

**YANGON UNIVERSITY OF ECONOMICS  
DEPARTMENT OF APPLIED ECONOMICS  
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**A STUDY ON MYANMAR'S SMALL AND MEDIUM  
ENTERPRISES (SME)**

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EMPA - 57 (20<sup>th</sup> BATCH)**

**JUNE, 2025**

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**A STUDY ON MYANMAR'S SMALL AND MEDIUM  
ENTERPRISES (SME)**

A thesis submitted in partial fulfillment of the requirements for the  
degree of Master of Public Administration (MPA)

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DEPARTMENT OF APPLIED ECONOMICS  
MASTER OF PUBLIC ADMINISTRATION PROGRAMME**

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## **ABSTRACT**

This study evaluates how government policies have influenced the growth and sustainability of small and medium enterprises (SMEs) in Myanmar. Relying entirely on secondary data, the research analyzes official policy frameworks, financial support mechanisms, tax incentives, and institutional initiatives aimed at SME development. Despite several policy reforms, including the SME Development Law (2015), the Myanmar Sustainable Development Plan (2018–2030), and various financial aid schemes, implementation remains uneven and often limited in reach. Findings show that while registration rates and formalization have slightly improved, SMEs – especially in rural areas – continue to face major challenges. These include low awareness of support programs, limited access to credit, complex regulatory procedures, and poor coordination among implementing institutions. Financial assistance and tax incentives have not effectively reached the majority of SMEs, and informal businesses remain excluded from most support due to eligibility barriers. The study concludes that more inclusive, decentralized, and transparent policy delivery is needed. Strengthening inter-agency coordination, simplifying compliance systems, and expanding outreach beyond urban centers are essential for meaningful progress. Addressing these gaps will better support SME resilience and help build a more inclusive and sustainable business environment in Myanmar.

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## **LIST OF ABBREVIATIONS**

SMEs	Small and Medium Enterprises
MSMEs	Micro, Small and Medium Enterprises
CDSMED	Central Department of Small And Medium Enterprises
ADB	Asian Development Bank
OECD	Organization for Economic Cooperation and Development
MSDP	Myanmar Sustainable Development Plan
DICA	Directorate of Investment and Company Administration
IMF	International Monetary Fund
ICF	International Finance Corporation
UNDP	United Nation Development Programme
MOPF	Ministry of Planning and Finance
ILO	International Labour Organization
JICA	Japan International Cooperation Agency
SDG	Sustainable Development Goals
MEB	Myanmar Economic Bank
MFI	Microfinance Institutions
NBFIs	Non-Bank Financial Institutions
UTL	Union Tax Law
R&D	Research and Development
EU	European Union
MCL	Myanmar Companies Law
MyCO	Myanmar Companies Online
MOI	Ministry of Industry

# **CHAPTER I**

## **INTRODUCTION**

Small and Medium Enterprises (SMEs) play a pivotal role in Myanmar's economic development by contributing to employment generation, income creation, and industrial diversification. According to the Central Department of Small and Medium Enterprises Development (CDSMED), SMEs account for over 90% of businesses in Myanmar, underscoring their importance in the national economy (CDSMED, 2022). The SME sector is a major driver of economic resilience, poverty reduction, and regional development, as it provides livelihoods for millions of people across urban and rural areas. Furthermore, SMEs serve as a foundation for innovation and entrepreneurship, fostering local industries and increasing Myanmar's global trade participation (ADB, 2020).

Despite their critical role, SMEs in Myanmar face persistent structural and operational challenges. One of the most significant barriers is limited access to finance, as many SMEs struggle to secure loans due to strict collateral requirements, high interest rates, and an underdeveloped financial sector (The World Bank, 2022). According to the OECD (2020), only a small percentage of SMEs in Myanmar receive formal financing, forcing many businesses to rely on informal lending networks. Additionally, regulatory burdens and bureaucratic inefficiencies present obstacles for SMEs, making it difficult to comply with licensing, taxation, and legal requirements (DICA, 2021). The lack of adequate infrastructure, skilled labor, and technological integration further exacerbates these challenges, limiting the competitiveness and scalability of SMEs in both domestic and international markets (Rahman, 2017).

Recognizing these challenges, the Myanmar government has introduced several policies and initiatives to support SME development. The Small and Medium Enterprise Development Law (2015) provided a legal framework to promote SME growth and create an enabling business environment (CDSMED, 2015). Additionally, the Myanmar Sustainable Development Plan (2018-2030) emphasized SME promotion as a key driver of inclusive economic growth and sustainable development (MOPF,

2018). Financial support mechanisms, such as government-backed loans, tax incentives, and business incubation programs, have also been implemented to enhance SME access to capital and resources (UNDP, 2021). However, despite these interventions, the effectiveness and accessibility of these policies remain uncertain. Many SMEs continue to face bureaucratic inefficiencies, compliance difficulties, and financial constraints, raising concerns about whether existing policies are adequately addressing their needs (The World Bank, 2022).

Furthermore, external economic disruptions have compounded the difficulties faced by SMEs. The COVID-19 pandemic severely impacted SME operations, leading to supply chain disruptions, reduced consumer demand, and financial instability (IMF, 2021). Additionally, political transitions and macroeconomic uncertainties have further weakened investor confidence and business stability in the SME sector (ADB, 2020). Given these challenges, evaluating the impact of government policies on SMEs is critical to identifying policy gaps, improving regulatory frameworks, and fostering a more supportive business environment.

This study seeks to analyze the role of government policies in shaping SME development in Myanmar by assessing their effectiveness, challenges, and potential areas for improvement. By examining existing policy frameworks and economic data, this research will provide valuable insights for policymakers, business owners, and stakeholders on how to strengthen the SME sector and promote sustainable economic growth.

## **1.1 Rationale of the Study**

Small and Medium Enterprises (SMEs) play a crucial role in Myanmar's economic growth, employment generation, and poverty reduction. As the backbone of the country's economy, SMEs account for approximately 99.4% of registered businesses, contributing significantly to industrial development, national productivity, and inclusive economic growth (CDSMED, 2022). The SME sector is vital in creating job opportunities, enhancing local entrepreneurship, and strengthening supply chains across key industries, including manufacturing, retail, and agriculture (ADB, 2020). However, despite their economic importance, Myanmar's SMEs continue to face persistent challenges that hinder their sustainability and expansion.

One of the most critical barriers for SMEs is limited access to finance. Due to

strict collateral requirements, high interest rates, and an underdeveloped financial infrastructure, many SMEs struggle to obtain the capital necessary for growth (The World Bank, 2022). In addition, bureaucratic hurdles, high compliance costs, and regulatory inefficiencies make it difficult for SMEs to formalize their businesses and benefit from government support programs (OECD, 2020). Other structural challenges include market competition, lack of institutional support, inadequate infrastructure, and weak technological integration, all of which further restrict SME growth (Rahman, 2017).

Recognizing these challenges, the Myanmar government has introduced various policies and initiatives to foster the development of SME. The Small and Medium Enterprise Development Law (2015) provides a legal framework to promote SME growth and facilitate access to resources (CDSMED, 2015). Additionally, the Myanmar Sustainable Development Plan (2018-2030) underscores the importance of SME-friendly policies in achieving economic diversification and sustainable growth (MOPF, 2018). However, despite these interventions, concerns remain regarding the effectiveness of policy implementation, accessibility, and real-world impact. Many SMEs continue to struggle with regulatory complexity, limited institutional capacity, and financing difficulties, raising doubts about whether these policies adequately address SME needs (DICA, 2021).

Given these complexities, an in-depth analysis of government policies is necessary to determine their effectiveness in supporting SME development in Myanmar. This study aims to critically evaluate the impact of government policies by analyzing regulatory frameworks, financial support programs, and institutional mechanisms. By relying on secondary data sources, such as government reports, policy documents, academic studies, and international assessments, this research will provide an evidence-based assessment of SME policy effectiveness. The findings will contribute to policy discussions and recommendations for improving SME development strategies, ensuring that government interventions are aligned with the evolving needs of Myanmar's SME sector.

As Myanmar seeks economic stability and long-term sustainable growth, understanding how government policies influence SMEs is essential. This study will provide valuable insights for policymakers, business owners, and researchers to enhance the SME sector's contribution to the national economy and foster a more conducive business environment. By identifying policy gaps and areas for reform, this

research will serve as a foundation for evidence-based policymaking, ultimately strengthening Myanmar's SME ecosystem and promoting inclusive economic development.

## **1.2 Objectives of the Study**

Based on the background of the study, the following objectives are highlighted

–

1. To examine the existing government policies related to SME development in Myanmar.
2. To assess how government policies have influenced the growth and operational sustainability of SMEs in Myanmar, based on secondary data.
3. To identify key challenges faced by SMEs due to government regulations and policies.

## **1.3 Method of Study**

This study adopts a qualitative research approach to analyze the impact of government policies on the development of SMEs in Myanmar. It relies exclusively on secondary data, focusing on existing regulatory frameworks, financial support mechanisms, and institutional initiatives. A descriptive and analytical research design is employed to explore how these policies influence SME growth and sustainability.

The primary method used is document analysis, which involves systematically reviewing and interpreting existing materials. These include government laws and policy documents, international development reports, academic research articles, and financial and economic datasets from credible institutions. Through this approach, the study critically assesses the effectiveness of current policy interventions and identifies gaps in implementation. By drawing on a wide range of secondary sources, this research provides a comprehensive and evidence-based evaluation of Myanmar's SME policy landscape without engaging in fieldwork or primary data collection.

## **1.4 Scope and Limitation of the Study**

This study focuses on the impact of government policies on SMEs in Myanmar, with particular attention to regulatory frameworks, financial assistance programs, tax incentives, and institutional support mechanisms. Relying exclusively on secondary data sources, the research is analyzed government reports, academic studies,

international assessments, and statistical data to evaluate policy effectiveness.

A key limitation of this study is the absence of primary data collection methods, such as surveys or interviews with SME owners, policymakers, or financial institutions. As a result, direct stakeholder perspectives on government policies will not be included, which may limit insights into SMEs' real-world experiences. Additionally, data availability constraints and economic fluctuations may impact the comprehensiveness of the analysis. Furthermore, the study does not examine sector-specific SME challenges in detail, instead offering a broad national-level analysis of how government interventions affect SME growth and sustainability.

Despite these limitations, the study compensates by utilizing a wide range of reputable sources to ensure accuracy and reliability. By employing a structured qualitative approach, this research aims to provide a comprehensive assessment of government policies on SMEs in Myanmar. The findings are contributed to policy discussions and recommendations, ultimately supporting the development of a more inclusive and resilient business environment for SMEs.

## **1.5 Organization of the Study**

This study is organized into five main chapters. Chapter One introduces the study by outlining the background, research problem, objectives, significance, scope, and methodology. Chapter Two presents a review of existing literature on SME development and relevant government policies, with a focus on Myanmar and comparative international insights. Chapter Three examines Myanmar's current SME-related policies, including regulatory frameworks, financial support mechanisms, and institutional initiatives. Chapter Four, titled Analysis and Discussion, explores the government's role in SME development through three key areas: an overview of existing policies, an assessment of their impact on SME growth and sustainability, and an analysis of the challenges SMEs face under current regulations. Chapter Five concludes the study by summarizing key findings and offering policy recommendations to strengthen SME development in Myanmar.

## **CHAPTER II**

### **LITERATURE REVIEW**

Small and Medium Enterprises (SMEs) are widely recognized as essential contributors to economic growth, employment generation, and industrial development. Globally, SMEs constitute a significant portion of business activity, playing an important role in fostering innovation and enhancing economic resilience.

The role of government policies in supporting SMEs has been extensively discussed in economic and development literature. Policy interventions, such as financial support programs, tax incentives, regulatory reforms, and capacity-building initiatives, are critical in fostering SME growth (Organization for Economic Co-operation and Development [OECD], 2020). However, questions remain regarding the effectiveness, accessibility, and implementation of these policies. Many SMEs continue to struggle with administrative inefficiencies, difficulties in obtaining financial assistance, and challenges related to institutional support (ADB, 2021).

This chapter provides a comprehensive review of existing literature on SME development and government policies, with a particular focus on Myanmar while incorporating relevant international comparisons. It begins by defining SMEs and highlighting their economic significance. The discussion then explores key theoretical frameworks related to SME growth and policy interventions. By synthesizing insights from academic studies, policy reports, and empirical research, this literature review aims to establish a solid foundation for understanding the impact of government policies on SME development.

#### **2.1 SMEs and its importance**

Small and Medium Enterprises (SMEs) serve as a fundamental pillar of economic development across both developed and developing economies. Their role in employment generation, income distribution, innovation, and industrial diversification has been widely acknowledged in economic literature (Organisation for Economic Co-operation and Development [OECD], 2020).

### 2.1.1 Definitions of SMEs

The definition of SMEs varies across countries due to differences in economic structure, industry composition, and policy frameworks. International organizations such as the World Bank, OECD, and Asian Development Bank (ADB) generally categorize SMEs based on factors such as number of employees, annual turnover, and asset value (OECD, 2020). According to the Small and Medium Enterprise Development Law (2015), SMEs are classified based on sector, workforce size, and annual revenue. For instance, manufacturing SMEs are defined as businesses with up to 300 employees and an annual turnover not exceeding 500 million MMK, while service-sector SMEs typically employ fewer than 100 workers (Ministry of Planning and Finance [MOPF], 2018). This classification helps determine eligibility for government support programs, tax incentives, and financial assistance schemes.

To ensure that ASEAN shall be globally competitive and innovative by the year 2025, the Post-2015 Strategic Action Plan is being crafted with the aims to (i) promote productivity, technology and innovation; (ii) increase to get finance; (iii) boost market access and internationalization; (iv) enhance policy and regulatory environment; and (v) expand entrepreneurship and human capital development. The definition of SMEs in ASEAN in 2016 is shown in the table 2.1.

**Table 2.1: Definition of SMEs in ASEAN in 2016**

Country	Definition	Measure
Indonesia	-Less than 100 employee	Employment Shareholders' funds and Employment Investment and Employment
Malaysia	-Less than RM 2.5 million and Less than 75 employees	
Philippines	-Different for enterprises Micro: P 150,000 and below and 1-4 employees Cottage: Above P150,000 to 1.5 million and 5-9 employees Small: Above P1.5 million to 15 million and 10-99 employees Medium: Above P15 million to P 60 million and 100-199 employees Manufacturing: less than \$12 million fixed assets	
	-Less than 200 employees or labor intensive industries	
Singapore		

Country	Definition	Measure
Thailand	-Less than 100 million baht for capital intensive industries	
Vietnam	-Less than 5 billion Vietnam Dong of capital investment Small - 50 employees (300 for labor intensive)	

Source: SME Development Center

## 2.2 International Perspectives on SME Development Policies

Small and Medium Enterprises (SMEs) are widely recognized as key drivers of economic growth, employment generation, and innovation worldwide. Governments across different countries have adopted various policy measures to support SME development, addressing challenges related to finance, regulations, taxation, and capacity-building. This section reviews SME development strategies in selected countries, focusing on regulatory frameworks, financial support mechanisms, and institutional assistance.

### 2.2.1 Regulatory Frameworks and Ease of Doing Business

A conducive regulatory environment is essential for SME development, as it determines business registration procedures, compliance requirements, and legal protections. Many developed and emerging economies have streamlined their regulatory frameworks to facilitate SME growth. For instance, Singapore ranks among the world's top economies for ease of doing business due to its simplified business registration process, efficient licensing system, and strong contract enforcement mechanisms (World Bank, 2021). The country's Accounting and Corporate Regulatory Authority (ACRA) provides an online platform for company registration, reducing bureaucratic delays and improving transparency (OECD, 2020).

Similarly, Malaysia has implemented the SME Masterplan (2012-2020), which introduced regulatory reforms to minimize compliance costs for small businesses. The plan included measures such as reduced licensing requirements, digitalized tax filing systems, and regulatory impact assessments to ensure SME-friendly policies (ASEAN Secretariat, 2021). By adopting similar reforms, Myanmar could improve its business registration process, reduce administrative burdens, and enhance the overall ease of doing business for SMEs.

### **2.2.2 Financial Support Mechanisms for SMEs**

Access to finance remains one of the biggest constraints for SME growth worldwide. Governments have implemented various financial support mechanisms, such as government-backed loan schemes, credit guarantee programs, and tax incentives to enhance SME access to capital.

For example, Japan's SME Financial Support System provides low-interest loans, loan guarantees, and venture capital funding through institutions like the Japan Finance Corporation (JFC) (OECD, 2020). These initiatives help SMEs overcome credit constraints and encourage entrepreneurial growth. Additionally, Germany's KfW Bankengruppe, a government-owned development bank, offers long-term financing, export credit facilities, and innovation grants for SMEs, enabling them to invest in technology and international expansion (European Commission, 2021).

In contrast, Indonesia has introduced credit guarantee schemes through its People's Business Credit (KUR) program, which provides government-subsidized loans to SMEs with minimal collateral requirements (ADB, 2021). Myanmar can learn from these models by strengthening its SME financing ecosystem, expanding credit guarantee schemes, and promoting alternative lending mechanisms such as microfinance and fintech solutions.

### **2.2.3 Tax Incentives and SME Development**

Tax policies play a crucial role in supporting SMEs by reducing financial burdens and encouraging business growth. Many countries have implemented tax incentives, exemptions, and simplified tax filing systems to facilitate SME compliance.

For instance, the United Kingdom (UK) offers SME-friendly tax policies through its Small Profits Tax Rate and Research & Development (R&D) tax credits, which allow small businesses to claim tax relief on innovation-related expenses (HM Treasury, 2021). Similarly, South Korea's Special Taxation Act for SMEs provides corporate tax reductions, income tax exemptions, and investment allowances to encourage SME growth and technological innovation (OECD, 2020).

In Thailand, SMEs benefit from a progressive corporate tax structure, where small businesses with annual revenues below a certain threshold receive lower tax rates and VAT exemptions (ASEAN Secretariat, 2021). Myanmar could consider similar tax reforms, such as progressive tax rates, simplified tax filing systems, and R&D tax incentives, to support SMEs and encourage compliance.

#### **2.2.4 Institutional Support and Capacity-Building Programs**

Strong institutional support and capacity-building initiatives help SMEs enhance their business capabilities, market competitiveness, and technological adoption. Many countries have established specialized agencies, training programs, and digital platforms to support SME growth.

For example, China's SME Development Promotion Center provides entrepreneurship training, digital transformation assistance, and export promotion services to help SMEs expand globally (World Bank, 2021). The Chinese government also supports business incubators, industrial clusters, and public-private partnerships to create a favorable ecosystem for small enterprises (OECD, 2020).

Similarly, the European Union (EU) has established the SME Strategy for a Sustainable and Digital Europe, which includes initiatives such as skills training, digital innovation hubs, and cross-border trade support (European Commission, 2021). These programs help SMEs enhance productivity, embrace digitalization, and expand into international markets.

Myanmar can benefit from such initiatives by developing SME incubators, offering entrepreneurship training programs, and strengthening institutional collaboration between government agencies and the private sector. Expanding digital literacy and market access programs can further support SME competitiveness in the evolving global economy.

#### **2.2.5 Lessons for SME Policy Development**

Drawing from international experiences, Myanmar can improve its SME policies by implementing key reforms in the following areas:

- **Regulatory Simplification:** Streamlining business registration, licensing procedures, and compliance frameworks to reduce bureaucratic inefficiencies.
- **Access to Finance:** Expanding credit guarantee programs, low-interest loan schemes, and fintech-based lending solutions to enhance SME financial inclusion.
- **Tax Incentives:** Introducing progressive tax policies, simplified filing systems, and R&D tax credits to encourage SME investment and innovation.
- **Institutional Strengthening:** Establishing SME training centers, digital support platforms, and business incubators to build entrepreneurial capacity.

- **Public-Private Partnerships:** Encouraging collaborations between government agencies, private enterprises, and international organizations to support SME growth and market expansion.

By adopting best practices from countries with successful SME policies, Myanmar can create a more sustainable, inclusive, and competitive business environment for its SME sector, ultimately contributing to long-term economic development.

### **2.3 Review on Previous Study**

A study by Zun Pwint Phyu (2020) examined the growth of MSMEs in Kayah State, highlighting both their potential and the challenges they face. The study employed a descriptive research approach, utilizing both primary and secondary data sources. A random sampling technique was used to select 80 manufacturing enterprises for analysis. The findings revealed that MSMEs in Kayah State encounter significant barriers, including limited access to finance, insufficient human resource development, weak technological and research innovation, regulatory constraints, taxation burdens, and energy shortages. Furthermore, the study emphasized the importance of support from government agencies, MSME development institutions, and financial institutions in promoting business growth. Collaboration between government bodies, banks, and the private sector is deemed essential to enhancing MSME competitiveness and ensuring their full contribution to Myanmar's economic development (Phyu, 2020).

The role of financial accessibility in SME performance was investigated by Ohn Mar Myint (2020). This study focused on the correlation between financial access and SME business performance, utilizing both analytical and descriptive methodologies. A sample of 300 SME owners was selected through stratified random sampling. The findings indicated that while SME owners in Myanmar exhibit a strong capacity to seize business opportunities, many lack adequate financial resources to expand their operations. The study emphasized the necessity for SMEs to develop long-term strategic visions while maintaining the agility to exploit emerging business prospects. Moreover, SME owners were found to require enhanced managerial skills and problem-solving abilities to overcome operational challenges and sustain business growth. The research also highlighted the need for greater institutional support to assist SMEs in handling unforeseen business complexities (Myint, 2020).

An earlier study by Nu Nu Lwin (2017) analyzed the economic contributions of SMEs in Myanmar while identifying key obstacles and growth opportunities. The study focused on seven critical factors influencing SME development: Institutional framework, Access to technology, Financial availability, Business support services, Entrepreneurial education, Market representation, and Government policies.

The study underscored the significance of political commitment, robust national development strategies, and strong institutional support in fostering SME growth. However, weak institutional frameworks, inadequate business support structures, and inconsistencies in regulatory enforcement were identified as persistent barriers limiting SME expansion (Lwin, 2017).

The development of MSMEs in Myanmar's food and beverage industry was analyzed by Thazin Han (2019), who conducted a study on 135 food and beverage enterprises in the Yangon East District. The study utilized survey questionnaires and expert group discussions, incorporating the OECD SME assessment framework as a guideline. Additionally, insights were gathered from 23 industry professionals through focused group discussions. The research identified several key structural and operational challenges faced by MSMEs in the sector, including weak enforcement of business regulations and legal protections, lack of structured management systems, high taxation burdens, limited adoption of advanced technology, and rising land acquisition costs. Furthermore, insufficient investment capital, a shortage of skilled labor, lack of government grants or accessible business loans, difficulties in importing machinery and raw materials, restricted export market access, and delays in administrative procedures were found to be significant barriers to business growth. The study concluded that targeted policy reforms, enhanced training programs, and increased government financial support are critical for ensuring the sustainable growth and competitiveness of MSMEs in Myanmar's food and beverage industry (Han, 2019).

A recent study conducted by Aye Myint Khaing (2024) examined the current state of MSMEs in Bago District, with a particular focus on their development trends and the challenges they encounter. Using a descriptive research methodology, the study revealed that while many MSMEs in the region have shown positive growth, they continue to face numerous obstacles that hinder their expansion. The research highlighted several critical barriers, including a lack of skilled labor (28%), outdated technology and production methods (25%), restricted access to credit and financing (23%), limited market information (18%), and poor infrastructure, particularly

unreliable electricity supply (6%). The findings emphasized the importance of modernizing infrastructure, improving financial access, and strengthening market linkages to facilitate MSME growth. Additionally, the study recommended that entrepreneurs receive better access to information on government regulations, investment opportunities, and technological advancements to overcome these challenges. Strengthening institutional collaboration among the government, financial institutions, and the private sector was identified as a crucial step toward improving the resilience and sustainability of MSMEs in Bago District (Khaing, 2024).

## **CHAPTER III**

### **GOVERNMENT POLICIES AND SME DEVELOPMENT IN MYANMAR**

#### **3.1 Introduction**

Small and Medium Enterprises (SMEs) are widely recognized as the backbone of national economies, particularly in developing countries where they contribute significantly to employment generation, poverty alleviation, and inclusive economic growth. In Myanmar, SMEs constitute approximately 99% of registered businesses and employ more than 70% of the workforce (CDSMED, 2020). Given their dominant presence, the development of the SME sector is pivotal to Myanmar's socio-economic transformation and the attainment of long-term sustainable development goals.

In this context, government policies and institutional frameworks play a central role in shaping the growth trajectory of SMEs. Effective public policy not only creates an enabling business environment through legal and regulatory reforms but also ensures the provision of financial resources, capacity-building programs, technological support, and access to domestic and international markets (OECD, 2020). In Myanmar, the government has initiated several strategic policy interventions in recent years aimed at promoting SME competitiveness, improving access to finance, and integrating SMEs into regional and global value chains. Notable among these are the 2015 SME Development Law, the Myanmar Sustainable Development Plan (2018–2030), and various sector-specific and regional initiatives.

However, despite these policy advancements, many SMEs in Myanmar continue to operate under challenging circumstances due to a combination of weak institutional capacity, political instability, limited infrastructure, and restricted access to credit and innovation. Studies have shown that these challenges are compounded by policy fragmentation, inadequate coordination among government agencies, and limited awareness and accessibility of support programs among SME operators (UNESCAP, 2021; ADB, 2020).

This chapter aims to provide a comprehensive overview of the current

government policies influencing SME development in Myanmar. It critically examines the legal and policy frameworks, regulatory environment, financial incentives, and institutional support mechanisms available to SMEs. It also discusses policy implementation challenges, drawing upon both national strategies and international benchmarks. The analysis is grounded in the understanding that policy coherence, stakeholder engagement, and institutional effectiveness are essential elements for transforming SMEs into drivers of innovation, productivity, and inclusive economic growth in Myanmar (World Bank, 2019).

By mapping the policy ecosystem and identifying critical gaps, this chapter sets the foundation for evaluating how well the current public interventions align with the needs of SMEs and what further reforms may be necessary to foster a vibrant, resilient, and competitive SME sector.

The classification of small and medium enterprises (SMEs) in Myanmar originated during the SLORC period, highlighting a period-specific focus on industrial output. This framework evaluates enterprise size using four distinct criteria, one of which is the amount of power consumed, measured in horsepower—an indicator tailored to industrial activities. Both the 1990 Private Industrial Enterprise Law and its revised version from 2011 have served as the legal basis for defining SMEs in the country.

**Table 3.1: Classification for small, medium and large enterprises (1990 Private Industrial Enterprises Law)**

Sr. No	Description	Small	Medium	Large
a	Power used	3 H.P - 25 H.P	25 H.P - 50 H.P	>50HP
b	Employee	10 - 50	50 – 100	>100
c	Capital investment (Million Kyat)	Up to 1	1 – 5	>5
d	Annual Production (Million Kyat)	Up to 2.5	2.5 – 10	>10

**Source: Private Industrial Enterprise Law Myanmar (1990)**

According to Tables 3.2 and 3.3, Myanmar's private firms are categorized based on four main criteria: electricity consumption, workforce size, capital investment, and annual output. A business is considered a small enterprise if it employs between 11 and 49 individuals, utilizes between 4 and 24 horsepower of electricity, has a capital

investment not exceeding 1 million kyats, and achieves an annual production value of up to 2.5 million kyats. These classification standards are derived from both the original 1990 Private Industrial Enterprise Law and its 2016 amendment.

**Table 3.2: Classification for Small Medium and Large Enterprise (2011 Private industrial Enterprise Law)**

Sr No	Description	Small	Medium	Large
a	Power used	Less than 25 H.P	25 H.P - 50 H.P	>50H.P
b	Employee	10 - 49	50 - 100	>100
c	Capital investment (Million Kyat)	Up to 1	1 - 5	>5
d	Annual production (Million Kyat)	Up to 2.5	2.5 - 10	>10

Source: SME Development Center

**Table 3.3: List of Small and Medium Industries by Region/ State/ Union Territory**

No.	Region/ State/ Union Territory	Number of Business			Grand Total	Percentage
		Large	Medium	Small		
1	Kachin	133	260	1673	2066	4.41
2	Kayah	45	185	47	277	0.59
3	Kayin	163	258	1807	1288	2.62
4	Chin	9	75	646	730	1.56
5	Sagaing	564	1364	2949	4877	10.40
6	Taninthari	308	232	1471	2011	4.29
7	Bago	797	1074	198	3869	8.25
8	Magway	227	813	2006	3046	6.50
9	Mandalay	1616	2655	2287	6558	13.99
10	Mon	290	444	1732	2466	5.26
11	Rakhine	124	190	994	1308	2.79
12	Yangon	3952	2580	1197	7729	16.48
13	Shan	449	1304	2832	4585	9.78
14	Ayeyarwady	1204	721	3519	5444	11.61
15	Union Territory	249	215	231	695	1.48
Grand Total		10130	12370	24389	46889	100.00
Participation %		21.60	26.38	52.01	100.00	

Source: Directorate of Industrial Supervision and Inspection Website (20.2.2024)

**Table 3.4: List of Industries in Myanmar**

No.	Types of Industries	Kachin State	Kayah State	Kayin State	Chin State	Sagaing State	Taninthari State	Bago Region	Magway Region	Mandalay Region	Mon State	Rakhine State	Yangon State	Shan State	Ayeyarwady Region	Union	Total
1	X <sub>1</sub>	1386	110	385	625	2934	1000	2304	2014	2320	954	883	1891	2409	3868	399	23482
2	X <sub>2</sub>	58	9	57	4	125	33	155	99	295	98	23	507	197	119	61	1840
3	X <sub>3</sub>	1		1		6	3	18	8	57	3		9	33	2		141
4	X <sub>4</sub>	37			1	192	1	18	64	825	1	9	169	12	13	2	1344
5	X <sub>5</sub>	1	11	44		8	1	62	8	48	23	5	1048	8	23	5	1295
6	X <sub>6</sub>			2		10		13	23	71			107	4			230
7	X <sub>7</sub>	153	31	50	4	179	90	342	160	296	105	65	432	144	84	35	2170
8	X <sub>8</sub>	1	2			10	1	8	4	39	3	2	179	55		1	305
9	X <sub>9</sub>					9		7	2	67	8		387	17	3	1	501
10	X <sub>10</sub>			1		161				74		1	11				248
11	X <sub>11</sub>	7		13		43	14	34	61	162	30	22	194	45	58	12	695
12	X <sub>12</sub>		1			10		5	2	21			43	4	6		92
13	X <sub>13</sub>	19	1	60		50	28	54	19	191	92	21	846	66	44	26	1517
14	X <sub>14</sub>	45	32	73	64	155	91	102	62	562	206	10	160	271	54	37	1924
15	X <sub>15</sub>	5	4		8	50	8	29	21	1190	42	1	144	69	10	3	1584
16	X <sub>16</sub>	72	13	198	1	112	251	272	108	42	402	27	551	285	893	40	3267
17	X <sub>17</sub>							2		1			3	1			7
18	X <sub>18</sub>		1			3		5		20	12		84	4		1	130
19	X <sub>19</sub>	4	6	3		12	1	15	10	23	6		45	8	45	2	180
20	X <sub>20</sub>			3		9		10		23	2		42	7	1		97
21	X <sub>21</sub>					1	1	4	2	13			23		1	1	46
22	X <sub>22</sub>	10	16	43	5	18	34	13	3	20	89	17	123	46	86	2	525
23	X <sub>23</sub>	33		34	1	27	56	22	57	82	55	3	216	34	57		677
24	X <sub>24</sub>	234	39	260	17	750	398	378	318	114	328	219	515	865	77	67	4579
25	Total	2066	276	1227	730	4874	2011	3872	3045	6556	2459	1308	7729	4584	5444	695	46876

Source: Directorate of Industrial Supervision and Inspection Website (20.2.2024)

### 3.1.1 Economic Contributions of SMEs in Myanmar

SMEs play a multifaceted role in Myanmar's economic development by driving job creation, industrial growth, and poverty reduction. According to ADB (2021), SMEs employ a large percentage of the country's workforce, particularly in agriculture, manufacturing, and service industries. Their presence is crucial in bridging the urban-rural economic divide, as many SMEs operate in rural areas, fostering community-based economic activities and enhancing local livelihoods (World Bank, 2021). Moreover, SMEs contribute to the supply chain of larger industries, supporting

economic diversification and reducing dependency on imports (OECD, 2020).

In addition to employment generation, SMEs are drivers of innovation and entrepreneurship, playing a key role in introducing new products, services, and business models (ADB, 2021). They create competitive market environments that encourage efficiency and consumer choice. Furthermore, SMEs support domestic investment and foreign trade, particularly in export-oriented sectors such as textiles, handicrafts, and agribusiness (World Bank, 2021). However, despite their contributions, SMEs in Myanmar face persistent challenges that limit their growth potential, requiring effective government policies to create a more conducive business environment.

### **3.1.2 Importance of Government Support for SMEs**

Given the challenges faced by SMEs, government intervention is essential in creating a supportive policy framework that enhances their growth, resilience, and long-term sustainability. Policy measures such as financial assistance programs, tax incentives, infrastructure development, and regulatory reforms are critical in fostering SME expansion (OECD, 2020). In Myanmar, government initiatives such as low-interest loans, tax reductions, and entrepreneurship training programs have been introduced to support SMEs (MOPF, 2018). However, concerns remain regarding the effectiveness and accessibility of these policies, as many SMEs continue to struggle with bureaucratic inefficiencies and financial constraints (World Bank, 2021).

By addressing these policy gaps and aligning SME development strategies with global best practices, Myanmar can enhance the contribution of SMEs to national economic growth and industrial competitiveness. A well-structured SME policy framework not only benefits business owners but also strengthens economic stability, fosters innovation, and promotes inclusive development (ADB, 2021).

### **3.2 Key Challenges Facing SMEs**

SMEs are a critical component of Myanmar's economy, which is significantly contributing to employment, industrial development, and economic growth (CDSMED, 2021). However, SMEs face numerous obstacles that hinder their expansion and sustainability. The challenges encountered by SMEs in Myanmar stem from financial barriers, regulatory constraints, market competition, infrastructure limitations, and broader economic and political factors. Addressing these issues is essential to fostering a conducive business environment that enables SME growth.

### **3.2.1 Financial Barriers**

Access to finance remains one of the most significant barriers for SMEs in Myanmar. Many small businesses struggle to secure credit due to collateral-based lending practices, high-interest rates, and limited availability of formal financing options (ADB, 2021). The reliance on traditional banking systems, which often require substantial collateral and rigorous documentation, excludes a large portion of SMEs from obtaining necessary financial resources (OECD, 2020). According to the World Bank (2021), Myanmar's financial sector is underdeveloped compared to regional counterparts, leading many SMEs to rely on informal lenders, which offer loans at exorbitant interest rates. This financial constraint limits business expansion, investment in new technology, and overall competitiveness in both local and international markets.

### **3.2.2 Regulatory and Bureaucratic Constraints**

Regulatory inefficiencies pose another major challenge for SMEs in Myanmar. The business registration process, compliance requirements, and legal frameworks are often complex, time-consuming, and costly (ASEAN Secretariat, 2021). Many SMEs struggle with bureaucratic red tape, such as obtaining business licenses, filing tax returns, and adhering to labor regulations. The lack of streamlined government services further exacerbates the difficulty of formalizing businesses, discouraging many entrepreneurs from registering their enterprises (ADB, 2021). Additionally, inconsistencies in policy implementation across different administrative regions create uncertainty for business owners, limiting their ability to plan for long-term growth (World Bank, 2021).

### **3.2.3 Market Competition and Trade Barriers**

SMEs in Myanmar face intense competition from both domestic and international businesses. The influx of foreign companies, especially from neighboring countries like China and Thailand, has heightened competition in various industries, making it hard for local SMEs to thrive (OECD, 2020). Furthermore, Myanmar's SME sector remains highly fragmented, with many businesses operating on a small scale and lacking the capacity to compete with larger enterprises. The absence of strong trade policies and export promotion initiatives further restricts SME access to international markets (ASEAN Secretariat, 2021). Without adequate support in terms of market linkages, export incentives, and capacity-building programs, Myanmar's SMEs

struggle to expand beyond domestic operations.

### **3.2.4 Infrastructure and Technology Limitations**

Inadequate infrastructure and limited technological adoption pose significant barriers to SME growth. Myanmar faces challenges related to poor transportation networks, unreliable electricity supply, and limited access to high-speed internet, all of which hinder business operations (ADB, 2021). Many SMEs lack access to modern technology, digital payment systems, and e-commerce platforms, making it difficult for them to leverage digital transformation to enhance productivity and market reach (World Bank, 2021). Compared to regional counterparts such as Thailand and Vietnam, Myanmar's SMEs are significantly behind in terms of digitalization, limiting their ability to compete in an increasingly digital global economy (OECD, 2020).

### **3.2.5 Economic and Political Instability**

The COVID-19 pandemic, political instability, and global economic fluctuations have further exacerbated challenges for SMEs in Myanmar. The pandemic led to supply chain disruptions, decreased consumer demand, and financial losses, forcing many small businesses to either downsize or shut down entirely (World Bank, 2021). Political uncertainties and regulatory changes have also created an unpredictable business environment, discouraging investment and long-term business planning (ASEAN Secretariat, 2021). Additionally, Myanmar's SMEs remain vulnerable to global economic changes, currency fluctuations, and trade restrictions, which further limit their growth potential.

The challenges facing Myanmar's SMEs are multifaceted, encompassing financial constraints, regulatory burdens, competitive market conditions, infrastructure deficiencies, and economic instability. Addressing these issues requires comprehensive policy interventions, improved financial accessibility, regulatory reforms, and investments in infrastructure and technology. To support its economic advancement, Myanmar can promote SME success by applying effective practices from abroad and fortifying domestic institutional support.

## **3.3 Policy and Legal Framework for SME Development**

Government policies play a fundamental role in fostering a conducive business environment for Small and Medium Enterprises (SMEs) by providing regulatory

frameworks, financial support, and institutional assistance. In Myanmar, various government initiatives have been introduced to enhance SME development and promote economic inclusivity. However, the effectiveness of these policies remains a topic of discussion, as SMEs continue to face challenges related to policy implementation, bureaucratic inefficiencies, and financial accessibility (Asian Development Bank [ADB], 2021). This section examines key government policies influencing SME growth in Myanmar, including legal frameworks, financial assistance programs, tax incentives, and institutional support mechanisms.

### **3.3.1 Legal and Regulatory Environment**

A well-structured legal and regulatory framework is essential for SME growth, as it defines business registration processes, compliance requirements, and policy incentives. The Small and Medium Enterprise Development Law (2015) serves as the principal legislation governing SMEs in Myanmar. This law provides a legal foundation for SME promotion, outlining guidelines on business registration, access to financial support, and government incentives (Ministry of Planning and Finance [MOPF], 2018). Additionally, the Myanmar Companies Law (2017) introduced reforms aimed at simplifying business registration procedures, reducing bureaucratic delays, and encouraging foreign investment in the SME sector (World Bank, 2021).

Despite these legislative efforts, SMEs still encounter challenges related to compliance, regulatory costs, and administrative inefficiencies. Many small businesses struggle with lengthy licensing procedures and complex tax regulations, limiting their ability to operate efficiently (OECD, 2020). Furthermore, the lack of coordination between government agencies often creates difficulties in policy implementation, making it harder for SMEs to access the benefits outlined in the legal framework (ADB, 2021). Addressing these regulatory barriers is crucial for enhancing the ease of doing business and fostering SME development in Myanmar.

### **3.3.2 Myanmar Companies Law (2017) and the MyCO Platform**

The enactment of the Myanmar Companies Law (MCL) in 2017 marked a pivotal shift in the country's corporate regulatory framework. One of the significant advancements introduced by the MCL was the establishment of the Myanmar Companies Online (MyCO) platform in August 2018. This digital system allows for online company registration, submission of annual returns, and access to company

information, streamlining processes that were previously manual and time-consuming.

Despite these improvements, many SMEs, especially those in rural areas, face difficulties in navigating the MyCO system due to limited digital literacy and inadequate internet infrastructure. Additionally, the requirement for companies to submit annual returns and other compliance documents online has led to challenges for businesses unfamiliar with digital platforms.

### **3.3.3 Business Registration and Compliance**

The Directorate of Investment and Company Administration (DICA) has reported instances where companies fail to comply with the provisions of the MCL, such as neglecting to file annual returns or providing inaccurate information. Such non-compliance can result in penalties, suspension, or even removal from the company register.

Furthermore, the process of restoring a company that has been struck off the register involves obtaining a court order and fulfilling specific administrative procedures, which can be burdensome for SMEs lacking legal expertise.

### **3.3.4 Regulatory Fragmentation and Administrative Inefficiencies**

While the MCL provides a unified legal framework for company operations, regulatory fragmentation persists due to overlapping responsibilities among various governmental agencies at the national and regional levels. This fragmentation can lead to administrative inefficiencies, inconsistent enforcement of laws, and confusion among SMEs regarding compliance requirements.

### **3.3.5 Recommendations for Regulatory Improvement**

To enhance the regulatory environment and facilitate business registration for SMEs in Myanmar, the following measures are recommended:

- **Capacity Building:** Implement training programs to improve digital literacy among entrepreneurs, enabling them to effectively utilize the MyCO platform.
- **Infrastructure Development:** Invest in expanding internet access, particularly in rural areas, to ensure that all businesses can engage with online registration systems.
- **Regulatory Harmonization:** Streamline the roles and responsibilities of various

governmental agencies to reduce regulatory overlap and simplify compliance procedures.

- **Support Services:** Establish support centers or helpdesks to assist SMEs in understanding and fulfilling their legal obligations under the MCL.

### **3.4 Government Policy and Institutional Support**

Given the challenges faced by SMEs, government intervention is essential in creating a supportive policy framework that enhances their growth, resilience, and long-term sustainability. Policy measures such as financial assistance programs, tax incentives, infrastructure development, and regulatory reforms are critical in fostering SME expansion (OECD, 2020). In Myanmar, government initiatives such as low-interest loans, tax reductions, and entrepreneurship training programs have been introduced to support SMEs (MOPF, 2018). However, concerns remain regarding the effectiveness and accessibility of these policies, as many SMEs continue to struggle with bureaucratic inefficiencies and financial constraints (World Bank, 2021).

By addressing these policy gaps and aligning SME development strategies with global best practices, Myanmar can enhance the contribution of SMEs to national economic growth and industrial competitiveness. A well-structured SME policy framework not only benefits business owners but also strengthens economic stability, fosters innovation, and promotes inclusive development (ADB, 2021).

#### **3.4.1 Financial Assistance and Access to Credit**

Access to finance remains one of the most significant challenges for SMEs in Myanmar. Limited financial resources hinder business expansion, investment in technology, and market competitiveness. In response, the government has introduced various financial assistance programs, including low-interest loans, credit guarantees, and microfinance initiatives (MOPF, 2018).

One of the key initiatives supporting SME financing is the Myanmar SME Development Fund, which provides low-interest loans and financial grants to eligible enterprises. Additionally, the Myanmar Economic Bank (MEB) and private financial institutions offer government-backed loan programs designed to enhance SME access to credit (ADB, 2021). However, despite these efforts, many SMEs face strict collateral requirements, high-interest rates, and limited access to formal banking services, making

it difficult for them to secure financial support (World Bank, 2021).

Microfinance institutions (MFIs) and non-bank financial institutions (NBFIs) have also played a crucial role in expanding credit access for SMEs, particularly in rural areas. However, the high cost of borrowing and regulatory constraints continue to limit the effectiveness of these financial services (OECD, 2020). Strengthening SME financing mechanisms through policy reforms, credit risk-sharing initiatives, and alternative lending models is essential for improving financial inclusion in Myanmar's SME sector.

### **3.4.2 Tax Incentives and Fiscal Measures**

Tax policies play a significant role in shaping the financial sustainability of SMEs by influencing their profitability and investment capacity. The Myanmar government has introduced tax incentives and exemptions to support SME growth and reduce financial burdens on small businesses. Under the Union Tax Law (2019), SMEs are eligible for reduced corporate tax rates, import duty exemptions on machinery and raw materials, and tax holidays for newly established enterprises (MOPF, 2019).

Despite these tax incentives, SMEs continue to struggle with complex tax filing procedures, high compliance costs, and limited access to tax advisory services (ADB, 2021). Many small business owners lack awareness of available tax benefits or face challenges in navigating Myanmar's evolving tax regulations. Additionally, the informal sector, which comprises a large portion of SME activities, often operates outside the formal tax system, reducing the effectiveness of tax-based incentives (World Bank, 2021). Simplifying tax policies, enhancing tax education programs, and improving digital tax filing systems could help increase SME participation in the formal economy and enhance tax compliance.

### **3.4.3 Institutional Capacity-Building Programs**

Institutional support and capacity-building programs are critical in enhancing the competitiveness and resilience of SMEs. The Myanmar government, in collaboration with international organizations such as the Asian Development Bank (ADB), World Bank, and United Nations Development Programme (UNDP), has implemented various entrepreneurship training, technical assistance, and business development programs to support SME growth (ADB, 2021).

The Central Department of Small and Medium Enterprises Development (CDSMED) plays a key role in SME promotion by providing training programs, mentorship opportunities, and market access initiatives (MOPF, 2018). Additionally, government agencies have partnered with the private sector to establish business incubators, trade fairs, and digital platforms.

However, challenges remain in ensuring the effective implementation and accessibility of these programs. Many SMEs, particularly those in rural areas, lack awareness or access to capacity-building initiatives, limiting their ability to benefit from government support. Strengthening public-private partnerships, expanding digital training platforms, and improving outreach programs could help bridge this gap and empower SMEs with the necessary skills to thrive in a competitive business environment (OECD, 2020).

#### **3.4.4 Challenges in Policy Implementation**

While Myanmar has introduced various policies to support SMEs, gaps in policy implementation, administrative inefficiencies, and economic instability continue to pose challenges. Bureaucratic delays, lack of policy coordination, and inconsistencies in regulatory enforcement often hinder the effectiveness of government initiatives (ADB, 2021). Additionally, external factors such as political transitions, economic downturns, and the COVID-19 pandemic have further strained SME development, highlighting the need for adaptive and resilient policy frameworks (World Bank, 2021).

To enhance the impact of government policies on SMEs, it is crucial to streamline regulatory procedures, strengthen financial support mechanisms, and expand capacity-building initiatives. By addressing these challenges, Myanmar can create a more inclusive and dynamic business environment that fosters SME growth and contributes to sustainable economic development.

#### **3.5 Financial Support and Access to Credit**

Access to finance remains a critical challenge for Small and Medium Enterprises (SMEs) in Myanmar. Despite their significant contribution to the economy – constituting approximately 99% of registered businesses and employing over 70% of the workforce – SMEs often face barriers in obtaining adequate financial resources for growth and development.

### ***Government Financial Initiatives***

The Myanmar government has implemented several initiatives to enhance financial access for SMEs. The Central Committee for Development of Small and Medium Enterprises oversees policies aimed at facilitating credit access and providing financial incentives. One notable initiative is the SME Development Bank's Green Financing Loan, which offers loans up to 100 million MMK for businesses aligning with environmental conservation efforts. This program supports SMEs in adopting sustainable practices while accessing necessary capital.

### ***International Support Mechanisms***

International organizations have also played a role in supporting SME financing in Myanmar. For instance, the International Finance Corporation (IFC) provided a \$7 million convertible loan to Myanmar Oriental Bank Ltd. to expand financing options for SMEs, aiming to spur economic growth and job creation.

### ***Barriers to Financial Access***

Despite these efforts, SMEs in Myanmar continue to encounter significant obstacles in accessing finance. The OECD's "Financing SMEs and Entrepreneurs 2024" report highlights that inflationary pressures have led to tighter lending conditions, limiting the flow of finance to SMEs and acting as a barrier to investment. In addition, a study assessing Myanmar's entrepreneurial ecosystem indicates that SMEs are less likely to innovate compared to their counterparts in other Mekong countries, partly due to financial constraints.

### ***Recommendations for Enhancing Access***

To address these challenges, it is recommended that Myanmar continues to develop and implement policies that provide tax incentives, grants, and access to affordable credit for SMEs. Such measures can alleviate financial pressures, enabling SMEs to invest in sustainable practices and long-term growth. Furthermore, enhancing coordination among government agencies, financial institutions, and international partners is crucial to creating a more conducive financial environment for SMEs.

### **3.6 Institutional Support Mechanisms**

The Ministry of Industry in Myanmar oversees SME-related initiatives through its Central Department for the Development of Small and Medium Enterprises (CDSMED), which serves as the lead coordinating body. Founded in 2012, CDSMED acts as the main catalyst to promote SMEs by providing various supporting services. These services include organizing trade fairs and competitions, offering national awards, facilitating technology transfer, conducting business-to-business (B2B) matching and exhibitions, providing capacity-building trainings, assisting with financial access, managing SME registration, and offering advisory and consulting services.

To decentralize support and enhance accessibility, SME Centers and One-Stop Services have been established across various regions. These centers offer advisory services, capacity-building programs, and assistance with business registration. For instance, KBZ Bank launched a One-Stop SME Banking Centre in Taunggyi and the Southern Shan region to provide comprehensive services exclusively for SMEs, aiming to enhance financial literacy and improve access to finance. Similarly, CB Bank opened its first SME center in Mandalay in January 2018 to assist SMEs in applying for necessary loans, including SME-Credit Guarantee Insurance Loans and SME Long-term Investment Loans powered by JICA.

Despite these efforts, challenges such as limited coordination among ministries, duplication of services, and resource constraints have hindered the effectiveness of institutional support mechanisms. Moreover, many SMEs, particularly in rural and conflict-affected areas, remain unaware of or excluded from these institutional services.

International development partners have played a significant role in bolstering Myanmar's SME ecosystem. The Japan International Cooperation Agency (JICA) has provided medium- and long-term funds to support SME promotion, contributing to economic development and improvement of people's livelihoods. In June 2020, the Japan International Cooperation Agency (JICA) sanctioned a loan package worth US\$46.5 million to support small and medium-sized enterprises (SMEs) in Myanmar. The funds were intended for use as working capital or for acquiring fixed assets. Furthermore, JICA has been implementing strategies to promote economic growth through the creation of innovation by startups in developing countries, including Myanmar.

The United Nations Development Programme (UNDP) has also partnered with

Japan to support SMEs in various countries, including Myanmar, through global projects aimed at addressing the socio-economic impact of crises like the COVID-19 pandemic. Furthermore, the International Labour Organization (ILO) has carried out projects to support entrepreneurship and Micro, Small, and Medium-Sized Enterprises (MSMEs) development in Myanmar.

In conclusion, while Myanmar has made strides in establishing institutional support mechanisms for SMEs, ongoing challenges related to coordination, resource allocation, and outreach continue to impede the effectiveness of these initiatives. Addressing these issues is crucial for fostering a robust and inclusive SME sector that can contribute significantly to the country's economic development.

### **3.7 SME Trends and Developments (2020–2025)**

Small and Medium Enterprises (SMEs) have remained a critical component of Myanmar's economic structure, accounting for approximately 99% of all registered businesses and contributing significantly to employment and GDP. Over the past five years, despite political instability and economic shocks, the SME sector has demonstrated moderate growth in registration and formalization, though structural challenges continue to hinder its full potential.

#### **3.7.1 Growth and Registration Trends**

From 2020 to 2025, Myanmar experienced a steady increase in the registration of small and medium-sized enterprises (SMEs). In 2020, the Central Department of Small and Medium Enterprises Development (CDSMED) reported approximately 51,685 officially registered enterprises, of which 30,365 were classified as small, 9,611 as medium, and 9,017 as large enterprises (CDSMED, 2020). By 2023, this figure had grown to approximately 46,014 SMEs registered under CDSMED, with the highest concentration in Yangon Region and Shan State. According to the Ministry of Industry (2024), the total number of private industries increased from 45,015 in FY 2022–2023 to 47,879 in FY 2024–2025, reflecting a steady formalization trend.

#### **3.7.2 Sectoral Contributions and Employment**

The industrial sector, particularly food and beverage processing, continues to dominate the SME landscape. In 2020, food production accounted for over 55% of registered industrial SMEs, followed by construction materials (9.4%) and garment

manufacturing (6.3%) (ADB, 2020). Despite the rise in formal registrations, the majority of SMEs remain concentrated in traditional, low-value sectors, with limited penetration into high-productivity or export-oriented industries.

SMEs account for an estimated 30–40 percent share of the nation's total economic output and are estimated to employ over 70% of the labor force (World Bank, 2021; Charltons, 2023). However, disparities exist between urban and rural areas, with rural SMEs facing more pronounced challenges related to infrastructure, market access, and regulatory support.

### **3.7.3 Financial Inclusion and Credit Access**

Access to finance continues to be one of the most significant barriers to the growth and sustainability of small and medium-sized enterprises (SMEs) in Myanmar. According to the SME Finance Forum and the Asian Development Bank (ADB, 2020), only around 20% of SMEs in the country have access to formal credit from commercial banks. This limited access stems from several interrelated factors, including stringent collateral requirements, high interest rates, and a general lack of financial literacy among SME owners, which hinders their ability to navigate formal lending processes.

Despite efforts by the government to address these challenges – such as the introduction of credit guarantee schemes and concessional loan programs – the reach of these initiatives remains narrow. Many SMEs are either unaware of these financial support mechanisms or find the application procedures too complex and bureaucratic. Furthermore, the banking sector often perceives SMEs as high-risk borrowers due to their limited credit history and informal business practices, which further restricts lending.

To improve financial inclusion, a more coordinated approach is needed, involving capacity-building programs, financial education initiatives, and collaboration with microfinance institutions and fintech solutions. Strengthening the regulatory framework for credit reporting and expanding digital financial services can also play a crucial role in bridging the finance gap for SMEs, especially in rural and underserved areas.

### **3.7.4 Export Participation and Global Integration**

Myanmar's SME sector exhibits low levels of export engagement. As of 2014, only 4.2% of medium-sized firms and 0.8% of small firms were involved in export activities (OECD, 2020). This figure has seen minimal improvement over the past five years, due in part to weak infrastructure, inconsistent trade policy implementation, and limited support for quality certification and market access.

### **3.7.5 Impacts of Political and Economic Disruptions**

The SME sector has been significantly impacted by the military coup in February 2021, compounded by the economic effects of the COVID-19 pandemic. GDP contracted by approximately 18% in 2021, and inflation reached over 30% by 2022, further weakening demand, investment, and access to finance (World Bank, 2023). Many SMEs, particularly those in manufacturing and services, have reported substantial disruptions due to power outages, declining consumer demand, and logistical challenges. According to the Myanmar Economic Monitor (2024), over 40% of surveyed SMEs cited electricity shortages as a critical constraint, while 25% reported severe declines in revenue and sales.

## **CHAPTER IV**

### **ANALYSIS AND DISCUSSION**

This chapter presents a critical analysis of the government’s role in shaping the development of SMEs in Myanmar, with a focus on the objectives set out in the earlier chapters. Drawing upon a range of official reports, policy documents, and scholarly studies, the discussion explores the nature and scope of existing SME-related policies, evaluates their practical effects on the growth and resilience of the sector, and highlights the key regulatory and institutional challenges encountered by SME operators. Through a thematic and evidence-based approach, this chapter seeks to assess how well these policies align with the needs of SMEs and identifies areas where improvements may be necessary. The findings are organized in accordance with the three main objectives: to examine the current policy landscape, assess the impact on SMEs, and identify barriers stemming from regulatory frameworks and administrative practices.

#### **4.1 Examination of Existing Government Policies Related to SME Development in Myanmar**

SMEs play an important role in Myanmar’s economy, that represents approximately 99.4% of all businesses and employing a large proportion of the workforce (CDSMED, 2022). Recognizing this importance, the Government of Myanmar has introduced several policy frameworks, strategic plans, and institutional mechanisms to promote SME development.

##### **4.1.1 Key Government Policies on SME Development**

The government’s policy framework for SMEs is primarily structured around three major initiatives:

**Table 4.1: Structure of government’s policy framework for SMEs**

<b>Policy/Plan</b>	<b>Year</b>	<b>Objective</b>	<b>Implementing Agency</b>
SMEs Development Law	2015	Set up legal and institutional support for SMEs	Central Department of SME Development (CDSMED)
Myanmar Sustainable Development Plan (MSDP)	2018–2030	Promote inclusive, sustainable economic growth through SME development	Ministry of Planning and Finance (MOPF)
MSME Policy Framework and Roadmap	2020	Provide a detailed roadmap for improving access to finance, technology, and markets	Ministry of Industry

Source: DICA, 2021 and OECD (2020)

These policies are designed to facilitate SME formalization, improve regulatory transparency, and expand access to financing and markets.

#### **4.1.2 Financial Support Mechanisms and SME Credit Access**

In terms of financial incentives, several government and international-backed programs aim to improve SME access to credit and capital. However, data indicates that credit access remains a significant barrier.

**Table 4.2: SME access to credit and capital from 2019 to 2022**

<b>Year</b>	<b>SMEs Accessing Formal Credit (%)</b>	<b>Total Government SME Loans (MMK Billion)</b>	<b>Credit Guarantee Program Launched?</b>
2019	12.4% (World Bank)	30.5	No
2020	15.2%	45.8	Pilot stage
2022	16.9%	52.0	Yes (Full launch with Japan cooperation)

Source: The World Bank (2022), UNDP (2021), Ministry of Industry Reports

Despite these efforts, over 80% of SMEs continue to rely on informal lending sources, reflecting weak institutional reach (OECD, 2020).

### 4.1.3 Tax Incentives and SME Regulatory Reforms

The SME Development Law (2015) mandates tax exemptions for startup SMEs and simplified registration procedures. Furthermore, under the MSDP, the government introduced tiered taxation systems and compliance training programs for small enterprises.

**Table 4.3: Startup SMEs and simplified registration procedures**

Policy	Incentive Offered	Target Group
Tax Exemption (Initial 3 years)	Income tax exemption for newly registered SMEs	New enterprises
Simplified Tax Filing System	Quarterly filings replaced with annual summary	SMEs with <50 million MMK revenue
Online Registration System (DICA)	Reduced licensing time to 2 weeks	All businesses

Source: OECD (2020) and IRD, 2021

Yet, many SMEs cite continued challenges in accessing these incentives due to bureaucratic hurdles and lack of awareness. The following table shows the several agencies involved in SME development and their roles:

**Table 4.4: Involvement of Agencies and their roles in SME**

Institution	Role
Central Department of SME Development (CDSMED)	Implements national SME strategy
Myanmar Economic Bank	Offers SME loan disbursement
Myanmar Microfinance Association	Oversees microfinance institutions targeting SMEs
Myanmar Investment Commission (MIC)	Approves foreign investment into SME sectors

Source: The World Bank. (2022)

However, coordination between these institutions remains weak. Furthermore, SMEs in rural regions report inadequate infrastructure – particularly access to reliable electricity and internet – as major growth constraints.

#### **4.1.5 Gaps and Limitations in Current Policies**

Despite formal policy progress, several implementation gaps persist:

- Limited outreach of credit programs: Credit guarantee schemes are not well understood outside urban areas.
- Low awareness of tax incentives: A 2021 UNDP report found that only 30% of SMEs knew about available tax benefits.
- Weak enforcement of regulatory reforms: Informal businesses continue to dominate due to cumbersome formalization processes.
- Insufficient monitoring and evaluation: No central tracking system exists to measure the impact of SME policy interventions nationwide.

#### **4.2 Analyzing the impact of policies on the growth and sustainability of SMEs**

Over the past decade, Myanmar's SMEs have been significantly affected by changes in the country's political, economic, and regulatory landscape. Although policy efforts have been made to promote SME registration and growth – particularly through the SME Development Law (2015), one-stop service centers, and the digital registration platform under DICA – implementation challenges and uneven access continue to hinder progress. From 2016 to 2019, SME registrations increased notably, driven by improved awareness and regulatory reforms, yet a large portion of small businesses still operate informally due to high compliance costs and limited information.

Business growth has remained modest, with most SMEs operating on a small scale in sectors like retail and agriculture. Growth has been concentrated in urban areas such as Yangon and Mandalay, where support programs are more accessible, while rural SMEs face persistent barriers like inadequate infrastructure and poor market connectivity. The COVID-19 pandemic further strained the sector, with nearly 70% of SMEs reporting revenue losses and operational disruptions. Although some relief measures were introduced, the crisis exposed the sector's vulnerability and lack of resilience mechanisms.

Overall, the impact of policies on SME growth and sustainability has been limited. Urban areas have seen greater benefits due to centralized policy implementation, leaving rural SMEs underserved. While registration numbers have risen, this increase does not necessarily reflect sustainable business development. Policy reforms have encouraged formalization to some extent, but a more inclusive and

supportive environment is needed to ensure meaningful growth and long-term viability for SMEs across the country.

#### 4.2.1 Impact of Financial Policies on SME Access to Credit

Access to finance remains a major challenge for SMEs in Myanmar, and although the government has launched several initiatives to improve credit access – such as low-interest loans, revolving funds, credit guarantees, and strategic plans under the MSDP – their real-world impact has been limited. Despite these well-intentioned policies, only a small fraction of SMEs, less than 10% between 2016 and 2020, were able to access formal financing. This low uptake is largely due to ongoing structural and procedural obstacles, raising concerns about the overall effectiveness of these financial support measures. The following data illustrates the trend:

**Table 4.5: Impact of SMEs with Access to Formal Credit**

Year	% of SMEs with Access to Formal Credit	Key Policy Actions
2015	6.2%	SME Development Law enacted
2017	7.5%	SME Fund operationalized
2019	8.1%	MSDP implemented
2021	9.3%	COVID-19 relief loans introduced

Source: ADB, OECD, World Bank (2015–2021)

Although there has been marginal growth in formal lending to SMEs, the improvement is modest considering the scale of government intervention. The majority of SMEs continue to rely on informal lending channels, such as community-based credit or personal savings.

The effectiveness of financial policies intended to support SMEs in Myanmar has been significantly reduced due to several persistent challenges. Many banks continue to require high levels of collateral, which small enterprises often cannot provide. In addition, a large portion of SME owners, particularly in rural regions, remain unaware of the financial assistance programs available to them. Public institutions face operational limitations, such as delayed processing times and restricted outreach, which further hinder access. Even when credit guarantees are in place, banks are reluctant to lend to SMEs due to concerns about repayment risks. During the

COVID-19 pandemic, more than 70% of SMEs struggled to access emergency funding, largely due to complex application procedures and unclear eligibility standards.

This lack of effective financial support has directly impacted the sustainability of SMEs. Without adequate access to capital, many businesses are unable to expand, invest in new technologies, or hire skilled staff. Operating with limited cash flow has made them especially vulnerable to external disruptions, leading to widespread closures during economic downturns. These consequences reflect a disconnect between the aims of financial policy and the actual experience of SMEs on the ground. While the policies are well-intentioned, their practical application has fallen short, resulting in limited progress in strengthening the SME sector's long-term viability.

In brief, although financial access for SMEs has seen slight improvement, it remains insufficient due to systemic obstacles. The intended benefits of government policies have not reached many small businesses, particularly in times of crisis, thereby weakening their potential for growth and resilience.

#### **4.2.2 Evaluation of Tax Incentives and Compliance Rates**

Tax policies play an essential role in shaping the financial viability of SMEs. In Myanmar, tax incentives have been introduced as part of the government's strategy to reduce operational burdens and encourage business formalization. This section evaluates the design and impact of these incentives, while also examining trends in tax compliance among SMEs.

Myanmar has introduced several tax incentives under its 2015 SME Development Law and the 2016 Investment Law to ease the financial burden on small businesses and encourage formalization. These incentives include income tax exemptions for startups operating in designated development zones, lower corporate tax rates for enterprises with minimal revenue, deferred customs duties on imported machinery, and tax deductions for firms investing in staff training, research, or environmentally friendly technologies. The goal is to stimulate entrepreneurship and innovation while encouraging businesses to enter the formal economy.

However, despite these supportive measures, tax compliance among SMEs remains significantly low. A World Bank survey in 2020 revealed that fewer than 35% of small businesses in Myanmar fully complied with tax regulations. The reluctance to participate in the formal tax system is largely due to limited understanding of tax procedures, lack of access to digital filing systems outside urban centers, inconsistent

enforcement practices, and the perception that paying taxes offers little tangible benefit. As a result, many SMEs continue to operate informally to avoid these administrative and financial obligations.

The following table presents data on SME registration, income tax filings, and compliance rates over five years.

**Table 4.6: Comparative Analysis of SME Taxation (2017–2022)**

Year	Registered SMEs	SMEs Filing Income Tax Returns	Estimated Compliance Rate (%)	Key Policy Notes
2017	19,000	6,800	35.8%	Post-SME Law incentives roll out
2018	21,500	7,100	33.0%	Digital tax pilot begins
2019	25,000	8,500	34.0%	Zonal tax relief expansion
2020	23,000	6,900	30.0%	COVID-19 disruptions
2021	27,800	9,300	33.4%	Post-pandemic relief tax measures
2022	29,200	9,900	33.9%	Income tax deduction extended

Sources: DICA (2022), IRD (Internal Revenue Department), World Bank (2020), ADB (2021)

While the number of registered SMEs has increased gradually, the rate of tax compliance has remained relatively stagnant. Even with tax reliefs, only about one-third of SMEs file returns consistently, indicating a gap between incentive policies and behavioral outcomes.

The impact of tax incentives on SMEs in Myanmar has been modest, primarily due to structural and administrative issues. Many small business owners are either unaware of the available tax benefits or unsure of how to access them. Additionally, the tax registration and filing process remains burdensome, particularly for those located outside major cities. A widespread lack of trust in government institutions further discourages compliance, as SMEs often perceive little tangible return from paying taxes. Weak enforcement and limited oversight also allow many informal businesses to continue operating outside the formal tax system. While some advantages have been observed among tech-based and export-oriented firms, overall improvement in tax

compliance and SME development has been limited. To address these challenges, it is recommended that tax procedures be simplified through accessible digital platforms, outreach and education be expanded nationwide, incentives be clearly linked with tangible support services, and a tiered tax structure be introduced to reduce the burden on micro-enterprises.

### 4.2.3 Sustainability of SMEs amid Economic Shocks

Small and Medium Enterprises (SMEs) in Myanmar face persistent structural vulnerabilities that limit their ability to withstand economic shocks. Events such as the COVID-19 pandemic and political instability have tested the resilience of these enterprises, exposing gaps in policy preparedness and institutional support. This section examines how these disruptions affected SME sustainability and evaluates the extent to which existing policies have mitigated or failed to mitigate their impact.

**Table 4.7: Impact Assessment: Key Sustainability Indicators (2020–2022)**

Indicator	2020	2021	2022	Observation
SMEs reporting revenue decline	68%	78%	64%	Slight recovery in 2022, but still below pre-crisis levels
SME loan access (via relief funds)	3.5%	6.0%	6.4%	Minimal increase; credit coverage remains low
Business closures (temporary or permanent)	28%	41%	33%	High closure rates, mostly among micro-enterprises
Digital adoption among SMEs	14%	21%	25%	Uptake accelerated due to pandemic-related shifts
Layoffs reported by SMEs	35%	48%	40%	Labor reductions persisted even during recovery

Sources: UNDP (2021), ADB (2022), World Bank (2022), Myanmar Business Environment Reports

The COVID-19 pandemic brought widespread disruption to Myanmar’s economy, hitting SMEs particularly hard due to their limited cash reserves, dependence on supply chains, and narrow market access. A 2021 survey by UNDP found that about 78% of SMEs experienced revenue losses, and nearly half faced shutdowns – either temporarily or permanently. The situation worsened following the political upheaval in 2021, which further strained SMEs through declining demand, banking system instability, and logistical challenges. In an effort to mitigate these impacts, the

government introduced support measures under the COVID-19 Economic Relief Plan, offering low-interest loans, tax deferrals, fee waivers, and extended loan repayment periods. However, these policies had limited effectiveness. Only a small fraction of SMEs – around 6% - received the intended financial support. Additionally, confusion over eligibility requirements and a concentration of aid in urban areas meant that many rural and informal businesses remained excluded, leaving significant gaps between policy intent and actual impact.

Myanmar's SME sector remains fragile despite the implementation of several support policies. Many small enterprises lacked the financial reserves needed to withstand sudden revenue drops, and their limited use of digital technologies made it difficult to pivot to online operations during crises. The reliance on informal systems has also prevented many SMEs from accessing formal assistance, while disruptions to supply chains have further strained their capacity to operate – particularly in manufacturing and food-related industries. These challenges underscore the urgent need for more robust planning and targeted investments to improve SME resilience. To strengthen sustainability in the face of future shocks, it is crucial to establish emergency funding mechanisms, support digital adoption through subsidies, enhance financial literacy, and extend assistance to underserved rural and informal businesses. In addition, developing tailored recovery strategies for key sectors like agriculture, retail, and tourism would contribute to a more inclusive and adaptable SME ecosystem.

#### **4.2.4 Gaps Between Policy Design and Implementation**

This section explores the disconnect between what is outlined in SME policies and what is experienced by enterprises on the ground, identifying core implementation gaps across regulatory, financial, and institutional dimensions.

Myanmar has introduced several major policy initiatives to support SME development, including the SME Development Law (2015), the Myanmar Sustainable Development Plan (2018–2030), and the COVID-19 Economic Relief Plan. These frameworks were designed to improve access to credit, simplify regulations, provide tax incentives, and enhance capacity-building for small businesses. However, the actual outcomes have often fallen short of these intentions. For example, although financial support schemes promoted low-interest loans, only 6.4% of SMEs successfully secured such credit (World Bank, 2022). National training programs reached very few rural businesses, with fewer than 20% reporting participation (UNDP, 2021). Efforts to ease

tax filing through digital platforms were also limited in impact, with only one in four SMEs using them, mostly due to poor outreach and low digital skills (DICA, 2022). These figures reflect a persistent gap between what policies aim to deliver and the extent to which they are effectively implemented across the country.

**Table 4.8: Comparative Policy Implementation Analysis**

<b>Policy Component</b>	<b>Intended Objective</b>	<b>Implementation Reality</b>	<b>Gap Description</b>
SME Loan Schemes (via banks)	Expand credit access to SMEs	Only ~6% coverage among SMEs (2021–2022)	Limited outreach, high documentation burden
Digital Business Registration (DICA)	Simplify and speed up business licensing	Urban-centric adoption; rural uptake remains low	Digital divide; low awareness
Tax Incentives for Startups	Reduce early-stage financial burden	Only ~34% of SMEs file taxes (IRD, 2022)	Low compliance, weak enforcement
SME Training Programs (MSDP)	Build managerial and technical capacity	Fragmented delivery, urban concentration	Limited rural inclusion
COVID-19 Emergency Loans	Provide fast relief to distressed SMEs	Long application times; unclear eligibility	Administrative bottlenecks

Sources: ADB (2022), DICA (2022), UNDP (2021), World Bank (2022), IRD (2022)

The gap between policy design and implementation in Myanmar's SME sector stems from several interconnected challenges. Numerous government bodies involved in SME support often operate independently, leading to overlapping responsibilities and inefficiencies. Many regional and local agencies also face shortages in staffing and resources, limiting their ability to implement policies effectively. Furthermore, government programs tend to favor urban centers, especially Yangon and Mandalay, leaving rural SMEs underserved. A lack of clear and timely information also prevents many business owners from understanding or accessing available support. Compounding these issues is widespread skepticism toward public institutions, driven by past administrative shortcomings and political uncertainty.

These structural problems have significant consequences. SMEs across different regions and industries experience unequal access to resources and support.

Formalization rates remain low due to burdensome registration and tax systems, and public funds are often spent on programs that are poorly utilized. During crises, the most vulnerable businesses—particularly those in rural or informal sectors – struggle to access critical assistance, weakening the overall resilience of the SME ecosystem.

To address these shortcomings, it is essential to improve coordination among government agencies and establish a centralized SME policy unit. Strengthening local implementation capacity, particularly in rural areas, is also vital. Expanding outreach through offline and mobile channels would help bridge the urban-rural divide. Regular monitoring using SME performance indicators could ensure better accountability, and involving stakeholders in policy evaluation would increase trust and improve relevance.

### **4.3 Challenges Faced by SMEs Due to Government Regulations and Policies**

Despite the formulation of SME development laws and national strategic plans in Myanmar, many small and medium enterprises continue to face serious challenges that stem from government regulations and institutional inefficiencies. These barriers hinder business registration, tax compliance, access to finance, and long-term sustainability.

#### ***Bureaucratic and Regulatory Complexity***

One of the most commonly reported challenges is the complex and inconsistent regulatory environment, especially in business licensing, company registration, and tax filing.

**Table 4.9: Bureaucratic and Regulatory Complexity**

<b>Challenge Area</b>	<b>Specific Issues Reported</b>	<b>Impact on SMEs</b>
Business Registration	Overlapping agency roles; long processing times (2–6 weeks)	Delays in formalizing businesses
Licensing and Permits	Different ministries require multiple approvals	Increased transaction costs
Regulatory Clarity	Frequent rule changes; lack of guidance documents	Confusion and non-compliance risk

Source: DICA, 2021 and OECD, 2020

A 2021 DICA report revealed that only 36% of SMEs found the registration process to be “efficient,” while over 60% considered it “unclear or time-consuming.”

### ***Limited Access to Government-Backed Financial Support***

While SME policies promote subsidized loans and credit guarantee schemes, the actual uptake remains low due to strict eligibility criteria, lack of collateral, and weak dissemination of program details.

**Table 4.10: SMEs Applying and Receiving Government Loans (2020–2022)**

<b>Year</b>	<b>SMEs Applying for Government Loans (%)</b>	<b>Loans Approved (%)</b>
2020	28.4%	15.2%
2021	30.1%	17.5%
2022	33.6%	18.9%

Source: UNDP (2021); CDSMED (2022)

These figures reflect persistent financing barriers, particularly for informal SMEs that lack proper documentation.

### ***Taxation and Compliance Burden***

The tax system, although simplified in policy, remains burdensome in practice. SMEs often lack accounting capacity to handle compliance, resulting in penalties or opting out of formal registration altogether.

**Table 4.11: Taxation and Compliance Burden**

<b>Challenge</b>	<b>Reported Effects</b>
VAT Registration Threshold is Low	Small businesses face tax obligations prematurely
Manual Tax Filing	High administrative burden, especially in rural areas
Limited Training	Many SMEs unaware of exemptions or incentives

Source: OECD (2020) and (IRD, 2021)

A survey by OECD (2020) found that 45% of SMEs in Myanmar consider tax compliance a major operational obstacle.

### ***Institutional Coordination Gaps***

There is overlap among government departments responsible for SME policy, leading to confusion about roles and responsibilities. For instance, SME support initiatives fall under the Ministry of Industry, Ministry of Commerce, and regional authorities, without centralized coordination.

**Table 4.12: Institutional Coordination Gaps**

<b>Agency</b>	<b>Role</b>	<b>Overlap With</b>
CDSMED	Policy planning and coordination	Ministry of Industry
DICA	Registration and licensing	Ministry of Investment
MEB	Loan disbursement	Regional microfinance offices

Source: UNDP (2021) and Ministry of Industry (2020)

This fragmented institutional landscape leads to delays in service delivery and misalignment in implementation.

### ***Exclusion of Informal Enterprises***

More than 60% of Myanmar's SMEs operate in the informal sector (World Bank, 2022). These enterprises are effectively excluded from most government support due to their unregistered status. Government policies are generally designed for formalized entities, leaving informal operators unsupported.

**Table 4.13: Policy Eligibility Criteria and Impact on Informal SMEs**

<b>Policy Eligibility Criteria</b>	<b>Impact on Informal SMEs</b>
Business must be legally registered	Excluded from financial aid
Must submit financial records	Cannot access tax exemptions
Physical presence in urban area required	Rural SMEs overlooked

Source: World Bank, 2022

This structural exclusion continues to widen the gap between policy intention and on-ground realities.

### ***Political and Economic Instability***

Following the political crisis in 2021, several policy efforts have stalled or been reversed. Foreign donor support for SME programs has been suspended, and inflation has worsened business costs. SMEs also face increased uncertainty in government service delivery, further discouraging formal engagement.

**Table 4.14: Summary of Key Challenges**

<b>Category</b>	<b>Specific Barriers</b>
Regulatory Complexity	Lengthy registration, unclear processes
Financial Barriers	Difficult loan eligibility, low loan approval
Taxation Burden	Lack of tax literacy, manual systems
Institutional Weaknesses	Poor coordination, duplication of roles
Exclusion of Informal SMEs	Lack of access to support
Political Instability	Suspension of reforms and donor programs

Source: UNDP (2021) and Ministry of Industry (2020)

## **CHAPTER V**

### **CONCLUSION**

#### **5.1 Conclusion**

Small and Medium Enterprises (SMEs) are a vital component of Myanmar's economy, contributing significantly to employment, local innovation, and inclusive growth. Despite their importance, this study reveals that the policy environment in which SMEs operate remains fragmented, inconsistently implemented, and largely inaccessible to the majority—particularly informal and rural businesses. Drawing from an extensive review of secondary data, this research evaluated government-led efforts including legal frameworks, financial incentives, regulatory procedures, and institutional initiatives intended to support SME development.

While major policy milestones – such as the SME Development Law (2015), the introduction of the MyCO online registration platform, and the establishment of SME support centers – represent progress, the practical outcomes of these efforts remain limited. Credit access continues to be one of the most pressing barriers, with fewer than 10% of SMEs securing formal loans, despite credit guarantee programs and government-backed loan schemes. Likewise, tax incentives and simplified registration procedures have shown modest results, primarily benefiting urban enterprises. Many SMEs remain excluded due to complex compliance requirements, limited awareness, and a lack of digital capacity.

Additionally, structural weaknesses in policy coordination and delivery persist. Multiple institutions with overlapping responsibilities operate in silos, reducing efficiency and confusing beneficiaries. This has resulted in significant gaps between policy design and actual service delivery. Moreover, external shocks—such as the COVID-19 pandemic and the post-2021 political instability—have further exposed the vulnerability of Myanmar's SME ecosystem, highlighting the absence of crisis-responsive mechanisms.

In conclusion, while Myanmar's SME development policies are generally well-intentioned, they have not yet created an enabling environment for broad-based,

sustainable growth. A renewed focus on inclusive, evidence-based policymaking, improved institutional coordination, and adaptive support strategies will be critical to unlocking the full potential of SMEs in Myanmar's evolving socio-economic landscape.

## **5.2 Recommendations**

To address the shortcomings identified in this study and foster a more dynamic and inclusive SME sector, the following recommendations are proposed:

### **Improve Institutional Coordination and Governance**

- Establish a central SME authority to oversee strategy, reduce duplication, and streamline inter-agency efforts.
- Define clear roles and responsibilities among institutions involved in SME support to avoid overlap.
- Develop a unified SME database to inform policymaking and improve outreach.

### **Enhance Financial Inclusion**

- Strengthen and expand the coverage of credit guarantee schemes and ensure transparency in implementation.
- Support the growth of alternative financing models such as microfinance, fintech platforms, and community-based lending.
- Launch financial literacy campaigns to empower SMEs with the skills needed to manage credit and prepare bankable proposals.

### **Streamline Business Formalization and Regulatory Compliance**

- Further simplify registration and tax filing processes, especially for micro-enterprises, through multilingual and mobile-friendly platforms.
- Reduce unnecessary licensing requirements and regulatory red tape that discourage formalization.
- Ensure consistent enforcement of rules across all regions to build confidence and reduce informal practices.

### **Build Human Capital and Entrepreneurial Skills**

- Expand vocational and business training in collaboration with the private sector, tailored to the needs of local industries.
- Incorporate digital literacy, innovation, and green enterprise development into training curricula.

- Promote inclusive programs targeting women, youth, and rural entrepreneurs.

### **Support Infrastructure and Digital Transformation**

- Invest in basic infrastructure such as electricity, transportation, and internet connectivity in underserved areas.
- Encourage public-private partnerships to develop logistics hubs and digital marketplaces.
- Offer targeted incentives for SMEs to adopt e-commerce, cloud-based tools, and automation technologies.

### **Strengthen Market Linkages and Trade Readiness**

- Assist SMEs with branding, packaging, and product certification to improve market competitiveness.
- Create regional trade platforms and buyer-supplier networks to improve domestic and international value chain integration.
- Simplify trade-related procedures and improve SME access to ASEAN and other regional markets.

### **Develop Resilience and Crisis Response Frameworks**

- Introduce flexible emergency loan programs and temporary tax relief measures during economic shocks.
- Promote local supply chains and decentralize support mechanisms to strengthen resilience in conflict-prone or remote areas.
- Embed business continuity planning and risk mitigation into all SME support training programs.

Myanmar's SME sector continues to operate under significant strain, facing systemic and contextual challenges that restrict its potential. However, the adaptability of these enterprises, even under adverse conditions, signals untapped potential. With stronger governance, better-targeted interventions, and inclusive policy frameworks, the SME ecosystem can become a cornerstone of Myanmar's sustainable development strategy. As the country moves forward, stable political conditions, institutional reforms, and strategic partnerships will be essential to realizing the transformative impact of SMEs on the national economy.

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