIMINARY RESULTS

- Logit regression to estimate propensity score of membership participation conditional on observed and selected covariates.
 - Firm size, firm type, location, sector, exporting firms, products as share of national market, product as share of local market, loans, information on SEZ, etc.
- Results indicate that membership in BA or CoC has positive impacts on SMEs' performance, particularly on a firm's sales, production, costs of labour and other costs of production.
- ***But, we found mixed impact of memberships in BAs or CoC on their productivity and expenses per worker.***

RECOMMENDATIONS

- The government should
 - design policies and strategies to assist exporting firms;
 - initiate policies and procedures to formalise micro, small and medium enterprises;
 - continue reducing regulatory and administrative burden; and
 - continue to facilitate the financial market to help SMEs access long-term loans and reduce high demand for collateral from financial institution.

FURTHER AREAS OF RESEARCHES

- Rigorous and empirical studies on the benefits of various services that members are entitled to should be examined
- The existence of FASMEC might reflect the oft-observed benefits of such kind of business associations to its members. However, whether FASMEC could achieve what it has been set out to achieve is subject to empirical studies at a later stage.
- Subsequent studies could examine validity and applicability of **industrial clusters** in Cambodian context.
- the benefits of various SME training programme or subsidies schemes, if any, provided by either government or development partners on SMEs' growth performance

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**THANKS FOR YOUR
ATTENTION!**