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NATIONAL UNIVERSITY OF MANAGEMENT

THESIS

UNLOCKING STARTUP FINANCING  
OPPORTUNITIES IN CAMBODIA:  
OVERCOMING CHALLENGES, EXPLORING  
INVESTMENT INSIGHTS, AND  
HARNESSING NFTS AND BLOCKCHAIN  
TECHNOLOGY

BY

RITH SOMALY

Phnom Penh  
2023



FACULTY OF  
DIGITAL ECONOMY



**MINISTRY OF EDUCATION, YOUTH, AND SPORT**

**NATIONAL UNIVERSITY OF MANAGEMENT**

**FACULTY OF DIGITAL ECONOMY**

**Unlocking Startup Financing Opportunities in Cambodia:  
Overcoming Challenges, Exploring Investment Insights,  
and Harnessing NFTs and Blockchain Technology**

**By  
Rith Somaly**

**Project Thesis Submitted in Partial Fulfillment of the Requirements for the  
Degree of Bachelor of Digital Economy  
(English-Based Program)**

**SPECIALIZATION IN  
FINANCIAL TECHNOLOGY**

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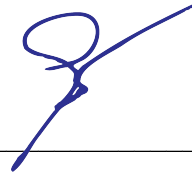
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The members of the committee approved the thesis of **Ms. Rith Somaly** defended on October 06<sup>th</sup>, 2023.



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## DECLARATION

I declare that this thesis is my own work and has not been submitted for a degree at any university. Information derived from the published or unpublished work of others has been acknowledged in the text and a list of references is given.



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**Rith Somaly**

National University of Management

Phnom Penh, Cambodia

October 2023

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## ABSTRACT

This study centers around the realm of startup funding within the startup industry of Cambodia. Its primary objective is to uncover investment prospects, highlight the challenges faced by startups, and demonstrate the utilization of non-fungible tokens and blockchain technology in facilitating startups' ability to attract external funding. NFT and blockchain technology can be used to simplify the startup funding process in Cambodia. Startups can tokenize their assets, such as intellectual property or equity, and offer them as investment opportunities to a larger pool of potential investors by utilizing NFT. This tokenization process enables fractional ownership, allowing smaller investors to participate in funding rounds that were previously accessible only to larger venture capitalists. By examining the investment landscape, this research illuminates the availability and ease of access to funding sources for startups in Cambodia. It further identifies the obstacles that startups encounter when attempting to secure funds. To surmount these barriers, this study delves into how NFT and blockchain technology can help startups in securing funds. The research offers valuable insights that can contribute to the establishment of a vibrant and sustainable startup ecosystem in Cambodia.

**Keywords:** startup financing; startups; Cambodia; investment opportunities; information dissemination; NID (NFT-based Identity); non-fungible tokens; blockchain technology

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## LIST OF ABBREVIATIONS

ADB	: Asia Development Bank
AML	: Anti Money Laundering
APAC	: Asia Pacific
CGCC	: Credit Guarantee Corporation of Cambodia
CICTA	: Cambodia ICT Awards
CJCC	: Cambodia Japan Cooperation Center
ICO	: Initial Coin Offering
IP	: Intellectual Property
KE	: Khmer Enterprise
KYC	: Know Your Customer
MEF	: Ministry of Economy and Finance
MSP	: Mekong Strategic Partners
MVP	: Minimum Viable Product
NFT	: Non-Fungible Token
NGO	: Non Governmental Organization
NID	: NFT-based Identity
NIPTICT	: National Institute of Posts, Telecom & ICT
NUM	: National University of Management
PE	: Private Equity
RGC	: Royal Government of Cambodia
SME	: Small and Medium-Sized Enterprises
STO	: Security Token Offering

TSC : Techo Startup Center  
UNDP : United Nations Development Programme  
VC : Venture Capital

# CHAPTER ONE: INTRODUCTION

## 1.1. Background Of The Study

The rise of startups has contributed a lot of substantial shift in the global economic landscape that has recently come to light. These new and creative and flexible industries have reformed entire industries, shattered established business models, and reimagined how we interact with goods and services. Central to their success is the crucial aspect of financing, which acts as the lifeblood for these fledgling enterprises. The availability and accessibility of funding sources play a pivotal role in shaping and determining their potential to make a substantial impact on the economy. Startups are quickly spreading worldwide and reaching Cambodia, resulting in a notable rise in the quantity of startups in the country. According to Kem et al. (2019), numerous factors contribute to the expansion of startups in Cambodia. These include the heightened recognition of fundamental digital requirements, the emergence of market prospects linked to the digital economy due to a growing tech-savvy population, ongoing participation from global tech firms introducing new market chances, and the progression and maturation of several startups from diverse ideation and incubation initiatives as they transition into viable businesses. Startups use innovation and technology as a fundamental mechanism to establish and market innovative products, services, and solutions.

For example, a startup might construct a digital marketplace platform integrated with technology, facilitating businesses and small to medium enterprises (SMEs) to efficiently present their offerings to consumers (Techo Startup Center, 2020). It's unquestionable that innovation plays a pivotal role in advancing the digital economy, with startups acting as valuable agents of change and disruption by generating inventive concepts across various sectors. Consequently, the Royal Government of Cambodia (RGC) has formulated and approved the Cambodia Digital Economy and Society Policy Framework 2021-2035, which includes an objective to establish a robust startup ecosystem that accelerates the growth of the digital economy in Cambodia. In the ever-evolving landscape of business and innovation, there's a technological duo quietly reshaping the way startups secure

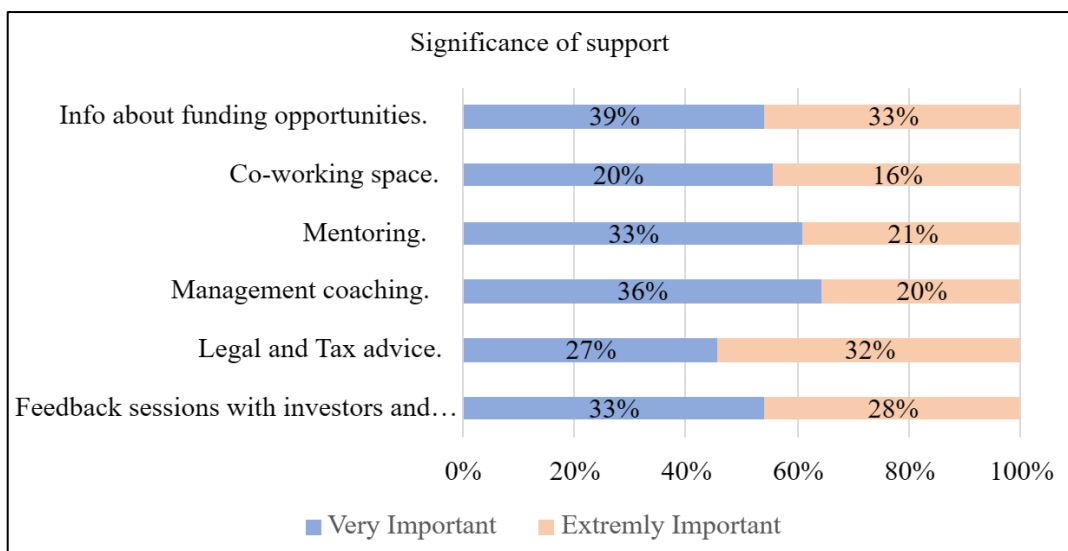
funding and investors participate in their success. It's not about complex algorithms or indecipherable jargon; it's about blockchain and Non-Fungible Tokens making waves in the world of startup financing. Imagine a world where investing in a startup is as simple as collecting unique digital cards, each representing a share in that company's future. This is vital of blockchain and NFT, where the traditional boundaries of startup financing are being redrawn in the most accessible and transparent way possible. Startups can reach a global capital market, including those who are extremely passionate about cutting-edge technologies and decentralized finance, by harnessing the benefits of Blockchain and NFT. The immutable nature of blockchain ensures transparency and accountability, fostering trust between startups and backers. A novel dimension of ownership and value is also presented by NFT, designed to allow startups to create digital assets that are not only tradable but also represent a stake in the success of the venture. This convergence of innovative technology and financing strategies has created fertile ground for startups to access capital while engaging a diverse and digitally savvy investor base (Taherdoost, 2022).

## **1.2. Statement Of Problems**

A robust and dynamic startup ecosystem with comprehensive support mechanisms is undeniably essential to foster startups and guide them past hurdles towards success. Nevertheless, research carried out by Mekong Strategic Partners in 2018 and another study conducted by TSC in 2020 consistently revealed that Cambodia's startup ecosystem is still in its early stages, lacking full sector integration (Kem et al., 2019; Vong, Ty, & Chhoeun, 2020). Effective interaction among stakeholders within the startup ecosystem is crucial to assist startups, as it can establish a favorable environment where they can thrive, develop, and gain access to funding, mentorship, valuable resources, entrepreneurial guidance, and technical support (TSC, 2020). According to the survey conducted by MSP and Raintree, entrepreneurs emphasized the significance of having access to essential information regarding funding, legal considerations, and tax advice. According to the feedback received, founders stressed that these aspects are crucial for their ventures, yet they face significant challenges in obtaining such information.

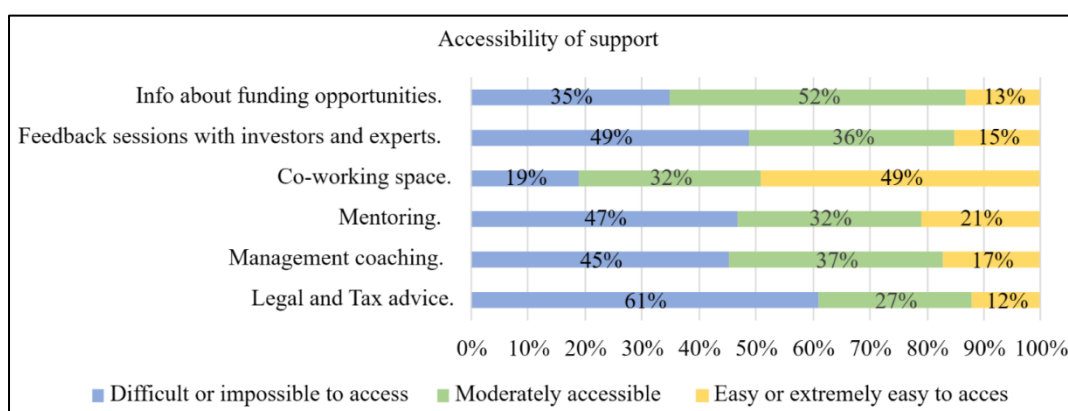
A notable statistic reveals that more than 70% of founders recognize the importance of being informed about available funding opportunities to ensure the success of their startups. However, the accessibility of this crucial information remains a notable hurdle, with fewer than 15% of founders expressing confidence in its ease of access (MSP & Raintree, 2019). This glaring disparity highlights a pronounced gap between the importance founders attribute to access to information and the limitations they encounter in acquiring it.

**Figure 1: Significant Supports That Startups Need**



Source: MSP & Raintree

**Figure 2: Accessibility And Availability Of Supports**



Source: MSP & Raintree

Furthermore, as outlined by TSC (2021) and ADB, a key challenge faced by Cambodian startups is insufficient funding. The scarcity of adequate funds to realize their business concepts presents a significant obstacle to startups aiming to expand



their operations. The scarcity of startups able to achieve business growth in Cambodia is partly due to the lack of funding opportunities. The task of creating a lively and robust startup ecosystem becomes arduous when the majority of startups struggle to secure funding or obtain loans to implement their ideas, and only a handful of startups achieve success within the ecosystem.

### **1.3. Research Questions**

- 1) What are the common sources of funding that available for startups in Cambodia?
- 2) What are the obstacles that startups face when seeking external funding?
- 3) How can NFT and Blockchain technology be leveraged to facilitate the NID platform in accessing funds?

### **1.4. Objectives Of Study**

To identify the diverse sources of funding available to startups in Cambodia and investigate the challenges that they face when approaching to external funds and showcasing how NFT and Blockchain can be leveraged to facilitate the NID platform in accessing funds.

The study aims to provide a comprehensive understanding of the startup funding landscape, the obstacles startups face in securing financial support, and the transformative potential of NFT and Blockchain in reshaping the dynamics of startup fundraising by addressing these research questions and objectives.

### **1.5. Significances Of The Study**

A research study centered on the startup ecosystem in Cambodia carries substantial implications for multiple stakeholders, spanning startups, investors, policy makers, and the broader startup ecosystem. For startups, the study provides strategic insights, guiding them in navigating challenges and seizing opportunities within the Cambodian landscape. Startups gain access to valuable data that can help them get information of investment availability in the country, secure funding, form partnerships, and know where to enhance their visibility based on their startup's development stage. Investors benefit significantly from such research by gaining crucial market intelligence. The study informs them about the startup ecosystem's

growth potential and key players. With this experience and understanding, investors can make more informed investment decisions, identifying startups that complement their investment preferences and risk appetite. This, in turn, bolsters the investor-startup relationship, as startups receive funding from backers who have a well-rounded understanding of the Cambodian tech landscape.

Policy makers are empowered to craft policies that catalyze innovation and entrepreneurship. Research findings highlight gaps in infrastructure, regulations, and support mechanisms. This information could be used by policymakers to establish strategies that benefit startup growth, encourage foreign investment, and optimize bureaucratic procedures. The research serves as a road map for strategic initiatives for startup ecosystem stakeholders such as incubators, accelerators, and industry associations. Insights into challenges faced by startups can inform their programs, enabling them to provide targeted support where it's most needed. Collaboration opportunities are enhanced as stakeholders align their efforts based on a collective understanding of the ecosystem's strengths and weaknesses.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1. Common Sources Of Funding For Startups Globally And In Cambodia**

Around the world, startups have access to a broad variety to of funding opportunities to endorse their advancement and innovation. These sources of finance encompass a number of approaches, such as bootstrapping, where startups finance their early stages with their own funds, and angel investors, who frequently have sufficient financial resources, who lend money in exchange for equity or financial instrument. Venture capital firms (VCs) inject funds into startups in exchange for equity and offer strategic guidance, targeting startups with promising growth prospects. Seed funding, typically the first round of financing, is directed towards developing ideas, creating prototypes, or conducting market research (Boreiko & Sahdev, 2018). Startups could perhaps collect funds from a wider audience utilising platforms like Kickstarter, where backers regularly receive goods, services, or rewards (Kickstarter, 2023). Correspondingly, in exchange for equity, these accelerators and incubators offer funding, mentoring, resources, and community outreach to startups. Corporate partnerships involve established companies collaborating with startups by providing funding, resources, and market access. Bank loans, government grants, family and friends, strategic investors, initial coin offerings (ICOs), revenue financing, debt financing, and private equity also contribute to the intricate web of funding options accessible to startups worldwide (Davila et al., 2003).

Having access to information about common sources of funding is of paramount importance for Cambodian startups. These services are necessary for cultivating and sustaining the emergence of these creative endeavors. According to the survey on startups founders' perception by Raintree, in Cambodia, founders reported that information about funding, as well as legal, and tax advice are extremely important but highly inaccessible. Over 70% of founders believe access to information on funding opportunities is important for their success, but less than 15% believe information is easily accessible (Figure 1 & 2). In Cambodia's evolving startup ecosystem, incubators, accelerators, and awards have emerged, although they are relatively recent developments. These programs usually involve pitching

contests combined with brief periods of business development, lasting from days to several weeks or months. Some provide limited funding to participating startups. Many highlight the chance for exposure to potential investors and potential follow-up funding. Notable instances are Seedstars, SmartStart, and CICTA. Universities are also establishing innovation labs and running startup contests and accelerator initiatives to inspire practical learning and innovation among students. Noteworthy names include NIPTICT, NUM, Paragon, and CJCC Accelerator (Kem et al., 2018).

Local angel investors play a vital role in Cambodia, comprising former and current entrepreneurs, affluent individuals, and emerging family offices. They've supported numerous startups, aiming for diversification, exposure to tech prospects, or intrinsic business interests. These investors are drawn to young teams, novel concepts, and technological disruptions that could enhance their existing ventures. While some angels prefer to keep their investments confidential, groups like the Cambodia Investment Club and Corco Angels are active and provide entry points for international angels exploring the local market. Venture capital is still relatively limited in Cambodia due to the developing market, but a few key players are active. These include the Smart Axiata Digital Innovation Fund (SADIF), the recently established Ooctane Fund, and 500 Startups, which has made some of the initial international VC investments in Cambodian startups (Ek, 2023).

## **2.2. Challenges Faced By Startups In Obtaining Funding**

Startups encounter varied problems based on their stage of development. Several early-stage firms experienced difficulty raising cash, while others did not use pitching competition prize money and bootstrapping as seed capital. Some founders labor without a pay, and others work from home to save money on office rent. Other early-stage firms have little understanding of financial predictions and business planning, and a lack of a solid business plan generally leads to a lack of working capital and a barrier to business growth. Despite being part of an incubation program, early-stage businesses with no professional experience lack understanding in building a business and revenue model, as well as business and entrepreneurship abilities. Another problem for early-stage enterprises is the composition of the initial team. The team is commonly made up of individuals

without technical and business knowledge from the same background. These startups are also limited by time and a lack of dedication to moving the idea forward, which is especially difficult when dealing with the unpredictability of doing business. Some entrepreneurs struggle to match their work or school obligations with the development of their firm. Early and growth-stage startups struggle with tax compliance because they lack understanding in this area. One of the primary reasons that entrepreneurs do not register with their company is tax compliance. Another barrier to growing up is the shortage of accelerator programs and the scarcity of supporting actors for growth-stage firms.

The most pressing concern startups in Cambodia is a lack of funding. In the absence of sufficient funds, it is difficult for startups to grow their businesses since they lack capital to execute their company ideas (TSC, 2021). While interest and cash allocation are available from individuals, corporations, and institutions for startup investments, startups face obstacles in getting these funds due to their early stage of development and the uncertainty of technology (Kem et al., 2018). Startup funding in Cambodia faces multiple challenges at various stages of development. At the ideation and prototype phase, startups encounter constraints in securing sufficient funding, as noted by Swisscontact & Impact Hub Phnom Penh (2021). This shortage of financial resources persists even as startups progress to seek support from angel investors and venture capitalists, a concern underscored. The high inherent risks associated with investing in startups act as a significant deterrent for potential investors. Additionally, due to an inadequate knowledge of among the public, the potential of crowdfunding as a different source of funding remains untapped. In sum, the startup funding landscape in Cambodia reflects a complex interplay of factors, ranging from scarcity of funds and investor hesitancy to a lack of comprehension surrounding alternative funding avenues (Ek, 2017 & Kem et al., 2019).

### **2.3. NFT And Blockchain Technology**

NFT technology holds the promise of addressing this challenge by introducing unique and verifiable digital assets. These NFT rewards can provide backers with exclusive and personalized items that establish a deeper connection with the supported project (Basu et al., 2022). The market for digital assets has

undergone a fundamental transformation thanks to NFT. Previously, distinguishing the legitimate "owner" of a digital artwork from someone who merely stored a copy was a challenge. Clear property rights are essential for functional markets: identifying the rightful seller before a purchase and securely transferring ownership post-sale. NFT ingeniously tackle this by providing a mutually agreeable representation of ownership. As a result, they lay the groundwork for new market structures, enabling previously unfeasible transactions and facilitating innovative, efficient, and valuable exchanges. Leveraging the programmable nature of blockchains, NFT can be endowed with features that enable them to evolve in purpose over time or offer direct utility to their holders. In this context, NFT can parallel membership cards or tickets, granting access to events, exclusive merchandise, discounts, and even serving as virtual keys to online spaces that foster interaction among holders. Furthermore, the transparency of the blockchain enables direct delivery of additional products to NFT owners. This imparts value to NFT holders beyond mere ownership and provides creators with a channel to nurture vibrant communities around their brands (Kaczynski, 2021).

Moreover, according to Reuter (2023) which is a well-known and trustable news, Thailand's government made the decision to exempt corporate income tax and value-added tax for firms engaging in the issuance of digital tokens for investment purposes. This move opens new avenues for companies to secure funding through investment tokens, diversifying their financing options alongside traditional methods like debentures. The government foresees a substantial influx of investment token offerings, with an estimated total value of 128 billion baht (\$3.71 billion) expected over the next two years, according to Rachada. However, it's worth noting that this tax exemption is anticipated to result in a reduction of government tax revenue, amounting to 35 billion baht.

## **CHAPTER THREE: METHODOLOGY**

### **3.1. Research Design**

This study's research methodology is a combination of quantitative and qualitative methods. This extensive approach aims to give a thorough understanding of the topic. The initial phase involved an extensive desk review, facilitating an in-depth exploration of existing literature, industry reports, and relevant sources. This literature synthesis laid the groundwork for designing a targeted survey to gather primary data directly from the startup community. The survey, strategically crafted to encompass diverse dimensions, was distributed through multiple channels to ensure inclusivity and reach. Email correspondence reached out to potential respondents, leveraging the familiarity and convenience of this communication medium. Additionally, the survey gained visibility through various social media platforms, capitalizing on their widespread reach and engagement potential. The use of messenger platforms further augmented the accessibility and ease of response collection. This multifaceted distribution approach aimed to cast a wide net, capturing insights from a diverse range of startups, thereby enriching the overall research findings.

### **3.2. Data Collection**

A mixed-method approach combining desk review and surveys will be used in order to address first research question. The desk review will analyze reports and literature from authoritative sources such as Asia Development Bank, Startup Cambodia, Raintree Cambodia, Mekong Strategic Partners, and Techo Startup Center. The review will focus on keywords such as "Startup," "Startup Financing," and "Cambodia Startup Ecosystem" to gather insights into the availability of common sources of funding for startups in Cambodia. Additionally, an online survey will be conducted among a diverse group of startup founders and entrepreneurs to gather firsthand insights into their experiences and perceptions of accessing funding in Cambodia. For the second research question, a mixed-method approach will also be used, incorporating desk review and surveys. The desk review will involve an extensive analysis of existing literature and reports to identify challenges that technology startups encounter when accessing various funding sources. Simultaneously, an online survey will be administered to a varied set of startup

founders and entrepreneurs to gain firsthand opinions regarding their experiences and perceptions of obtaining funding. The last research question, the research will predominantly rely on a desk review methodology. Extensive review of scholarly articles, journal, report, and whitepapers will be conducted to understand the implementation of Non-Fungible Tokens (NFT) and Blockchain technology in assisting fundraising for the NID platform. The analysis will focus on the NID platform to elucidate the potential benefits and impacts of NFT and Blockchain on startup financing.



## **CHAPTER FOUR: FINDINGS AND DISCUSSION**

### **4.1. Findings**

#### **4.1.1. The Sources Of Funding For Cambodian Startups**

The startup ecosystem in Cambodia is thriving, bolstered by active support from both governmental bodies and various stakeholders. High-level policies and strategies, such as the Rectangular Strategy IV, National Strategic Development Plan (2019–2023), and the Industrial Development Policy 2015–2025, have been strategically crafted to address the unique challenges and opportunities within the startup and entrepreneurship landscape. An essential cornerstone of government support framework is the Cambodia Digital Economy and Society Policy Framework, spanning from 2021 to 2035. This ambitious policy aims to establish a vibrant digital economy and society, nurturing digital adoption and transformation across all sectors. Within this framework, entrepreneurship promotion and the development of a strong startup ecosystem are given strong emphasis. To facilitate this vision, multiple governmental initiatives have been rolled out. These encompass a diverse range of programs, including the Skills Development Fund, Entrepreneurship Development Fund, and SME Bank, which collectively provide startups with valuable resources and funding opportunities. Additionally, the Credit Guarantee Corporation of Cambodia (CGCC) offers a safety net for startups seeking financing, contributing to a more favorable investment landscape.

The Ministry of Economy and Finance (MEF) is a pivotal player in catalyzing startup growth. Under its purview, entities like Khmer Enterprise (KE), the Techo Startup Center (TSC), and the Startup Cambodia National Program have been established to nurture early-stage startups. These initiatives encompass a comprehensive range of support, from incubation and acceleration programs to fostering a conducive regulatory environment for startups. Non-governmental organizations (NGOs) also contribute significantly to the startup ecosystem. Their involvement is manifested through mechanisms such as coworking spaces, incubation and acceleration programs, mentorships, and events that connect startups with domestic and international markets. By fostering collaboration, knowledge exchange, and exposure, NGOs further enhance the growth prospects of startups. In 2019, Cambodia had about 20 private equity and venture capital firms. With the increase in startups, some VC firms diversified to invest in them. Most VC firms

focus on startup investment readiness regardless of the sector due to the early stage of many startups. This broad approach helps them find qualified startups for investment. Even VC firms from outside Cambodia invest in the country's startups. Between 2015 and 2021, over 25 startups secured investment from various sources. Publicly disclosed deals were 14 in 2018 and at least 19 by 2021. By late 2021, funds raised by startups from local and international investors totaled over \$20 million. Funds from large companies and grants are also accessible.

**Table 1: Venture Capital Firms And Investors Targeting And Investing With Startups**

No	Organization	Investment Type	Business Sectors Targeted
1	Mekong Strategic Partners (including Smart Axiata Digital Innovation Fund)	Venture capital (VC)	<ul style="list-style-type: none"> <li>• Targets startups in all sectors</li> <li>• Invests in greentech, agritech, and edtech</li> </ul>
2	OOCTANE	VC and private equity (PE)	<ul style="list-style-type: none"> <li>• Targets startups and small and medium-sized enterprises (SMEs) mainly in logistics, e-commerce, financial services, and real estate but open to opportunities for healthtech, greentech, and edtech.</li> <li>• Invests with startups in delivery sector (B2B Cambodia 2021).</li> </ul>
3	Uberis Capital	VC and PE	<ul style="list-style-type: none"> <li>• Targets startups in the agriculture, energy, and life improvement (health and education) sectors.</li> <li>• Invests with startups in grocery and fresh produce distribution (fruits and vegetables) business (Firm, 2021).</li> </ul>

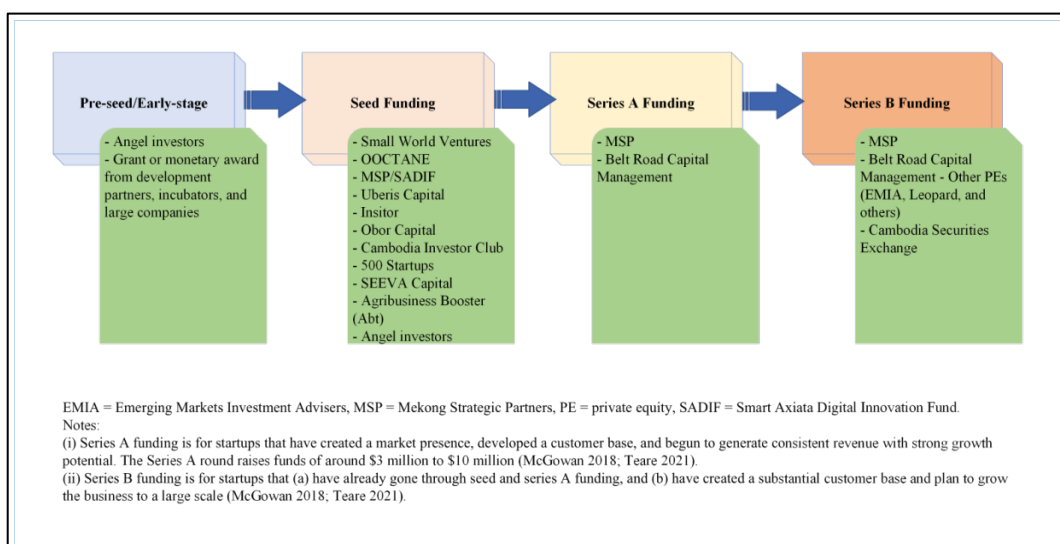
4	Insitor	VC and PE	<ul style="list-style-type: none"> <li>• Targets startups and SMEs in clean energy, health, education, housing, and water.</li> <li>• Invests with startups in transportation booking.</li> </ul>
5	Agribusiness Booster (Abt)	VC	<ul style="list-style-type: none"> <li>• Targets startups (between 1 and 2 years of operation) in the agriculture sector.</li> <li>• Invests with agribusiness and energy startups.</li> </ul>
6	Small World Venture	VC	<ul style="list-style-type: none"> <li>• Targets startups (between 1 and 2 years of operation) in the agriculture sector.</li> <li>• Invests with agribusiness and energy startup.</li> </ul>
7	Cambodia Investor Club	-	<ul style="list-style-type: none"> <li>• Targets startups (between 1 and 2 years of operation) in the agriculture sector.</li> <li>• Invests with agribusiness and energy startup.</li> </ul>
8	CorCo	Angel investor	<ul style="list-style-type: none"> <li>• Targets agritech and tourism startups.</li> <li>• Invests with startups in transportation booking.</li> </ul>
9	OBOR Capital	VC	<ul style="list-style-type: none"> <li>• Targets startups in all sectors.</li> <li>• Invests with startups in logistics, retail business, transportation booking, and pet care.</li> </ul>
10	SEEVA Capital	PE	<ul style="list-style-type: none"> <li>• Targets “fast-growing and market-leading companies”.</li> </ul>

11	500 Startups	VC	<ul style="list-style-type: none"> <li>• Targets startups in all sectors.</li> <li>• Invests with startups in digital entertainment and real estate.</li> </ul>
12	Belt Road Capital Management	PE	<ul style="list-style-type: none"> <li>• Invests with startups and SMEs in real estate sector and open to opportunities in health care and education (The Phnom Penh Post 2018).</li> <li>• Invests with startups in digital entertainment and real estate.</li> </ul>
13	Mistletoe Inc, based in Japan	-	<ul style="list-style-type: none"> <li>• Invests with agri-startups.</li> </ul>
14	iSGS Investment, based in Japan	-	<ul style="list-style-type: none"> <li>• Invests with agri-startups</li> </ul>

Sources: ADB (2022), MSP and Raintree Development (2019)

Addressing investment for early-stage startups (Pre-Seed and Seed Funding Rounds), there exist limited funding sources within Cambodia. Many startups at this phase encounter difficulties securing funding from VC firms. In the absence of a minimum viable product, some rely on pre-seed capital from personal resources or funding garnered through pitch competitions or hackathons. Notable local players include the Smart Axiata Digital Innovation Fund and OOCTANE. The Smart Axiata Digital Innovation Fund, initiated in 2017 as a \$5 million VC fund, receives backing from Smart Axiata, Forte Insurance, and Mekong Strategic Partners. In addition to the local crowdfunding platforms, Cambodian startups also explore funding options through international crowdfunding platforms. Notably, Australian platforms like Pozible and Birchal facilitated fundraising for the Cambodian greenstartup, Okra Solar.

**Figure 3: Investment Availability By Types Of Venture Capital Firms**



*Source: ADB (2022)*

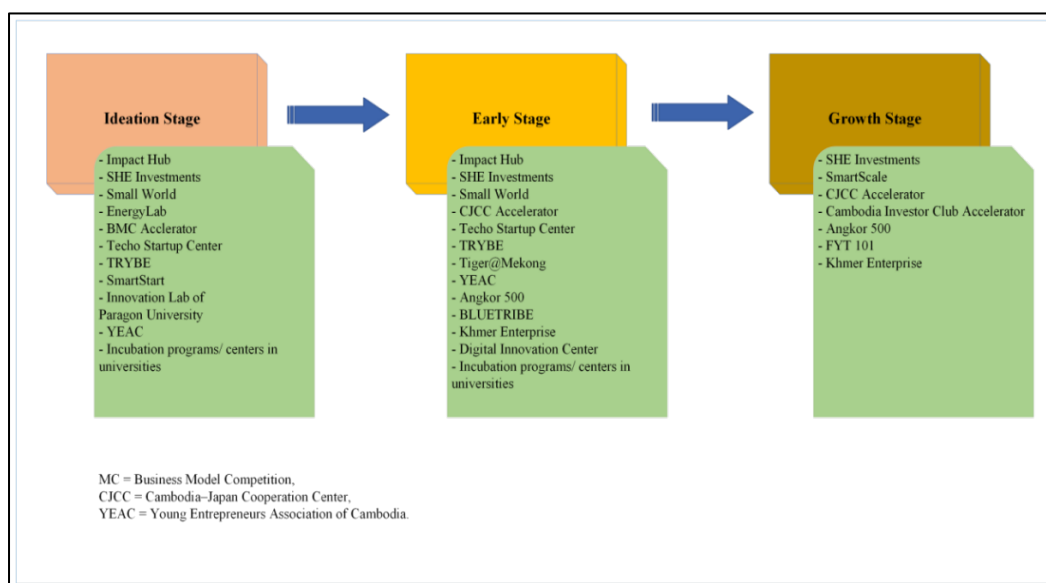
The Cambodian landscape boasts around 30 incubators and accelerators, spanning government, university, and donor programs, all dedicated to nurturing startups. While some focus on startups specifically, others cater to startups across various domains. These incubators and accelerators provide a suite of resources including training, mentorship, networking avenues, seed funding through grants, and connections to potential investors. Often, startups with outstanding solutions secure prize money, usually from pitch competitions, ranging from \$3,000 to \$10,000. This initial infusion of funds serves as valuable seed capital to propel their ventures forward. To bridge existing gaps and elevate investment readiness, KE collaborates with Obor Capital, jointly bolstering startup and SME capabilities in financial management, business projections, and fundraising. Collaborations such as Impact Hub's partnership with UNDP yield innovative programs like the Business Mentoring Certification Program. This initiative focuses on enhancing the mentoring process by developing guidelines and curricula, enriching the support startups receive. The services provided by these incubators and accelerators exhibit similarity between sector-specific and non-sector-specific programs.

**Table 2: Investment Organization And Its Investment Allocation For Startups In Cambodia**

Investment Organizations	Type of Venture Firm	Value of investment fund (USD)	Year
Venture Capital (VC)	VC	5K – 500K	-
Smart Axiata Digital Innovation Fund	VC	5 million	2017
OCTANE	VC	55 million	2018-2019
CorCo	Angel Investor	10K – 100K	2016-2019
Pitch Competition	Prize Money	3K – 10K	-

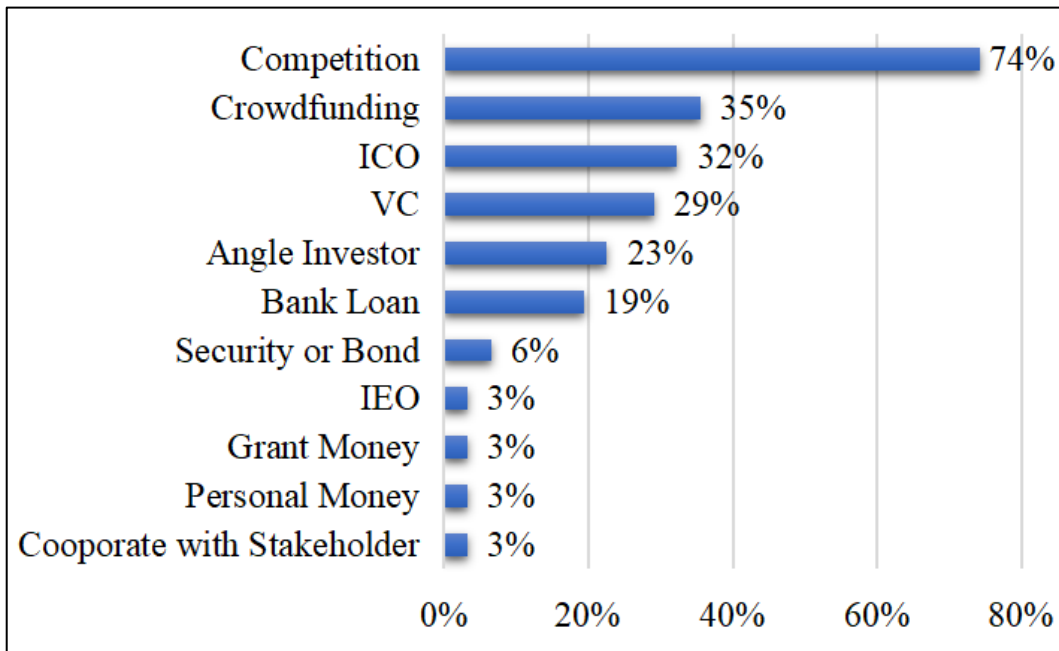
Source: ADB, Cambodia Angel Investor Network (2019)

**Figure 4: Supporting Organizations By Stage Of Startups**



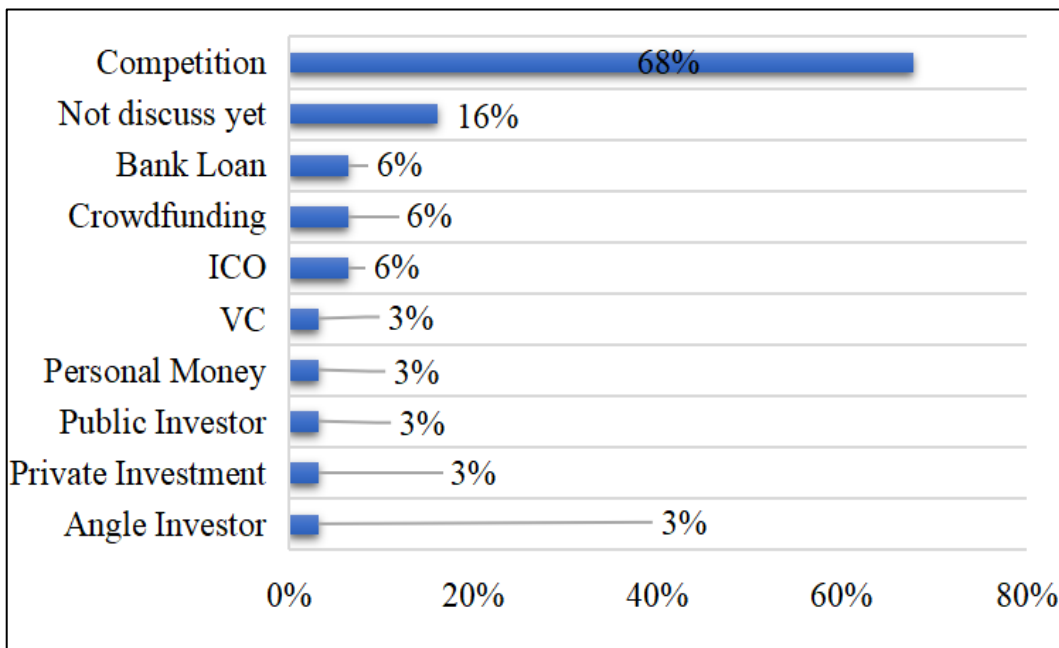
Source: ADB (2022), Development and Innovation (2018)

**Figure 5: Funding Source Preferability**



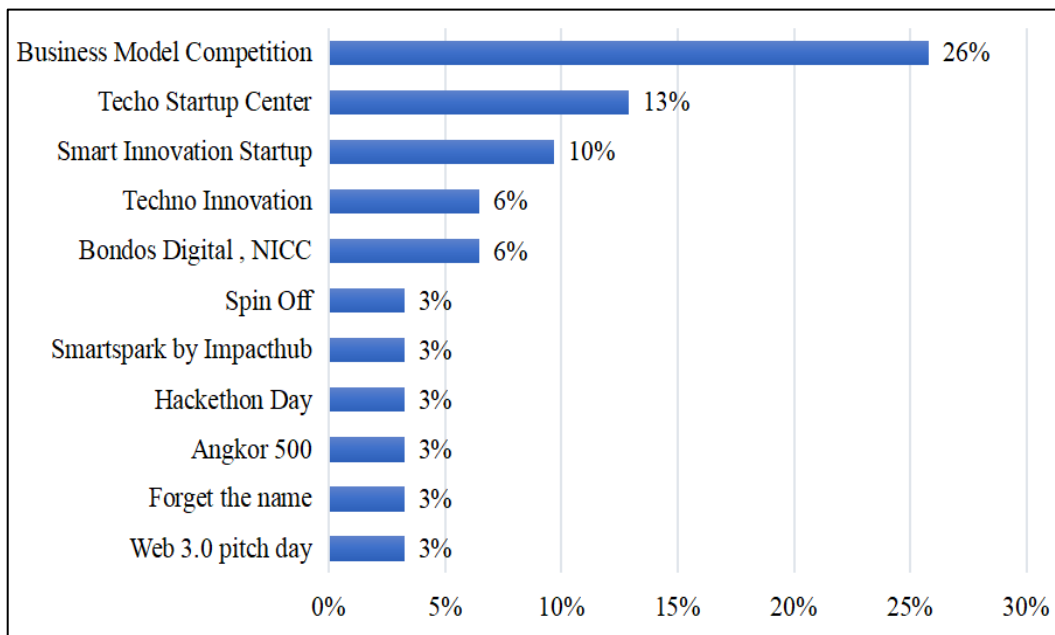
*Source: Author's Survey*

**Figure 6: Sources Of Fund That Startups Have Accessed To**



*Source: Author's Survey*

**Figure 7: Name Of Specific Program That Startups Approached**



*Source: Author's Survey*

#### **4.1.2. Challenges Faced By Start-Ups In Obtaining Funding**

While there is strong interest and funding allocation available for startup investments from individuals, corporations, and institutions, startups confront barriers in accessing these funds due to their initial phase of development and technological uncertainty. Despite these funding opportunities, only 1 in 10 startups have reported receiving some level of strategic investment from corporate entities or venture capital funds. This further emphasizes the difficulty startups encounter in securing financial support for their growth and development (Raintree Cambodia, 2018). Even for startup founders who initially rely on self-financing to kickstart their ventures, the importance of accessing external funds and support cannot be overstated. While personal funding has shown the founder's commitment and confidence in their idea, it commonly results with scale and sustainability limitations. External funds, whether from investors, grants, or loans, provide startups with the financial resources they need to fuel growth, expand operations, and sustain market competitiveness. Besides that, aid in the form of mentorship, networking opportunities, and industry expertise can be extremely beneficial for startups navigating the complexities of the tech ecosystem. By seeking external funding and



support, startup founders can leverage resources beyond their initial capital, ultimately increasing their chances of long-term success and innovation.

**Table 3: Challenges Of Startups To Scale In The Startup Stage**

<b>Startup Stage</b>	<b>Support Programs</b>	<b>Source of Funds</b>	<b>Challenges</b>
Ideation stage	Competition, hackathon, and pre-incubation	Bootstrapping and prize award	Composition of founding team & team commitment
Early stage	Incubation	Angel investors, venture capital firms, crowdfunding, and prize award (from incubation programs)	Product–market fit, Limited technical and business skills, Limited information, Limited capital, Team commitment
Growth stage	Accelerator	Private equity, initial public offering, and crowdfunding	Technology upgrade & Limited capital

*Source: ADB (2022)*

Conversely, startups encounter diverse challenges contingent upon their specific growth stage. Numerous startups in their initial stages expressed challenges in sourcing funds, whereas those without funding resorted to prize money from pitch competitions and bootstrapping, drawing from personal funds or contributions from family and friends, to initiate their endeavors. Founders sometimes forgo salaries, and some bypass office rental expenses by operating from their homes. Additionally, some early-stage startups possess limited comprehension of financial forecasts and business planning, which, when absent, often results in a scarcity of operational capital and serves as an impediment to business expansion. Even when enrolled in an incubation program, early-stage startups lacking professional experience exhibit insufficient know-how in devising business and revenue models, alongside inadequate business and entrepreneurship competencies. However, these shortcomings hold less significance for individuals with prior business management experience. Investors are inclined towards startups boasting a promising business

model and a robust team. These startups encounter limitations stemming from time constraints and a shortage of dedication to advancing their concepts, particularly when confronting the uncertainties of business operations. Some founders find it challenging to strike a balance between their professional or educational commitments and the progression of their ventures. An unfamiliarity with tax regulations presents a stumbling block for both early and growth-stage startups. In fact, tax compliance ranks among the primary reasons why technology startups choose not to formalize their businesses. The scarcity of acceleration programs and inadequate support networks for startups in the growth stage serve as additional obstacles to achieving scalability. Furthermore, the absence of a makerspace (a space for idea development, design, and prototyping) and a culture that stigmatizes failure (as noted by Impact Hub) also place constraints on startups.

The author's survey of 31 Cambodian startup founders offered invaluable firsthand insights that are critical for understanding the numerous hurdles faced by entrepreneurs in their search of funding from various sources. The survey includes a comprehensive dataset that covers various critical features. The overwhelming presence of companies in Phnom Penh, accounting for 94% of respondents, raises significant questions concerning regional discrepancies in entrepreneurial prospects and access to resources. This concentration may have far-reaching consequences for entrepreneurs outside of the capital, prompting a more nuanced analysis of the ecosystem's inclusiveness. Furthermore, the prevalence of tech startups among the polled founders (94% vs. 6% non-technology startups) highlights the Cambodian entrepreneurial landscape's technical thrust. The data regarding team size, with 74% of startups having 3 to 7 members and 26% having 8 to 15 members, presents a glimpse into the operational capacity and human resource dynamics of these ventures. Analyzing the relationship between team size and fundraising success could unveil the significance of team composition in securing financial support. Startup age, as indicated by the survey, is another dimension that merits deeper scrutiny. With 58% of startups in their nascent 1-2 year phase and 26% in the 3-4 year range, this information calls for an examination of the funding challenges that startups face at various stages of their development. Early-stage startups, in particular, may confront distinct hurdles that necessitate tailored interventions.

The diversity of industries represented among respondents, spanning agriculture, environment, tourism, education, media, real estate, e-commerce, digital identity, food, renewable energy, and smart city sectors, highlights the eclectic entrepreneurial landscape in Cambodia. This observation underscores the importance of exploring alternative funding mechanisms and early-stage support programs to nurture these startups through their critical initial phases. Further, survey results provide valuable insights into the funding preferences of startups in the near future. Competition prizes emerge as the most preferable funding source, with a substantial 74% of startups expressing interest in this avenue. This preference underscores the importance of participation in entrepreneurship competitions and contests that offer not only recognition but also financial rewards. Startups are keen to leverage these opportunities to secure both validation and initial funding. Crowdfunding follows closely, with 35% of startups expressing a desire to explore this funding option. Crowdfunding platforms have gained prominence globally as a means of raising capital from a broad audience of supporters. With 32% of startups considering ICOs as a source of funding, they also make a notable appearance in the survey. ICOs involve issuing cryptocurrency tokens to raise capital, and this avenue is becoming increasingly relevant, particularly in the tech and blockchain sectors. Venture capital remains an attractive option, with 29% of startups indicating their interest. Despite being relatively less established in Cambodia compared to other regions, venture capital funding is sought after by startups looking for substantial investments and strategic support (figure 5).

In terms of the funding amount sought by startups, the survey reveals a balanced distribution. Approximately 32% of startups are seeking funding up to \$5,000, indicating a prevalent need for smaller initial investments to kickstart their ventures. An equivalent 32% are looking for funding in the range of \$5,000 to \$10,000, indicating that a significant proportion of startups are ready to scale up with slightly larger capital injections.

**Table 4: Amount Of Fund Startups Demand**

No	Amount of Fund	% of Total Respondent
1	0 - 5K	32%
2	5K - 10K	32%
3	20K - 50K	10%
4	10K - 20K	6%
5	100K - 500K	6%
6	50K - 100K	3%
7	Not sure yet	10%

*Source: Author's Survey*

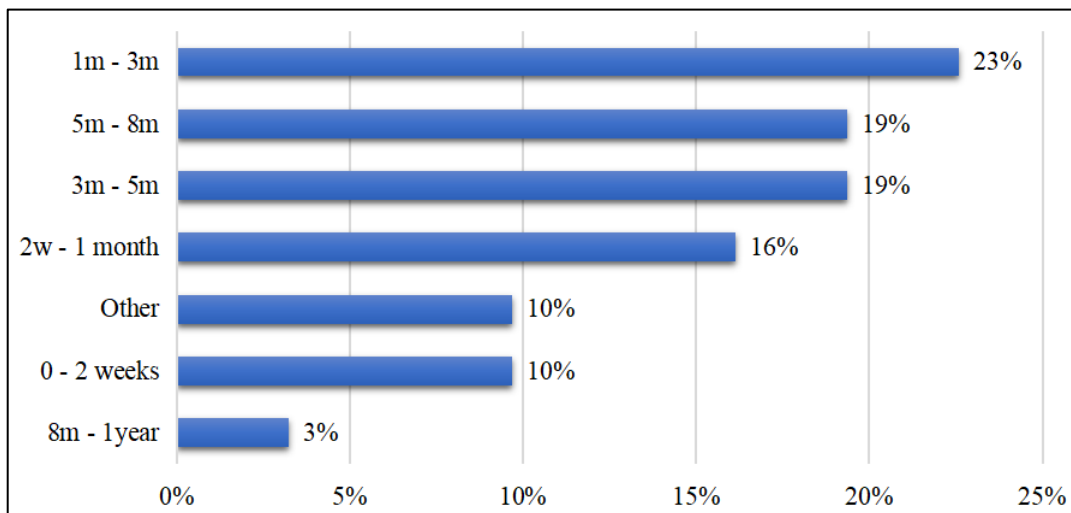
In the landscape of funding sources that startups have actively pursued, competition prizes continue to hold a prominent position, with a significant 68% of respondents indicating their participation in competitions as a means to secure funds. Entrepreneurship competitions not just to offer prize money but also fruitful networking, mentoring, and recognition opportunities. Startups perceive these competitions as a strategic entry point to validate their ideas and secure essential capital to advance their ventures. In this study, 6% of participants claimed to have used sources of funding like bank loans, crowdfunding, or initial coin offerings (ICOs). Bank loans, while less favored than competition prizes, remain a traditional funding source, particularly for startups with more established financial track records or collateral. On regardless of the fact other hand, crowdfunding is still being considered as a viable option, that fewer startups use it actively. Crowdfunding platforms allow startups to tap into a broader investor base, potentially raising smaller amounts from a diverse pool of supporters. Similarly, ICOs, although less common, showcase the growing relevance of blockchain technology and cryptocurrency-based fundraising methods among certain startups. The predominance of competition prizes suggests that startups in Cambodia highly value the benefits associated with such programs, including cash injections, mentorship, and the opportunity to refine their business models through rigorous competition. However, the presence of other funding sources like bank loans, crowdfunding, and

ICOs indicates a diverse funding landscape in which startups can explore various options based on their specific needs and circumstances (figure 6).

Startups in Cambodia have been forthcoming about the specific programs they have applied to in their pursuit of funding. Among the named programs, Business Model Competition (BMC) emerges as the most prominent, with a notable 26% of respondents citing their involvement in this initiative. BMC is evidently a favored platform among startups, known for its structured approach in helping entrepreneurs refine their business models and presenting opportunities to attract investment. Events and competitions hosted by Techo Startup Center also feature prominently, with 13% of startups highlighting their participation in these programs. Techo Startup Center has established itself as a valuable hub for fostering entrepreneurship in Cambodia, offering events and competitions that serve as vital opportunities for startups to showcase their innovations, gain exposure, and access funding. Smart Innovation Startups, with 10% of respondents mentioning their participation, signifies another noteworthy program within Cambodia's startup ecosystem. This program has gained traction for its emphasis on driving innovation and supporting startups in their growth journey. Startup participation in competitions often demands a notable commitment of time and effort (figure 7).

According to the survey results, 23% of startups reported dedicating approximately 1 to 3 months to prepare for and participate in these competitions. Another significant portion, 19%, invested even more time, ranging from 5 to 8 months in these endeavors. Similarly, a segment of startups, 15%, allocated 3 to 5 months for their competition engagements. These figures underscore the rigorous preparation and engagement required to compete effectively and access funding opportunities through these programs. In contrast, a relatively smaller proportion, only 10%, indicated that they spent less than 2 weeks exploring investment opportunities and external sources of funds.

**Figure 8: Duration Taken When Obtaining External Funds**



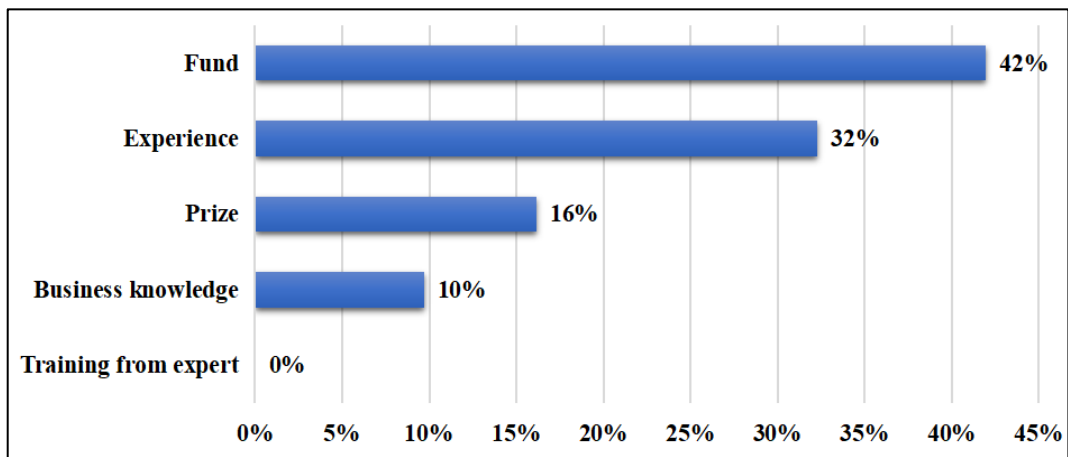
*Source: Author's Survey*

Interestingly, there appears to be a notable disparity between startups' expectations and outcomes when it comes to obtaining funds through competitions. A significant 42% of respondents expressed an expectation of securing funding by participating in these competitions. However, the actual results tell a different story, with only 16% of respondents confirming that they had indeed secured both prizes and funds. This outcome underscores the competitive nature of these programs and the challenges associated with winning financial support. Nevertheless, most startups, or 84%, reported gaining valuable experiential knowledge through their competition engagements. While securing funds may not always be guaranteed, the experience acquired in refining their business models, pitching their ideas, and interacting with mentors and investors is considered a valuable asset. Startups in Cambodia encounter various challenges when seeking external funding, as highlighted by their responses in the survey (Figure 9&10).

A significant 29% of respondents identified the time-consuming nature of the process as a primary challenge. The process of identifying potential investors, pitching their ideas, and navigating the intricacies of securing external funding can indeed be a demanding and protracted endeavor. Intense competition emerges as another considerable hurdle, with 24% of startups indicating this as a challenge. The new start - up landscape has become much more competitive, with many ventures trying to compete for the attention of a small pool of investors. Limited availability

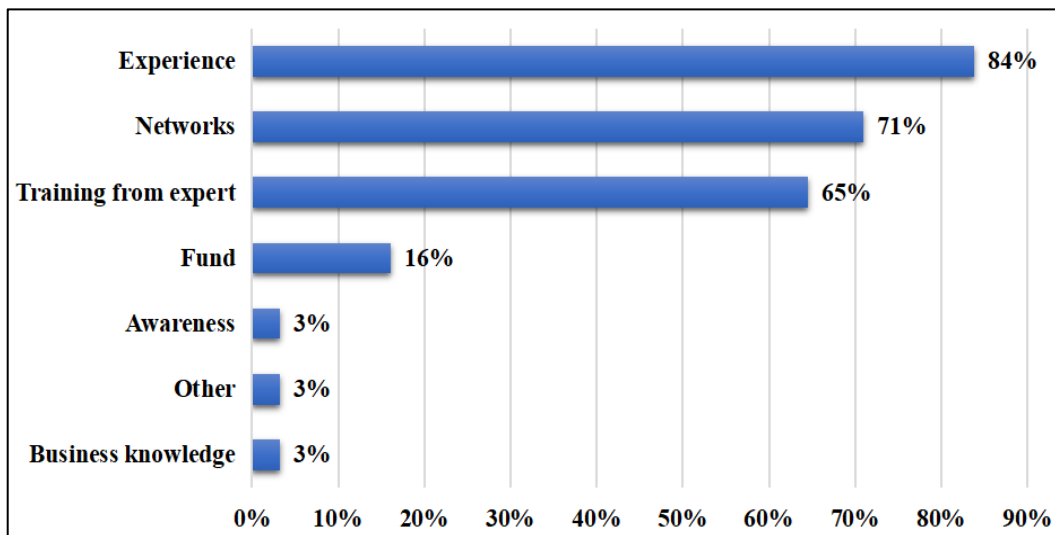
of investors is also a notable concern, with 19% of respondents expressing this challenge (Table 5).

**Figure 9: Startup Expectation**



*Source: Author's Survey*

**Figure 10: The Outcome**



*Source: Author's Survey*

**Table 5: Challenges Reported By Startup Founders When Accessing External Funds**

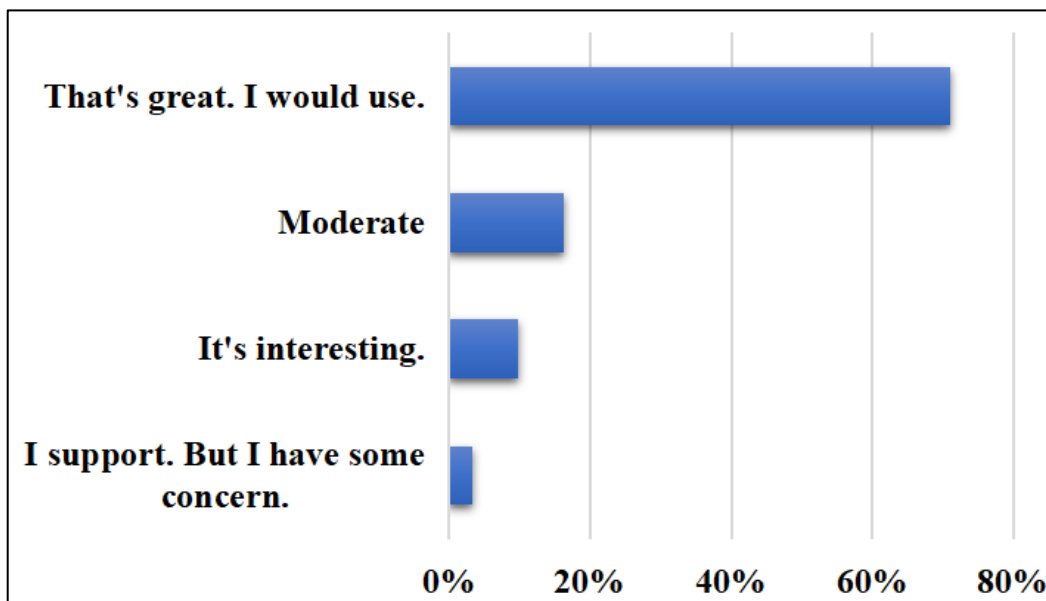
No	Challenges	% of Total Respondent
1	Time Consuming	29%
2	Intense Competition	24%
3	Limited Investor	19%
4	Unfair Judgement	14%
5	Restricted Process	10%
6	No Transparency	4%

*Source: Author's Survey*

While Cambodia's startup ecosystem has been growing, the pool of investors, especially those willing to support early-stage ventures, may still be relatively constrained. This highlights the necessity of efforts to broaden and diversify the investor base within the area. Interestingly, in figure 11, a significant 71% of startups expressed support for innovative approaches to obtaining funding, signaling a strong desire for novel and creative funding methods. This sentiment aligns with the broader global trend of exploring innovative financing avenues, including blockchain-based crowdfunding and tokenization. However, there is a minor note of caution, as 16% of respondents indicated a more moderate stance, suggesting they are open to innovation but not necessarily seeking radical departures from traditional funding methods. A small segment, 3%, expressed concerns related to new innovative funding methods, particularly regarding their effectiveness and potential regulatory challenges.



**Figure 11: Opinion On Alternative Way To Raising Fund Using Innovative Technolonogy**



*Source: Author's Survey*

Therefore, Cambodian startups encounter several challenges when seeking external funding, including time-consuming processes, intense competition, and limited investor availability. The startup ecosystem is dynamic, though, and there is a strong appetite for novel funding strategies. While startups are eager to embrace new methods, they also recognize the importance of balancing innovation with effective regulation to ensure the sustainability and security of these approaches.

#### **4.1.3. Blockchain And NFT Technology Facilitate Startups In Securing Funds**

The innate transparency of Blockchain can address the long-standing issue of trust in investment transactions. Every contribution made, every transfer of ownership, and every allocation of funds can be recorded on the decentralized ledger, accessible to all relevant parties. This transparency assures investors of the legitimacy of the fundraising process and the appropriate use of funds (Swan, 2015). In this context, Blockchain's immutable records provide an auditable trail, enhancing accountability and mitigating the risk of fraud (Tapscott & Tapscott, 2016). Blockchain's immutable ledger ensures transparency. Every transaction is recorded, creating an unalterable trail of ownership. Investors can verify the legitimacy of their

NFT-based shares, eliminating fraud and mistrust. Startups benefit from the transparency too, as they can attract investors with a clear and trustworthy system. Startups can even assure investment funds at various stages of development by leveraging blockchain technology and the issuance of tokens and non-fungible tokens (NFT). At the seed stage, which typically involves early development and proof of concept, startups can leverage blockchain technology as a crowdfunding mechanism. Startups can attract early adopters, supporters, and potential investors who share their vision and are willing to make changes to their progress by issuing tokens or NFT that represent future products, services, or equity.

Moving into the early stage, where startups have a minimum viable product (MVP) and are seeking further investment, blockchain technology can be employed to tokenize their assets or equity. With such a tokenization method, startups can offer fractional ownership, allowing smaller investors to participate in funding rounds. By issuing tokens or NFT that represent shares or ownership rights, startups can expand the amount of investors they have access to as well as the liquidity of their raising funds. Initial Coin Offerings (ICOs) and Security Token Offerings (STOs) can be conducted out to use blockchain technology once a startup has gained traction and developed its operations. These methods of fundraising involve issuing utility tokens or security tokens that represent specific rights or benefits within the startup's ecosystem. Startups can obtain funding through ICOs or STOs from a global pool of investors who acknowledge the potential value of their tokens and trust in their company's growth prospects. Even established startups with a substantial user base and revenue streams can explore the potential of blockchain technology. By issuing NFT that represent unique digital assets or products, these startups can tap into the scarcity and provenance features of NFT. This opens up new revenue streams, such as selling digital collectibles or offering exclusive access to premium content or services. Investors who are intrigued by the potential value and growth of these distinctive digital assets can be attracted to such offerings (Ghezzi, 2023).

It is pivotal to highlight that the decision to adopt blockchain technology should be influenced by the particular conditions and opportunities of every startup. Although some startups may consider it favorable to implement blockchain

technology slightly earlier on, others may find it more appropriate to investigate it later on. When determining the effectiveness and applicability of blockchain technology for a specific startup, factors such as industry, target market, scalability requirements, and the regulatory environment must be properly examined (Szczukiewicz, 2021).

#### **4.1.4. How Blockchain Technology And NFT Assist The NID Platform Obtaining Funds**

NID is an ID management system that allows users to create a digital ID in the form of NFT that stores varieties of identical numbers including national ID card, bank accounts, utility bill IDs, phone number, email address, and many more all together in one place. NID enables users to create a digital ID that can be used to connect all of the important information mentioned above in one place. Being able to create unique digital ID based on users' preferences and store all the important identity's information secured in a newly digitized ID software, users are no longer required to care about losing and forgetting them, or even confronting any inconveniences of holding many IDs anymore. NID stands for NFT based digital ID. NFT-based digital identity empowers individuals to control and manage their identity-related information. They can grant or revoke access to specific attributes of their identity to various platforms and services, enhancing privacy and data ownership.

The core concept revolves around the acquisition of an NFT representing the NID, which then serves as a versatile and powerful key to connect with multiple accounts across the user's daily digital life. To facilitate the realization of this groundbreaking startup, NID leverages the concept of a "utility token." This token, enabled by smart contracts and blockchain technology, plays a pivotal role in granting users access to a wide array of services and products within the NID ecosystem. Essentially, it acts as a digital currency, seamlessly facilitating transactions and interactions on the platform. The utilization of blockchain technology is instrumental in the creation and management of these utility tokens. Blockchain offers several advantages that are paramount to NID's functionality and credibility. First and foremost, blockchain enables transparency and immutability. Transactions and token ownership are recorded on a decentralized ledger, ensuring

the integrity and security of user data and token holdings. This transparency builds trust among users, fostering confidence in the system's operations. Secondly, the use of smart contracts on the blockchain automates various processes within the NID platform. These self-executing contracts enable the seamless creation, transfer, and management of utility tokens. Additionally, they can enforce rules and agreements, enhancing the efficiency and reliability of transactions.

Furthermore, blockchain technology enhances the security of user data and digital identities. The risk of centralized data breaches is reduced by distributing data across a decentralized network. This aligns with the fundamental principle of data privacy and protection, a paramount concern in the digital age. In terms of fundraising, NID can leverage blockchain technology and the creation of its utility token to raise funds through methods like Initial Coin Offerings (ICOs) or token sales. These fundraising mechanisms allow NID to access a global pool of potential investors and supporters, transcending geographical limitations. By offering utility tokens to investors, NID can secure the necessary capital to further develop and expand its platform. The efficiency, security, and accessibility of blockchain-based fundraising make it a desirable option for startups looking to realize groundbreaking concepts like NID. In addition to utility tokens, NID offers NFT as part of its fundraising strategy. This innovative approach offers a unique way for NID to secure the necessary funds to develop and advance its groundbreaking project. By selling NFT, NID can generate revenue by offering investors the opportunity to acquire these unique digital assets. NFT are unique digital assets, and their scarcity can drive demand. NID can create NFT that represent exclusive access, privileges, or digital collectibles related to its platform. These NFT provide investors with a stake in the project as well as a digital asset with underlying asset. By issuing NFT, this will promote community engagement with early adopters and supporters. Investors who purchase NFT often become advocates for the project, promoting it within their networks. This community engagement can extend the project's reach and attract more users. Blockchain and NFT especially allow for a secondary market. On the secondary market for NFT, investors can commonly buy, sell, and trade these digital assets. This liquidity can enhance the appeal of NID's NFT offerings, as investors may view them as both an investment and a collectible.

NFT will provide exclusive benefits to early investors and support. NID can offer exclusive benefits or rewards to NFT holders. For instance, NFT holders might receive early access to new features, premium customer support, or special privileges within the NID ecosystem. These perks can incentivize NFT purchases. NFT offer a canvas for creativity. NID can collaborate with artists, designers, or creators to craft unique NFT that resonate with the blockchain and crypto community. The artistry and creativity associated with these NFT can attract a wider audience of investors. Moreover, NFT have a global appeal, allowing NID to tap into a diverse pool of potential investors from around the world. This global reach can be especially beneficial for a project with an innovative and forward-looking vision like NID. To sum up, NFT provide NID with a multifaceted fundraising tool that combines uniqueness, community engagement, and the potential for secondary market trading. By offering NFT to early adopters and investors, NID can not only secure funds for development but also foster a passionate community of supporters and advocates. This approach aligns with the spirit of innovation and decentralization that characterizes the blockchain and NFT space, making it a compelling choice for projects like NID seeking to redefine digital identity management.

#### **4.1.5. NID Token Bound Account Indirectly Promote Startups**

NID enables a function as an NFT that can be intricately linked or "bound" to other NFT. This unique characteristic opens a realm of possibilities, particularly in the context of supporting startup projects. Imagine a scenario where investors receive NFT as a representation of their support for various startup projects. These NFT might symbolize ownership stakes, early access to products, or other benefits tied to the startup's growth journey. At the same time, with the advent of NID, these individual NFT can be bound or linked to the NID. By binding an investor receiving NFT to the NID, several advantages emerge. Firstly, the value of the NID increases as it accumulates these connected NFT. This is because the NID essentially becomes a composite of all the associated NFT, embodying a digital portfolio of the investor's engagements and contributions to multiple startup projects. Moreover, this interconnectedness has implications for participation in the secondary market. The

NID, enriched with a bouquet of NFT from various startup endeavors, becomes an attractive and multifaceted asset. Investors can trade or sell the NID, unlocking a secondary market for these composite NFT identities. The value proposition is clear that investors are not just trading individual NFT but an entire narrative of their involvement in the startup ecosystem.

NID indirectly helps startup projects raise money from investors. The NFT bound account function provides investors with a variety of options to support projects that are in line with their preferences while increasing the value of the NFT for investors. Investors have the option to link NFT they receive from these startup projects with their NID. It creates a direct connection between the investors' NID accounts and the NFT they own, resulting in a win-win situation. By combining NFT and NID, investors can now take advantage of additional features and benefits within the NID ecosystem. Opportunities for greater visibility and interaction with potential investors are created by NID's promotion of startup projects and partnerships. Startups that partner with NID give investors a wealth of opportunities to access services on the NID platform, fostering a dynamic ecosystem that is advantageous to both investors and startups.

## **4.2. Discussion**

This study addresses a critical issue in Cambodia's startup ecosystem, namely the limited accessibility of funding information. By giving a thorough overview of the various funding sources available to Cambodian startups, the research aimed to complete this research gap. Additionally, it delves into the specifics of the investment landscape, offering insights into the amounts allocated by organizations and venture firms in different years. As a result, the research demonstrates startups with the information to make informed decisions about their funding strategies. This represents a significant contribution to the entrepreneurial landscape in Cambodia, as access to funding information is a fundamental requirement for the growth and success of startups. Startups in Cambodia face a myriad of challenges, with a prominent one being the scarcity of skilled team members and, most critically, a lack of funds. The fundamental problem often lies in the struggle to secure the necessary capital to scale and kickstart their businesses.

This challenge can be attributed to various factors, including a lack of collateral and a limited track record of cash flow history. The study, through a survey of 31 startup founders in Cambodia, underscores the multifaceted nature of the funding challenge. It reveals that startups encounter several hurdles when attempting to access funding sources. The author's survey revealed the following key challenges: time-consuming, intense competition within the startup ecosystem, and a scarcity of available investors. These challenges collectively hinder the ease with which startups can obtain the vital funds they require to thrive.

In response to these challenges, this study presents an alternative approach to attracting investment and seeking funding utilizing blockchain technology and NFT. For instance, the NID platform, an identity management system, leverages this technology to issue NFT and tokens, appealing to early adopters and investors for project development. This approach offers numerous advantages to NID, positioning it as an innovative startup within the Cambodian ecosystem. The rich utility of its products and services, enabled by blockchain, significantly enhances its appeal to potential investors. However there are several key considerations for startups when decide to utilize blockchain technology for fundraising. Having a clear business plan highlighting key their business model, market position, pricing structure, and business strategy is a great starting point for startups. This plan should articulate how the adoption of blockchain technology and the issuance of tokens or NFT will enhance their business model and provide value to investors. Additionally, startups must understand and comply with the legal and regulatory requirements associated with blockchain technology, token issuance, and fundraising activities in their jurisdiction. In order to remain compliant with securities laws, anti-money laundering instructions, and know-your-customer standards, legal experts may be approached. When designing tokens or NFT, startups should carefully consider their purpose, utility, and value proposition. Tokens should have a clear use case within the startup's ecosystem, providing tangible benefits to token holders. NFT, on the other hand, should represent unique and scarce digital assets that hold inherent value or appeal to a specific market. Establishing a robust technical infrastructure is crucial for startups engaging in blockchain-based fundraising. This includes choosing an appropriate blockchain platform or protocol, developing secure smart contracts for token/NFT issuance, and implementing reliable storage solutions for private keys

and user wallets. On top of that, security measures should be a top priority for startups utilizing blockchain technology. Implementing best practices such as multi-factor authentication, encryption, regular security audits, and secure key management procedures are essential to safeguard the blockchain infrastructure.

To create awareness and attract potential investors, startups need to develop a comprehensive marketing and investor outreach strategy. In order to do this, compelling messaging must be generated, social media platforms would be used, industry events must be participated, and community members and potential investors must be actively involved. Transparency and investor protection should be paramount when issuing tokens or NFT. Startups should provide clear and accurate information about the project, conduct thorough due diligence, and implement mechanisms to ensure fair distribution and liquidity of tokens or NFT. Following the token or NFT issuance, startups should establish ongoing governance mechanisms to ensure compliance and transparency. This may include setting up a community governance structure, conducting regular reporting and audits, and actively addressing concerns and feedback from supporters or investors. Blockchain technology provides NID with a gateway to a global pool of investors, who can contribute varying amounts, from small to large, to support the project. It introduces transparency informed the investment process by maintaining all parties on the project's progress and financial transactions.

Moreover, token holders, including NFT holders, gain access to decentralized finance opportunities, eliminating the need to wait for project success before realizing returns. This feature provides liquidity for investors, fostering a more dynamic investment environment. Furthermore, NID's establishment of a secondary market for NFT opens up new possibilities for both startup projects and investors. Users and investors can monetize their NFT holdings, unlocking additional value. This innovative approach not only benefits NID but also contributes to the evolution of funding mechanisms within the Cambodian startup ecosystem. Overall, the study highlights how blockchain and NFT can be harnessed to address the challenges of funding accessibility, fostering innovation and growth in Cambodia's entrepreneurial landscape. Despite the promises, this innovative approach to fundraising comes with its share of challenges. The regulatory landscape surrounding NFT and cryptocurrencies is evolving and must be navigated cautiously



(Chohan, 2021). Additionally, the volatile nature of cryptocurrencies, often utilized in NFT transactions, introduces an element of risk that startups and investors alike must contend with. Furthermore, helping to ensure that investors have a strong understanding of NFT and the related technology is critical to facilitating their direct engagement (Lin, 2021).

## **CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS**

### **5.1. Conclusion**

This research delves into the intricate landscape of startup financing in Cambodia, highlighting the challenges that startups encounter when accessing funds and exploring the potential role of NFT and blockchain technology in facilitating this process by taking the NID platform as an illustration. The exploration into investment availability illuminated the existing gaps in information dissemination. By recognizing the significance of information on funding sources, eligibility criteria, and application processes, the research emphasizes the need for a more accessible and centralized platform that consolidates this crucial data. Such a platform can empower startups to explore diverse funding avenues, fostering a more inclusive and supportive ecosystem for entrepreneurial ventures in Cambodia. These results open the door for a more dynamic and long-lasting startup ecosystem that promotes collaboration, growth, and innovation for the country. These innovative technologies offer increased visibility, transparency, and global reach for startup funding efforts.

By tokenizing ownership stakes and creating interconnected digital identities, NFT provide a novel approach to engaging investors. This approach not only enhances transparency but also transforms the investment process into a collaborative and community-driven endeavor. As startups bind NFT to identities and participate in secondary markets, their reach extends beyond traditional funding circles, enabling them to tap into a broader pool of investors from around the world. In conclusion, the research has not only highlighted the challenges in investment availability within Cambodia's startup ecosystem but has also unveiled the promising potential of NFT and blockchain technology to overcome these challenges. By fostering accessible information dissemination and embracing cutting-edge technology, the startup landscape in Cambodia can witness increased visibility, transparency, and engagement on a global scale. These results open the door for a more dynamic and long-lasting startup ecosystem that promotes collaboration, growth, and innovation for the country.

### **5.2. Recommendations**

The research findings have revealed two pivotal aspects that have the potential to contribute to the development of startup landscape in Cambodia. Firstly,

the study unearthed the intricate investment availability scenario for startups within the country. It shed light on the challenges startups face when seeking funds, emphasizing the importance of accessible information about funding opportunities. Secondly, the research spotlighted the transformative role of NFT and blockchain technology in facilitating startup financing. Therefore, the present study may provide recommendations as follow:

**Prioritize Education and Understand of Innovative Technology:** Entrepreneurs can learn to overcome the complexity of these technologies and make informed decisions for their startup ventures by devoting time and effort to learning, staying current, and participating in the community. Through interactions with experts, active participation in live webinars, workshops, and virtual events devoted to the chosen technology can facilitate deeper insights. Understanding any technology requires practical experience. Examine case studies and practical applications to gain insight into the various sectors that employ this technology. Mentors or professionals in the industry can also assist you.

**Conduct Thorough Due Diligence:** Investors should thoroughly research the startup's business model, market potential, team, technology, and financial health. Furthermore, investors should evaluate legal and regulatory compliance, solicit customer feedback, examine the competitive landscape, and comprehend the startup's exit strategy. Making educated investing decisions and reducing risks requires talking to legal and financial experts, diversifying your holdings, and getting professional assistance.

**Establish Clear and Adaptive Regulations for New Technologies:** Policymakers should do this to encourage collaboration among regulatory bodies, industry experts, and innovators in order to develop agile frameworks that can accommodate rapid technological advancements. These regulations should be based on principles and outcomes rather than specific technologies, ensuring inclusivity as new technologies emerge. Furthermore, regular reviews and updates, public participation, and international harmonization efforts are critical components in creating a regulatory environment that promotes innovation while protecting societal interests.

**Promote Innovation and Technical Knowledge:** Stakeholders in the ecosystem should prioritize advancing and promoting innovation and technical knowledge, as well as empowering startup founders and strengthening their ability to navigate the

difficulties of the startup ecosystem. Workshops, training sessions, and mentorship programs intended exclusively for startups can provide founders with the information and perspective they need to generate creative ideas and use technology efficiently. Knowledge sharing and skill development can become the focal points of a supportive ecosystem when established entrepreneurs, industry experts, and academics work together.

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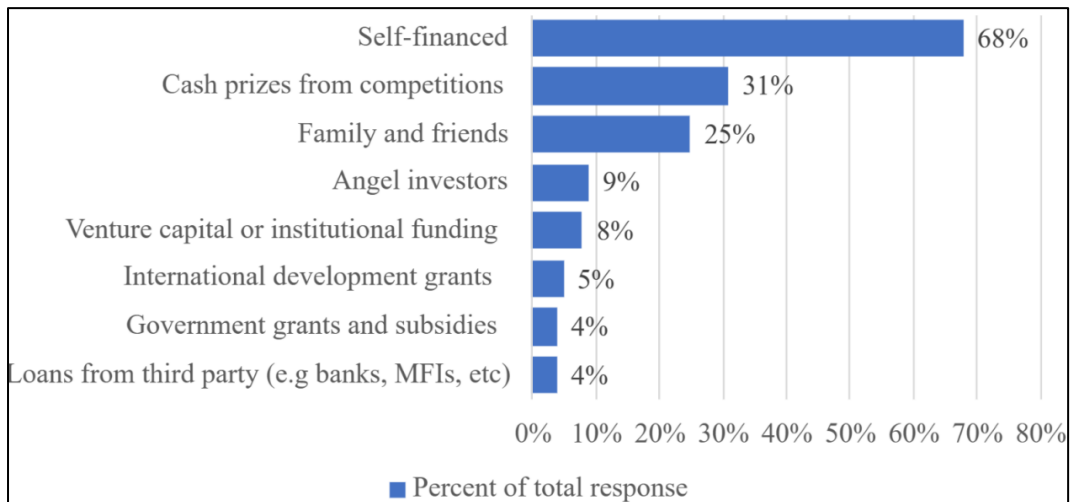
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**APPENDIX**

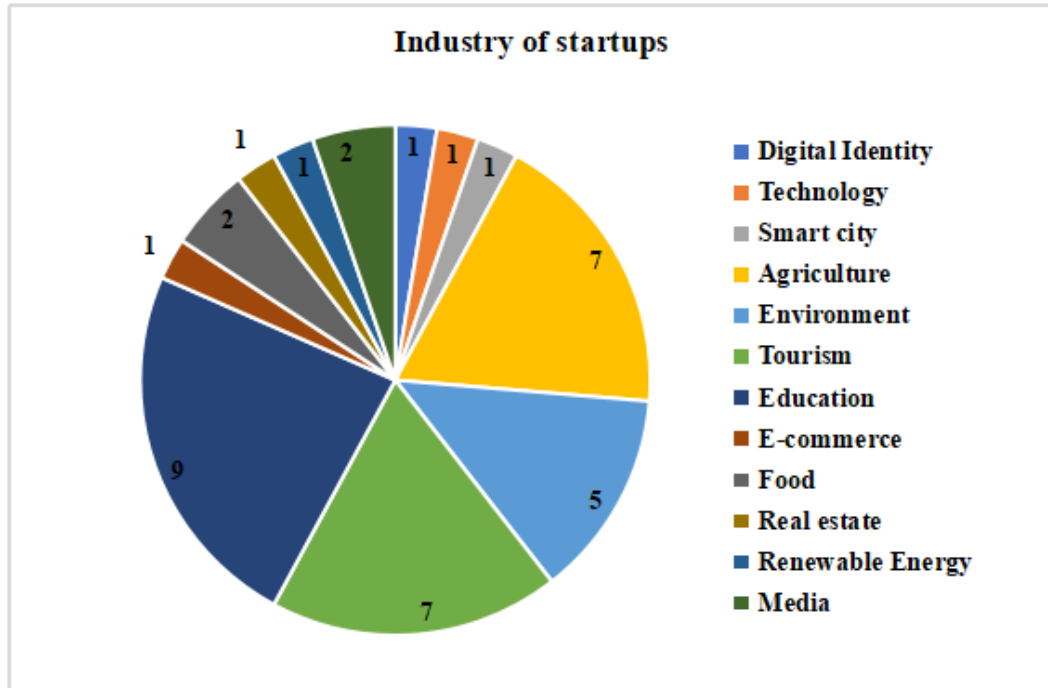
**Figure 12: Sources of fund that Startups have been used.**



Source: MSP & Raintree Survey

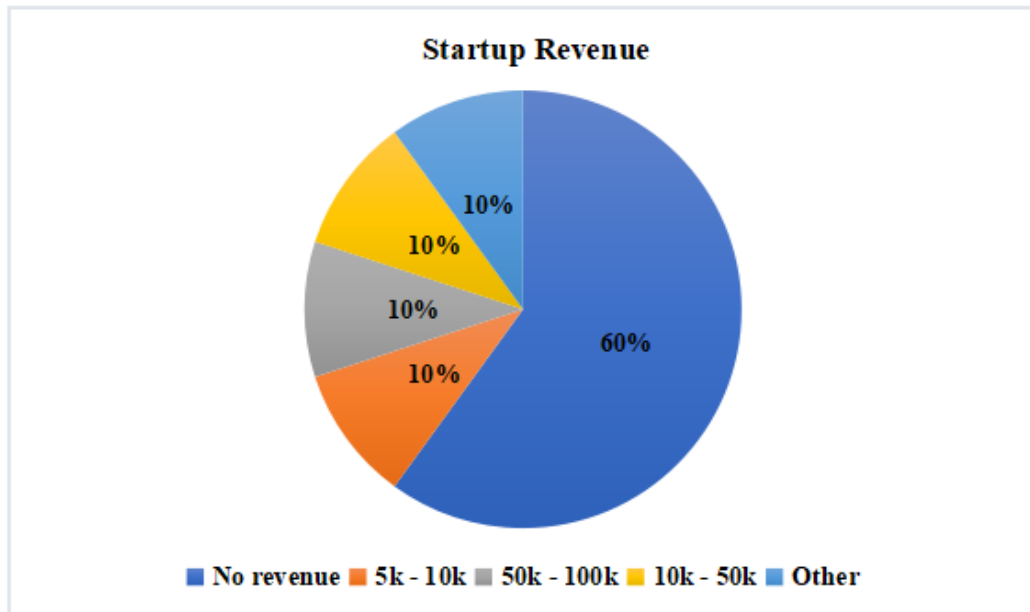
- **Author’s Survey Result**
  - Background of respondents

**Figure 13: Startups industry**





**Figure 14: Startup revenue status**



- **Survey Questionnaires**

**Section 1: Background of startups**

**Q1: Name of startup**

(Write)

**Q2: Residence**

1. Phnom Penh
2. Province (Please write down)

**Q3: Type of startups**

1. Tech
2. Non-tech

**Q4: Industry of startup**

1. Education
2. Agriculture
3. Tourism

4. Finance
5. Real estate
6. Media
7. Health
8. Other (Please write down)

**Q5: Number of employees or team members**

1. 1 - 5
2. 5 -10
3. 10 - 20
4. 20 - 50
5. More than 50

**Q6: Age of startup**

1. Less than 1 year
2. 1 - 2 years
3. 2 - 3 years
4. 3 - 4 years
5. More than 4 years

**Q7: How much is your startup annual revenue in US dollars?**

1. 1k- 5k
2. 5k- 10k
3. 10k - 50k
4. 50k - 100k
5. 100k - 500k
6. 500k - 1M

7. More than 1M

**Q8: Stage of your startup**

1. Pre-seed
2. Seed stage
3. Early stage
4. Growth stage
5. Other (Please write down)

**Section 2: Method you have approached to get funded.**

**Q9: When talking about fundraising to develop your start-ups, which methods would you use to get funded?**

1. Crowdfunding
2. Venture Capital (VC)
3. Angel Investor
4. Initial Coin Offering (ICO)
5. Initial Exchange Offering (IEO)
6. Security or Bond
7. Bank Loan
8. Join Competition
9. Other (Please write down)

**Q10: Estimate the amount (in USD) of funds your start-ups will need to develop your project?**

1. 1k- 5k
2. 5k- 10k
3. 10k - 50k

4. 50k - 100k
5. 100k - 500k
6. 500k - 1M
7. More than 1M

**Q11: In the most recent time, which methods have you used to seek funds to develop your start-up?**

- a. Crowdfunding
- b. Venture Capital (VC)
- c. Angel Investor
- d. Initial Coin Offering (ICO)
- e. Initial Exchange Offering (IEO)
- f. Security or Bond
- g. Bank Loan
- h. Join Competition
- i. Other (Please write down)

**Q12: Rate (8) how difficult is the method? (1 is less difficult, 5 is the most difficult)**

- 1 is less difficult.
- 2 is a bit difficult.
- 3 is moderate.
- 4 is difficult.
- 5 is the most difficult.

**Q13: Have your start-up ever joined any competitions or pitch events or programs that might get funds from investors to develop your start-ups?**

- a. Yes

b. No

**Q14: If yes (6), Please provide the name of the most recent program you joined.**

(Write)

**Q15: Duration of program you joined.**

1. Less than 2 weeks
2. 2 weeks - 1 months
3. 1 months - 2 months
4. 2 months - 4 months
5. 4 months - 6 months
6. 6 months - 1 years
7. More than a year

**Q16: Short description about the program or competition you joined.**

(Write)

**Q17: What is the main purpose of joining those programs (from top to least purpose)? (Ranking)**

1. To get fund
2. To get prize
3. To get experience
4. To get knowledge about doing business
5. To get networks and new friends
6. To get training from experts

**Q18: Does the program, event, or competition charge you some money in order to join?**

1. Yes

2. No

**Q19. If yes (Q17), how much?**

1. Less than 50\$

2. 50\$ - 100\$

3. 100\$ - 300\$

4. Other (Please write down)

**Q20. What are the difficulties you experienced when seeking funds from external funders/investors?**

1. Time-consuming

2. Restricted processes

3. Intense competition amongst startups

4. Limited investors

5. Unfair judgment

6. No transparency

7. High fee

8. Other (Please write down)

**Section3: Alternative Finance Sources**

**Q21: What did you get after joining the program or event?**

1. Get Fund

2. Get experience

3. Get networks and friends

4. Get training course from experts

5. Others (Please write down)

**Q22: Do you want to have a more accessible method to get funded from investors?**

- a. Yes, I would love to.
- b. No, I don't want to.

**Q23: What do you think there will be a method of fundraising which is more accessible, low-cost, wide pool of investor and transparency for start-ups in Cambodia to use to get funded?**

(Write)

**Q24: What is the top concern when seeking funds from external investors?**

- a. Give up portion of equity
- b. Stole idea of startup
- c. Expense on fee association
- d. Other (Please write down)

**Q25. Do you have any comment?**

(Write)