

**YANGON UNIVERSITY OF ECONOMICS
DEPARTMENT OF APPLIED ECONOMICS
MASTER OF PUBLIC ADMINISTRATION PROGRAMME**

**A STUDY ON THE INFLUENCE OF INTERNAL CONTROL
STRATEGIES ON THE SURVIVAL OF SMALL AND MEDIUM
SIZED ENTERPRISES IN MYANMAR**

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EMPA - 84 (20th BATCH)**

JUNE, 2025

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**A STUDY ON THE INFLUENCE OF INTERNAL CONTROL
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A thesis submitted in partial fulfillment towards the requirements for the degree of
Master of Public Administration (MPA)

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This is to certify that this thesis entitled “**A STUDY ON THE INFLUENCE OF INTERNAL CONTROL STRATEGIES ON THE SURVIVAL OF SMALL AND MEDIUM SIZED ENTERPRISES IN MYANMAR**”, submitted in partial fulfilment towards the requirements for the degree of Master of Public Administration (MPA) has been accepted by the Board of Examiners.

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ABSTRACT

This study explores the influence of internal control strategies in the survival of small and medium-sized enterprises (SMEs) in Yangon, Myanmar, using the COSO Internal Control Framework. The objective is to assess the influence of key internal control components control environment, risk assessment, control activities, information and communication, monitoring, and financial management on SME resilience. Adopting a mixed-methods approach, the research integrates quantitative data from 150 service-sector SMEs with qualitative insights from key informant interviews. The finding of this study shows that a strong positive relationship between effective internal controls, particularly in risk assessment and financial management, and SME survival. Despite resource constraints, SMEs internal control as vital to long-term sustainability. The study suggests that enhanced policy support and targeted capacity building to strengthen internal control practices in the SME sector.

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LIST OF ABBREVIATIONS

| | |
|-------|---|
| CA | Control Activities |
| CE | Control Environment |
| COSO | Committee of Sponsoring Organizations of the Treadway Commission |
| FMP | Financial Management Practices |
| GDP | Gross Domestic Product |
| GoM | Government of Myanmar |
| IC | Information & Communication |
| MA | Monitoring Activities |
| PPPs | Public-Private Partnerships |
| RA | Risk Assessment |
| RS | Revenue Stability |
| SEEs | State Economic Enterprises |
| SMBs | Small and Medium-sized Businesses |
| SMEs | Small and Medium-sized Enterprises |
| SMESI | SME Survival Indicators |

CHAPTER 1

INTRODUCTION

1.1 Rationale of the Study

Myanmar relies on SMEs to drive its economy. These firms drive the economy by creating jobs, innovating, and generating revenue. SMEs are active across a wide range of sectors, including agriculture, manufacturing, retail, and services. Despite their importance, SMEs are particularly vulnerable to economic fluctuations and external shocks. In times of economic downturns, these businesses face a range of challenges that threaten their survival and growth. As Myanmar, like many countries, experiences economic challenges, understanding the role of resilience in ensuring the continuity of SMEs has become an urgent topic of study. (ADB, 2020)

Resilience in the context of business refers to the ability of a firm to adapt to, recover from, and grow despite adverse conditions. For SMEs, resilience is particularly important because these businesses often have limited resources and smaller financial buffers compared to larger corporations. A resilient SME is not only able to survive during difficult times but also to bounce back quickly and continue to thrive in the long term. The study of resilience in SMEs during economic downturns focuses on understanding the internal practices and strategies that contribute to their ability to withstand financial pressures. Among the most important factors contributing to resilience are internal controls, such as cost control, financial management, and human resource management. (Herbane, 2019)

This study examines how these internal controls can help SMEs in Myanmar stay afloat during economic downturns and continue to operate effectively. By analyzing the role of internal controls, this research contributes valuable insights into how SMEs can build resilience and ensure their long-term survival even in challenging economic times.

In Myanmar, SMEs are a cornerstone of the economy. These businesses make up a significant portion of the private sector, providing employment to millions of people across various industries. SMEs contribute to the diversification of the economy,

support local supply chains, and foster entrepreneurship. They are often the first to respond to changing consumer demands and can drive innovation in the market. However, despite their vital role, SMEs in Myanmar face a variety of challenges that threaten their sustainability, particularly during times of economic instability.

The economic environment in Myanmar has experienced fluctuations, including inflation, changes in consumer spending patterns, and shifts in global market conditions. These factors make it difficult for SMEs to plan and maintain steady growth. As smaller businesses with limited resources, SMEs often lack the financial reserves or access to credit that larger enterprises have to weather economic storms. In such circumstances, businesses may struggle to maintain their operations, reduce staff, or even close down. The economic downturns, therefore, put a great deal of pressure on SMEs, often forcing them to make difficult decisions in order to survive. (OECD, 2020).

However, not all SMEs face the same fate during difficult economic periods. Some businesses are able to adapt, innovate, and recover, while others fail to overcome the challenges. The difference between those that succeed and those that do not lies largely in the resilience of the business. Resilience can be understood as the capacity to maintain operations despite adversity, adjust strategies when necessary, and recover quickly after a setback. This ability to adapt and recover is especially crucial in the context of SMEs, as their survival often depends on their ability to manage internal resources efficiently and make quick decisions in response to changing conditions. (Herbane, B. (2013)

Economic downturns have a profound impact on businesses of all sizes, but SMEs are often hit the hardest. These businesses generally operate with tighter financial margins and less access to resources compared to larger corporations. During an economic downturn, SMEs typically face decreased demand for products or services, rising costs, and reduced cash flow. With limited access to capital and fewer financial reserves, many SMEs struggle to cover operational expenses, maintain staff, or invest in new opportunities. In some cases, these difficulties can lead to closures or downsizing, further exacerbating the impact on local economies and employment rates.

For SMEs, the primary concern during economic downturns is survival. This concern often leads to cost-cutting measures, which can include reducing inventory, limiting production, or even laying off staff. However, while these actions may be necessary in the short term, they can have long-term consequences, including the loss

of customer loyalty, reduced employee morale, and diminished market presence. Therefore, it is crucial for SMEs to have strategies in place that allow them to not only survive during a downturn but also recover and rebuild afterward.

Resilience plays a central role in ensuring the continuity of SMEs during economic downturns. A resilient SME is able to adapt its operations, make informed decisions, and use its available resources effectively to manage challenges. This is where internal controls become particularly important. By implementing effective cost control, managing finances prudently, and fostering a resilient workforce, SMEs can improve their chances of survival during tough economic times. This study focuses on the services sector due to its substantial GDP contribution and the internal control difficulties faced by SMEs affecting their survival.

1.2 Objective of the Study

The main objective of the study is to examine the influence of key internal control components on the survival of small and medium-sized enterprises (SMEs) in Myanmar.

1.3 Method of Study

This study adopts a mixed-methods approach, utilizing both primary and secondary data to examine how small and medium enterprises (SMEs) sustain operations under financial stress. Primary data is collected through surveys and interviews. A random sample of 150 respondents from the service sector in the Yangon area was selected. The survey uses a structured questionnaire with a five-point Likert scale to capture participants' levels of agreement on various internal control and resilience-related factors.

Secondary data includes existing information from credible sources such as academic journals, books, organizational reports, and reputable websites.

To analyze the data, the study employs three statistical techniques: descriptive analysis to summarize key characteristics of the data; correlation analysis to explore the relationships between internal control components and business resilience.

1.4 Scope and Limitation of the Study

This study focuses only to SMEs located in Yangon, Myanmar, and focus on a sample of 150 businesses, in service industry, potentially overlooking others that may have unique resilience strategies. The findings may not fully represent the situation in other regions of Myanmar, as SMEs outside Yangon may face different challenges. As a result, the findings may be context-specific and not fully generalizable to SMEs in rural areas. The research mainly relies on self-reported data from business owners and managers, which may be influenced by personal biases. Due to time and resource constraints, the study not examine large-scale SMEs or those outside the specified size range. Additionally, the study's focus on internal control practices may limit the exploration of other factors influencing resilience. Finally, the study not cover for external economic factors that may also impact SME resilience in Myanmar.

1.5 Organization of the Study

This study is structured into five chapters. Chapter One introduces the research, outlining its purpose and significance in exploring how resilience supports SMEs in Myanmar. Chapter Two presents a review of relevant literature. Chapter Three explores the internal control practices of SMEs and a brief overview of the context in Myanmar is also include, highlighting key components, implementation challenges, and their contribution to operational efficiency and accountability. Chapter Four presents the analysis of the survey data. Chapter Five concludes the study by summarizing key insights and providing practical suggestion for enhancing SME sustainability.

CHAPTER 2

LITERATURE REVIEW

This study explores the role of internal control strategies impact on the survival of Small and Medium Enterprises (SMEs), particularly within the economic context of Myanmar. SMEs are vital contributors to employment and economic growth but often face structural and financial challenges that threaten their sustainability. Internal controls are crucial tools that help SMEs maintain operational stability, reduce risk, and adapt to uncertainty.

Three key internal control areas cost control, financial management, and human resource management are identified as critical for SME resilience. These controls ensure efficient use of resources, financial discipline, and ethical staff performance, all of which contribute to an organization's ability to manage crisis and maintain continuity.

The COSO Internal Control Integrated Framework serves as the theoretical foundation for this study. COSO outlines five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. Though originally designed for larger organizations, the COSO framework is flexible and applicable to SMEs. When adapted appropriately, it provides a structured approach to improving transparency, accountability, and long-term business viability in challenging economic conditions.

2.1 Definition of SMEs

"SMEs" are small to medium-sized businesses. SMEs might be "economic" or "statistical." According to the economic definition, a business is small if it has a small market share, is managed personally by its owners or part owners, and operates independently. (Storey,1994)

However, the "statistical" definition is used to measure the size of the small firm sector and its impact on GDP, employment, and exports; track how its economic contribution has changed over time; and compare it across countries.

The global economy relies on these tiny companies to create most jobs. SMEs, unlike global SMBs, are important to economic growth. They enhance competitiveness, job creation, innovation, and company startups. 2022 (Mago & Modiba).

The SMEs Development Law defines "small enterprises" by two criteria. First, these enterprises have capital ranging from K50 million (US\$50,000) to K500 million (USD500,000) Second, these enterprises employ 30–300 individuals, although the number might vary. According to the Ministry of Industry 2, "medium size" enterprises have either K50 million to K1 billion in capital or 60 to 600 workers. (The Pyidaungsu Hluttaw Law No. 23, 2015)

2.2 Economic Sustainability of SMEs

Myanmar, strategically positioned between China and India, plays a vital role in the socio-economic and political landscape of Asia. After decades of relative isolation, the country has initiated a transformative journey marked by democratization and market liberalization. This shift has created a conducive environment for economic revitalization, with Myanmar emerging as one of the fastest-growing economies in recent years.

In this context, economic sustainability particularly for small and medium enterprises (SMEs) extends beyond the ability to maintain profitability. It also encompasses resilience to financial shocks and the capacity to recover from adverse economic conditions. Given the volatile nature of emerging economies, this broader understanding of sustainability is particularly relevant for SMEs in Myanmar.

A cornerstone of the country's reform strategy is the government's commitment to macroeconomic stability. Efforts to maintain low inflation, implement sound fiscal and monetary policies, and reduce reliance on central bank financing are crucial for building a stable economic foundation. These macroeconomic measures directly support the long-term viability and expansion of SMEs, which form the backbone of Myanmar's private sector and serve as vital engines for inclusive and sustainable growth.

To further support private sector development, Myanmar has revised its trade and investment policies in alignment with international and regional standards. These reforms aim to create a level playing field, enhancing predictability and transparency key conditions for SME competitiveness in both domestic and global markets.

Reforms in the financial sector have also been instrumental. The rapid adoption of mobile-based financial services has improved access to banking for underserved and rural populations, thus promoting financial inclusion. This technological progress, along with the adoption of real-time settlement systems and compliance with international banking standards such as the Basel Accords, has significantly enhanced the financial infrastructure on which SMEs depend for operational stability and growth.

The Government of Myanmar (GoM) also places strong emphasis on equitable development, aiming to reduce disparities between urban and rural areas. Initiatives to improve access to markets, finance, technology, education, and healthcare are particularly important for rural SMEs, which often face systemic barriers to growth. These efforts not only support business development but also contribute to national poverty reduction strategies.

Recognizing the private sector as a key driver of economic progress, the GoM has initiated public-private partnerships (PPPs) and is actively reforming State Economic Enterprises (SEEs). By transitioning SEEs into corporatised, non-budgeted units and encouraging private sector participation, the government aims to create a more competitive and sustainable economic environment in which SMEs can thrive.

Finally, Myanmar's integrated approach to development balancing fiscal responsibility with social equity and environmental sustainability demonstrates a long-term commitment to economic resilience. By promoting human security, managing migration effectively, and reducing the urban-rural divide, the government is fostering a stable socio-economic environment that enables SMEs to grow and adapt in a sustainable manner (Ministry of Planning and Finance, 2018).

2.3 Importance of Internal Controls for SMEs

Small and medium-sized firms (SMEs) need internal control systems to operate and survive, especially in Myanmar, where monitoring and regulation are few. These controls act as both a preventive and corrective mechanism, ensuring that business activities are aligned with strategic goals while safeguarding the organization's resources.

As highlighted by CPA Australia (2008), internal controls serve multiple purposes that contribute directly to the operational efficiency, transparency, and accountability of a business. Firstly, they help align business activities with organizational objectives by ensuring consistency and reliability in reporting and

decision-making processes. This alignment allows management to steer the enterprise effectively toward its short- and long-term goals.

Secondly, internal controls are critical for safeguarding both physical and monetary assets. By implementing systems that protect against theft, fraud, or unintentional misuse, businesses can minimize losses and ensure resources are used appropriately. The ability to prevent and detect fraud and error is another vital function. Early identification of discrepancies enables businesses to respond promptly, reducing potential financial damage.

Furthermore, internal controls support good management by facilitating the timely flow of accurate information. This enhances the ability of decision-makers to evaluate performance, manage risks, and adjust strategies when necessary. A structured control system also enables corrective action when undesirable performance, dishonesty, or incompetence is identified, thereby reinforcing a culture of accountability and continuous improvement.

Moreover, internal controls reduce the enterprise's exposure to risks, particularly in uncertain economic or regulatory environments. They enable businesses to anticipate and manage unexpected events, which is crucial for survival and growth. Proper financial reporting is another key benefit, as it ensures that financial data are complete, accurate, and compliant with legal and managerial requirements.

Each internal control method must fulfill at least one of eight criteria: completeness, accuracy, authorization, validity, existence, error handling, segregation of tasks, and correct presentation and disclosure. These principles form the foundation of any reliable accounting and administrative control system. For example, the segregation of duties ensuring that no single employee is responsible for both recording and approving a transaction minimizes the risk of internal fraud and errors. Similarly, requiring supporting documentation for each transaction (validity) ensures the authenticity of financial records.

Ultimately, whether administrative or accounting in nature, all internal controls carry financial consequences. Even basic administrative controls, such as maintaining employee leave records, directly influence long-term cost and resource planning. Therefore, the design and implementation of robust internal control systems are not only best practices but essential strategies for SME resilience and survival.

“All internal controls, whether administrative or accounting, ultimately affect the financial health of the business.”

(CPA Australia, 2008, p. 4)

2.4 The COSO Framework and Internal Control Components

COSO was founded in the 1980s to study financial reporting fraud. It later promoted risk management, internal control, governance, and fraud prevention best practices. While COSO's frameworks are not legally required, they are widely respected and applied across both private and public sector organizations due to their structured approach to assessing and improving internal control systems.

COSO introduced the Enterprise Risk Management (ERM) framework, initially in 1992 and later revised into a more comprehensive model in 2013, known as the COSO Cube. This model provides a multidimensional view of internal control by connecting organizational objectives with key internal control components, while also considering different business units. The updated cube model is especially relevant for organizations like SMEs, which must navigate both internal operations and external uncertainties effectively. COSO's Five Key Internal Control Components:

a. Control Environment

The control environment sets the overall tone of the organization and reflects its commitment to ethics, accountability, and risk awareness. It is shaped by leadership behaviors, governance structure, and human resource policies. A strong control environment is vital for encouraging a culture of responsibility and compliance.

b. Risk Assessment

This involves identifying potential risks both internal and external that may affect the achievement of business objectives. Risk assessment considers not only individual risks but also how different risks may interact. Organizations must evaluate the likelihood and impact of these risks, including those that develop gradually, such as market shifts or internal cultural changes.

c. Control Activities

Control activities are precise steps used to mitigate hazards. Examples include approvals, verifications, reconciliations, and duty separation. Staff understanding and use of these actions in everyday operations typically determines their efficacy.

d. Information and Communication

Effective internal controls require the timely flow of accurate and relevant information throughout the organization. This component ensures that both operational data and risk-related information reach the right people at the right time. Clear communication also helps staff understand their roles and the risks they manage.

e. Monitoring Activities

Monitoring involves continuously reviewing internal controls to ensure they are functioning properly. This can be done through routine management oversight, internal audits, or external evaluations. For larger or more complex SMEs, establishing an internal audit function may be necessary to maintain effective monitoring. (source COSO, ACCA)

2.5 Foundations and Framework of Strategic Management

While previous sections have focused on the operational and control aspects relevant to SMEs, it is also essential to examine how these elements align with broader strategic management principles. This section discusses the foundational concepts and frameworks of strategic management as they relate to the long-term success of SMEs.

2.5.1 Defining Strategic Management

Strategic management is the art and science of making, implementing, and assessing cross-functional choices to achieve long-term goals. Integration of management, marketing, finance, operations, research and development, and information systems into a unified plan promotes organizational performance (David, 2017).

2.5.2 Strategic Management vs. Strategic Planning

Although often used interchangeably, the terms strategic management and strategic planning carry slight distinctions. Within academic literature, strategic management typically refers to the full cycle of strategy formulation, implementation, and evaluation, whereas strategic planning is frequently confined to the formulation phase. Both, however, emphasize forward-looking, opportunity-driven approaches that differ fundamentally from traditional long-range planning, which is generally rooted in extrapolating current trends (David, 2017).

2.5.3 The Role of Strategic Plans

Strategic plans function as the organizational equivalent of a sports team's game plan. In today's globally competitive and economically constrained environment, such plans are more essential than ever. Crafting an effective strategic plan requires difficult managerial choices between various sound alternatives. Once selected, a strategy commits the organization to specific markets, operational processes, and policy directions, often at the expense of other viable but less aligned options (David, 2017).

2.5.4 Foundational Concepts of Strategic Management

It is important to understand foundational concepts of discipline: competitive advantages, strategists, vision and mission statements, external opportunities and threats, internal strengths and weaknesses, long-term objectives, strategies, yearly objectives, and policies are essential to the field. Mastering these ideas prepares for strategy analysis, formulation, and implementation (David, 2017).

2.5.5 The Nature of Strategies

Among these concepts, strategy plays a central role. Strategies represent the specific actions an organization undertakes to realize its long-term objectives. These can include geographic expansion, diversification, mergers and acquisitions, new product development, market penetration, retrenchment, divestiture, liquidation, and joint ventures. Each strategic move requires a significant commitment of top-level management decisions and resources, and typically influences the organization's trajectory over a five-year period or more (David, 2017).

2.5.6 Importance of Internal Analysis

Strategic decision-making also depends on understanding internal strengths and weaknesses factors within the organization's control that influence performance. These may stem from various business functions, including marketing, operations, finance, and information systems. Strengths and weaknesses are not absolute; rather, they are assessed in relative terms, either against competitors or based on the organization's specific strategic objectives (David, 2017).

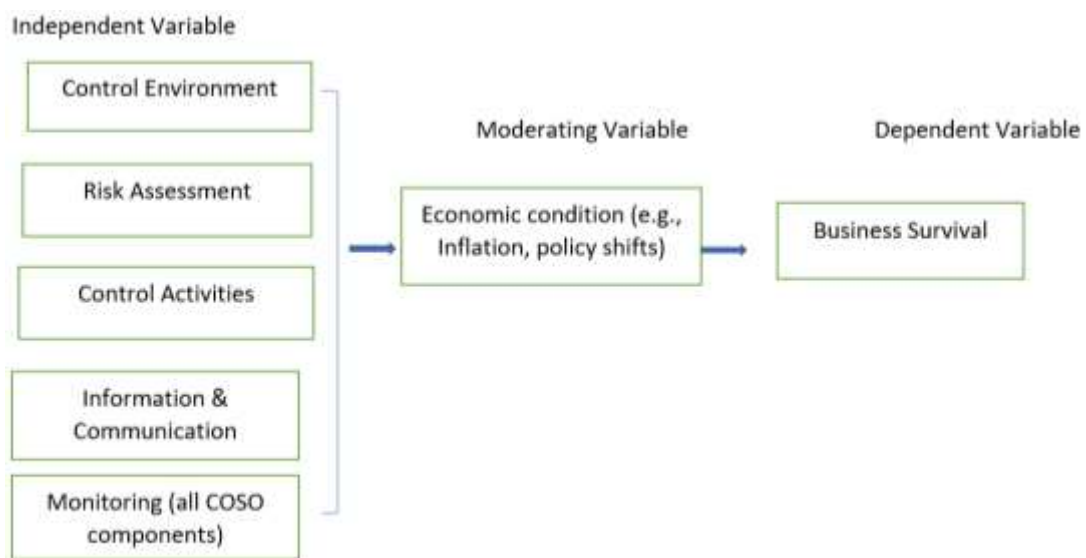
By organizing strategic management into clearly defined components from foundational concepts to practical tools organizations and students alike can approach strategy in a structured, informed, and effective manner. Through integration of theory

and practice, strategic management remains a vital discipline for navigating complex and dynamic business environments.

2.6 Conceptual Framework of the Study

While Figure (2.1) illustrates the relationship between the independent and dependent variables, highlighting how these elements are interconnected. This study aims to examine the nature and extent of these relationships by analyzing the variables within the structure of the proposed conceptual framework.

Figure (2.1) Conceptual Framework of the Study



Source: Independent Variable adapted from COSO (2013)

This study uses the COSO Internal Control – Integrated Framework to explore how internal control techniques affect Myanmar's SMEs' survival. COSO describes five interconnected components: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring. These components help an organization meet operational, reporting, and compliance goals.

In the context of SMEs in Myanmar, which operate in an increasingly volatile economic landscape marked by inflation, policy instability, and regulatory uncertainty, effective internal control systems are presumed to play a critical role in ensuring organizational resilience. Each COSO component contributes uniquely to business sustainability. The Control Environment reflects the values, integrity, and ethical standards set by leadership, forming the foundation for other internal controls. Risk

assessment entails detecting and analyzing external and internal threats like inflation and policy developments that might hinder corporate goals. Control Activities are the rules and processes used to reduce risks and maintain performance. Information and Communication systems and procedures facilitate decision-making information dissemination and sharing. Finally, Monitoring Activities evaluate and provide input to verify all other components work properly over time.

The conceptual model hypothesizes that stronger internal control systems, as guided by the COSO framework, positively influence the ability of SMEs to adapt, respond, and survive amid economic and regulatory disruptions. Accordingly, the framework serves as both a diagnostic and prescriptive tool in understanding how internal control strategies can bolster SME survival in Myanmar's challenging business environment.

2.7 Review of Previous Studies

This section reviews on previous studies regarding SMEs thesis topic and classification with their points and highlighted.

Nu Nu Lwin (2017) examined the role of SMEs in Myanmar's economy, highlighting both the opportunities and challenges of SMEs. The study focused on seven key areas: the organizational framework, access to support services, finance, technology, entrepreneurial education, and the representation of SME interests. The research emphasized the "Development of SMEs in Myanmar" and identified some issues, including a lack of political commitment, inconsistent execution of national development plans, weak institutions, limited access to finance and technology, and weak managerial skills, all of which hinder the growth of SMEs in Myanmar.

Betty Wong Lum (2017) conducted a study focused on identifying effective business strategies that contribute to the survival of small enterprises in competitive environments. Drawing from a qualitative multiple case study approach, the research examined small business owners in California who had successfully operated their businesses for at least five years. Key strategies identified included maintaining strong customer relationships, effective financial planning, and the ability to adapt to changing market conditions. The study emphasized that proactive decision-making and strategic flexibility were essential for long-term sustainability. Lum's findings are relevant to the present research as they highlight the role of internal capabilities and structured

planning elements closely aligned with internal control systems in ensuring small business resilience.

Zun Pwint Phyu (2020) analyzed the opportunities and challenges faced by MSMEs in Kayah State. The study revealed that MSMEs in the region were struggling with issues such as limited access to finance, human resource development, technology and innovation, legal and regulatory barriers, taxation difficulties, and an energy crisis. The research employed a descriptive approach, utilizing both primary and secondary data.

Phyu Phyu Hlaing (2022) explored the factors that influence ICT adoption in SMEs in Nay Pyi Taw. The study identifies external pressures and government support as major facts of ICT adoption, which significantly increase SME performance. The research emphasizes the crucial role of government and SME departments in encouraging ICT adoption by offering support programs and facilitating information sharing, helping SMEs improve their online business capabilities and performance.

Nqala and Musikavanhu (2023) examine the implementation of internal control systems (ICS) in SMEs within a developing country context, focusing on South Africa. Through a conceptual (literature-based) analysis, they argue that SMEs though essential to economic stability often lack awareness and knowledge needed to implement strong ICS. They contend that effective adoption of controls can significantly mitigate risk, prevent fraud, and support business resilience, thereby benefiting both enterprise longevity and national economic growth. The authors also highlight practical challenges, such as limited staff capacity and managers' unfamiliarity with control frameworks, recommending targeted training and the use of compensation controls (e.g., supervision mechanisms) to address resource constraints. Overall, the study underscores that SMEs in developing nations stand to gain substantial advantages from tailored, knowledge-driven ICS implementation

CHAPTER 3

INTERNAL CONTROL AND SECTORAL CONTEXT IN MYANMAR SMES

3.1 Myanmar's SME Development Policy: Vision, Objectives, and Strategic Actions

The Small and Medium Enterprise Development Policy (2015), issued by the Ministry of Industry, envisions the growth of regionally competitive and innovative SMEs that contribute significantly to income generation and socio-economic development across all sectors. Its mission emphasizes fostering SME growth by enhancing competitiveness and innovation. To achieve these aims, the policy prioritizes strategic support areas including human resource development, technological innovation, access to finance, infrastructure improvement, market expansion, streamlined taxation procedures, and the creation of a conducive business environment.

Key policy objectives aim to strengthen the economic foundation of Myanmar through enhanced SME productivity, particularly in agriculture-based industries, thus supporting the country's industrialization efforts. The policy further seeks to increase employment, develop a skilled workforce, promote value-added rural products, and raise the SMEs' contribution to GDP.

To effectively promote domestic SMEs and alleviate poverty, the policy outlines several targeted actions. These include building stronger linkages with local and international markets, facilitating technology transfer, and attracting investment through partnerships with various organizations. Additional measures involve the promotion of entrepreneurship, expansion of business development services, improved access to information and research, and the removal of operational barriers to support broader SME participation in regional economic integration.

Source: SME Development Policy (2015), Ministry of Industry, Myanmar.

3.2 SMEs Development Law in Myanmar

A comprehensive legal framework was introduced in 2015 to support the growth and competitiveness of small and medium enterprises (SMEs) in Myanmar. This legislation defines SMEs based on criteria such as sector type, workforce size, capital investment (excluding land), and annual income. It aims to enhance access to finance, technology, and market information, while also promoting employment creation, innovation, and increased income. Key institutional mechanisms such as the Central Committee, Working Committee, and SME Agency are established to oversee policy coordination, implementation, and regional outreach. Financial support is facilitated through the SME Development Fund, which provides low-interest loans and grants, helping entrepreneurs strengthen their business operations. The law also encourages business registration, training, market access, and integration into local and global supply chains. Additional provisions support tax incentives, one-stop service centers for simplified administration, and initiatives targeting human resource development, technology transfer, and rural entrepreneurship. Together, these measures aim to foster a more dynamic and inclusive SME sector, contributing to the broader socio-economic development of the country.

Source: The Pyidaungsu Hluttaw Law No. 23, 2015

3.3 Business Environment of SMEs in Myanmar

Small and medium-sized enterprises (SMEs) are vital to the economic development of Myanmar, serving as the backbone of the nation's economy. With over 126,000 SMEs, accounting for approximately 99.4% of all businesses in the country, these enterprises contribute significantly to employment and GDP. SMEs in Myanmar contribute between 30% and 53% of the national GDP, aligning with the economic role of SMEs in other ASEAN member states, where they typically account for 50-95% of employment (Charltons Myanmar, n.d.).

Recognizing the importance of SMEs, the Myanmar government has implemented policies and initiatives to foster their development. Since 2013, significant efforts have been made to improve the business environment for SMEs. Notably, the Central Committee for SME Development was established to formulate policies, laws, and strategies supporting the growth of the sector (Charltons Myanmar, n.d.). In 2015, the government enacted the SME Development Law, accompanied by the SMEs Development Rule (2016) and the SMEs Development Policy (2015), which outlined

key focus areas, including human resources, technology development, financial access, infrastructure, market access, taxation, and creating a conducive business environment. The policy emphasizes agricultural productivity, SME internationalization, and enhancing SME data collection. (Charltons Myanmar, n.d.)

Despite these advancements, SMEs in Myanmar continue to face several challenges that hinder their operational efficiency and sustainability. One key issue is the limited access to essential regulatory and planning information, such as regional budgets and investment plans, which can undermine SMEs' ability to make informed decisions (Malesky, Dulay, & Keesecker, 2019). Additionally, Myanmar's infrastructure limitations such as unreliable electricity, poor road quality, and inconsistent internet services disrupt operations and raise operational costs. Moreover, the limitation to recruit adequately skilled labor, especially for technical and managerial roles, further restricts the capacity of SMEs to scale and adopt advanced business practices (Malesky et al., 2019).

Furthermore, although there is growing awareness regarding environmental responsibility, SMEs still face limited support for compliance with pollution control regulations (Malesky et al., 2019). These persistent challenges emphasize the need for improvements in infrastructure, workforce development, and access to information in order to create a more supportive environment for SMEs.

Given these constraints, the implementation of robust internal control systems, such as those outlined in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework, is essential for SMEs to manage operational risks effectively, enhance decision-making, and ensure process reliability under uncertain conditions (COSO, 2013).

3.4 Contribution of Services Sector to Myanmar's Economy

The services sector continues to play a growing role in Myanmar's economic structure. According to recent data, the value added by the services sector amounted to 39.68% of GDP in 2023, a slight increase from 39.42% in 2022. This trend reflects a gradual upward shift, although Myanmar remains below the global average of 55.55% observed across 168 countries.

Between 2008 and 2023, the services sector in Myanmar contributed an average of 38.69% to GDP, with the lowest share recorded in 2011 (36.21%) and the highest in 2018 (40.96%). Despite these fluctuations, the sector has shown relative stability over

time. In monetary terms, services generated approximately USD 26.49 billion in 2023, outpacing both manufacturing (USD 14.60 billion) and overall industry (USD 25.10 billion).

The services sector, as defined by the International Standard Industrial Classification (ISIC), encompasses a wide array of activities, including wholesale and retail trade, transportation, financial and professional services, education, healthcare, and real estate. These segments are increasingly recognized as essential drivers of employment, innovation, and inclusive economic growth in developing countries (The Global Economy.com, 2024).

Although the industrial sector still represents a significant portion of Myanmar's economy the steady expansion of the services sector indicates a structural transition that aligns with global development patterns. Strengthening this sector further could support economic diversification, resilience, and human capital development. The services sector was chosen for this study because it has consistently contributed a substantial share to national GDP and includes a wide range of sub-sectors that are crucial to the economy. More importantly, family-owned service businesses in Myanmar face unique and persistent challenges that hinder their long-term sustainability. These include weak financial management, lack of structured internal processes, limited strategic planning, and unresolved ownership and succession issues. Such deficiencies reduce their competitiveness and ability to survive in an evolving local market. Focusing on this sector enables a meaningful examination of how internal control systems and strategic management practices can improve the performance and competitiveness of SMEs operating within it.

3.5 Key Areas of Internal Control in SMEs

The internal controls serve as mechanisms for managing risk, safeguarding assets, and ensuring efficient use of limited resources. Among the various internal control practices available to SMEs, three are particularly critical for enhancing resilience: cost control, financial management, and human resource management. These areas contribute not only to daily operational efficiency but also to the enterprise's overall capacity to recover from financial or external shocks. When coordinated effectively, these controls form a comprehensive internal system that supports business continuity and long-term sustainability.

3.5.1 Cost Control

Cost control represents a fundamental internal control mechanism, particularly vital during periods of economic downturn. As SMEs typically operate with constrained financial resources, maintaining strict oversight of operating expenses is critical. Effective cost control enables businesses to identify and eliminate wasteful expenditures, streamline processes, and improve resource allocation (Bragg, 2011). Through regular cost reviews and efficiency audits, SMEs can enhance profitability and sustain operations even when revenue declines. Maintaining a lean cost structure helps preserve cash flow and reduces vulnerability to market fluctuations.

3.5.2 Financial Management

Closely related to cost control is the broader domain of financial management, which includes budgeting, financial reporting, cash flow monitoring, and forecasting. These practices help SMEs assess their financial position, plan for future obligations, and make strategic decisions regarding investment, borrowing, or cost reduction (Bragg, 2011). Sound financial management ensures that firms maintain adequate liquidity to meet operational needs while being flexible enough to adapt to economic or industry-specific changes. It also supports informed risk-taking and long-term planning, both of which are essential for organizational sustainability.

3.5.3 Human Resource Management

Human resource management is another key internal control area that contributes to resilience by promoting organizational adaptability and employee engagement. During times of crisis or economic hardship, SMEs often face difficult choices regarding staffing and restructuring. However, maintaining a skilled, motivated, and adaptable workforce can significantly enhance a firm's ability to recover and respond to change (Mello, 2013). Practices such as regular training, transparent communication, and clear performance evaluation frameworks support staff retention and productivity. Human capital, when effectively managed, becomes a driving force in sustaining business operations and facilitating innovation.

3.6 Concerns and Limitations in Implementing Internal Controls

An effective internal control system is characterized by features that not only support its implementation but also help in evaluating and improving existing practices. But in recent years, organizations have faced growing scrutiny over their accountability

and transparency. This increased attention is largely due to concerns about financial mismanagement and the expanding economic role of various sectors. While new regulatory measures have been proposed to address these concerns, some experts argue that current frameworks are already sufficient but are not properly enforced. As a result, many organizations struggle to meet added compliance requirements, especially when they lack adequate support or resources (Petrovits, 2013).

One major challenge in implementing internal control systems is the widespread use of informal management practices. Smaller organizations often depend on shared values, personal commitment, and mutual trust rather than formal rules or procedures. Although this approach can strengthen motivation and unity among staff, it makes it difficult to introduce standardized control mechanisms. Shifting to formal, structured systems can also create tension within the organization. Employees may feel that these new practices weaken the collaborative and value-driven culture that defines their work. This conflict can reduce motivation and weaken the organization's ability to reach its goals (Moyer, 2012; Salim, 2013).

The implementation of internal controls is often limited by three key factors. First, there are resource constraints, such as a lack of funding and skilled personnel. Second, organizational culture may resist formal changes, particularly in workplaces built on informal systems. Third, balancing regulatory demands with core organizational values can be difficult, as strict controls may clash with mission-focused activities. These challenges must be addressed for internal control systems to be effective and sustainable.

3.7 Integration of Strategic Management and Internal Control Systems in SMEs

Strategic management is a structured, continuous process through which organizations set long-term objectives and maintain competitive performance in dynamic environments. It plays a pivotal role in aligning an organization's internal capabilities such as resources, processes, and skills with external opportunities and challenges, thereby ensuring sustainable success (Elliott, Hodge, & Sweeney, 2020). This process encompasses several stages, including environmental scanning, strategy formulation, implementation, and evaluation, each contributing to an organization's adaptability and resilience in competitive markets.

Within this framework, strategic thinking is a fundamental component. It involves a deep understanding of the organization's mission and vision, an analysis of internal resources, and the capacity to identify both opportunities and threats in the external environment (Bryson, 2018). Effective strategic thinking empowers decision-makers to anticipate change, drive innovation, and align operations with long-term objectives.

Strategic enablers organizational elements that enhance critical thinking, creativity, and leadership are integral to this process. These enablers foster continuous improvement and guide strategic thinkers in resolving internal conflicts, synchronizing departmental goals, and aligning actions with broader organizational objectives (Goldman, Scott, & Follman, 2015; Alatailat, Elrehail, & Emeagwali, 2019). Moreover, strategic thinkers often employ systems thinking, a holistic approach that emphasizes the interdependencies between various organizational components and external factors, providing insights into how these relationships affect overall outcomes (Cabral, de Matos, & de Matos, 2019).

A crucial element of strategic management is the concept of strategic intent. This long-term, unifying goal aligns the organization's focus, encouraging persistence and collaboration across all levels. It provides direction in a constantly evolving market, ensuring that the organization maintains its competitive advantage while preparing for future uncertainties (Chen, Zhao, & Wang, 2015). When strategic intent is coupled with a clear understanding of both internal capabilities and the external business context, it enables organizations to adapt effectively and innovate proactively (Alaarj et al., 2016).

Additionally, linking past experiences with current conditions is vital for informed strategic planning. Organizations that integrate historical insights into their current strategies are better positioned to anticipate challenges and adapt to future changes, thereby strengthening their strategic foundation and resilience (Abubakar, Bala, & Namin, 2019). Thus, strategic management and strategic thinking offer a robust framework for guiding organizational direction, improving performance, and achieving sustained growth.

In the context of SMEs, particularly in transitional economies like Myanmar, internal control systems are critical for the successful execution of strategic management processes. While strategic management provides the overarching vision and direction for an enterprise, internal controls serve as the operational framework that ensures the reliability, integrity, and efficiency of day-to-day activities (COSO, 2013).

These controls ranging from financial oversight to operational monitoring, compliance mechanisms, and information systems help SMEs minimize risk, allocate resources efficiently, and ensure alignment between strategic goals and operational actions.

Furthermore, strategic enablers such as leadership, accountability, and organizational culture directly align with the control environment, one of the key components of internal control frameworks. When these controls are properly integrated into the strategic management process, they enhance decision-making, support adaptability, and provide continuous feedback through monitoring mechanisms. This integration is particularly critical in emerging markets like Myanmar, where SMEs face constant challenges and uncertainties. By combining effective strategic management with robust internal controls, SMEs can ensure performance stability and long-term success.

For SMEs in particular, the integration of strategic management with internal control systems enhances their capacity to withstand uncertainty and pursue sustainable growth. By aligning COSO's internal control principles with strategic goals, SMEs can more effectively manage financial, operational, and human resource challenges ultimately improving performance, resilience, and competitiveness in dynamic markets.

The successful integration of internal control principles and strategic management practices is essential for enhancing SME competitiveness and resilience. Strategic agility, underpinned by robust control systems, allows SMEs to navigate uncertainty, optimize resource use, and maintain alignment between long-term goals and day-to-day operations. This synergy strengthens decision-making, mitigates risk, and lays the foundation for sustainable growth in an increasingly complex economic environment.

3.8 Strategic Management Control and SME Competitiveness

Strategic decision-making plays a critical role in enhancing the performance and productivity of SMEs, particularly in times of economic uncertainty. A firm's ability to adapt strategically to a changing external environment is closely linked to its internal capabilities and management practices. This alignment between strategy and internal structure is central to achieving sustainable competitive advantage in a volatile economic landscape.

Strategic management represents an ongoing, adaptive process through which organizations align their internal capabilities with external environmental demands in pursuit of long-term objectives. Management practices such as structured decision-making, data collection, performance monitoring, and human resource strategies (e.g., training and incentives) are also key determinants of productivity and growth. It extends beyond the mere drafting of business plans and instead encompasses a dynamic cycle of analysis, formulation, implementation, and evaluation of strategies (Johnson et al., 2020).

The process of strategic management is characterized by several foundational attributes. First, it is iterative, requiring continual reassessment of both internal operations and external conditions (Hitt et al., 2001). Second, it is integrated, drawing upon multiple functional areas such as finance, operations, and human resources to support cohesive organizational action (Wheelen et al., 2018). Third, it is proactive, emphasizing foresight and the anticipation of emerging risks and opportunities (David, 2017). Finally, strategic management is adaptive, enabling firms to remain agile in the face of disruption or volatility. These traits make it a particularly valuable framework for small and medium-sized enterprises (SMEs), which often operate in resource-constrained and unpredictable environments.

Effective strategic management also depends on strong organizational governance and internal coordination. This requires not only top-level leadership but also mechanisms that promote alignment between strategic objectives and operational activities. In this regard, the principles of internal control, as formalized by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), are highly complementary to strategic management.

The control environment, for example, influences the ethical tone, leadership behavior, and governance standards within an organization all of which are vital for setting a strategic direction. Risk assessment and control activities help firms identify and mitigate strategic and operational threats, enabling more effective resource deployment and contingency planning. Meanwhile, robust information and communication systems ensure that relevant data flows efficiently throughout the organization, empowering timely and accurate strategic decisions. Finally, monitoring activities provide feedback loops necessary for evaluating strategy effectiveness and making adjustments, a cornerstone of the adaptive nature of strategic management (COSO, 2013).

CHAPTER 4

SURVEY ANALYSIS

This chapter presents the survey analysis of this study. It covers survey profile, survey design and survey results which includes demographic profile of respondents, descriptive analysis of internal control strategies and the survival of SMEs and correlation analysis of the impact of internal control strategies on the survival of SMEs in Myanmar.

4.1 Survey Profile

The survey conducted in this study targeted Small and Medium Enterprises (SMEs) operating within the Yangon Region, Myanmar. A total of 150 respondents were selected using a simple random sampling method to ensure a fair representation of various business types in service sectors within the urban SME landscape. Small business owners, managers, and financial officers who understand their internal control systems and operational issues participated. Structured questionnaires using a 5-point Likert scale to assess respondents' agreement with internal control methods and business resilience statements were used to collect data. To further understand how SMEs handled financial issues during recessions, more interviews were done. Retail, manufacturing, services, and trading were represented in the sample, representing Yangon SME diversity.

4.2 Survey Design

The survey for this study was meticulously constructed to collect demographic and analytical data on how internal control measures affect Myanmar SMEs' survival. It has two primary sections. Part I covered the respondent profile, including age, education, company type, ownership structure, number of workers, average monthly revenue, and operating length. Part II covered controlling environment, risk assessment, control activities, information and communication, revenue stability, monitoring activities, financial management practices, SME survival indicators, and

internal control implementation challenges. Participants rated statements on a 5-point Likert scale from 1 (Strongly Disagree) to 5 (Strongly Agree). The questionnaire used closed-ended and scaled questions to quantify internal control methods in SMEs and provide a full assessment. The influence of internal control techniques on SME survival was examined using descriptive and correlation analysis.

4.3 Survey Results

The demographic profile of respondents, descriptive analysis of SMEs' internal control methods, and correlation analysis findings are shown here. These findings provide how internal control mechanisms affect SME survival and company resilience.

4.3.1 Demographic Profile of Respondent

This section presents the demographic profile of the respondents who participated in the study, providing an overview of their personal and business-related characteristics. The demographic information includes gender, age, education level, type of service business, ownership type, number of employees, average monthly revenue, and duration of business operation. These characteristics are essential for analyzing the differences in internal control practices and resilience strategies across various types of SMEs and presents in Table (4.1).

Table (4.1) Demographic Profile of Respondent

| No. | Characteristics | Items | Frequency | Percent |
|--------------|-----------------------------|------------------------------|------------|------------|
| 1 | Gender | Female | 78 | 52.0 |
| | | Male | 72 | 48.0 |
| Total | | | 150 | 100 |
| 2 | Age | 20 – 30 years | 10 | 6.7 |
| | | 31- 40 years | 74 | 49.3 |
| | | 41 – 50 years | 44 | 29.3 |
| | | Over 50 years | 22 | 14.7 |
| Total | | | 150 | 100 |
| 3 | Level of Education | Bachelor | 112 | 74.7 |
| | | Master or Higher | 36 | 24.0 |
| | | Undergraduate | 2 | 1.3 |
| Total | | | 150 | 100 |
| 4 | Type of Service Business | Education & Training | 19 | 12.7 |
| | | Entertainment & Media | 6 | 4.0 |
| | | Financial Services | 18 | 12.0 |
| | | Healthcare Services | 17 | 11.3 |
| | | Other Professional Services | 64 | 42.7 |
| | | Tourism & Hospitality | 5 | 3.3 |
| | | Transportation & Logistics | 21 | 14.0 |
| Total | | | 150 | 100 |
| 5 | Ownership Type | Individual | 36 | 24.0 |
| | | Partnership or Joint Venture | 21 | 14.0 |
| | | Private Limited Company | 72 | 48.0 |
| | | Other | 21 | 14.0 |
| Total | | | 150 | 100 |
| 6 | No. of Employees | 11 to 50 | 100 | 66.7 |
| | | 50 to 100 | 27 | 18.0 |
| | | Over 100 | 23 | 15.3 |
| Total | | | 150 | 100 |
| 7 | Monthly Revenue | Less than 10,000,000 MMK | 40 | 26.7 |
| | | 10,000,000-50,000,000 MMK | 63 | 42.0 |
| | | More than 50,000,000 MMK | 47 | 31.3 |
| Total | | | 150 | 100 |
| 8 | Operating more than 2 years | No | 9 | 6.0 |
| | | Yes | 141 | 94.0 |
| Total | | | 150 | 100 |

Source: Survey data, (2025).

According to Table (4.1), it presents the demographic characteristics of the 150 SME respondents who participated in the survey. The gender distribution is fairly balanced, with a slight majority of female respondents (52%) compared to male respondents (48%). In terms of age, nearly half of the respondents (49.3%) fall within the 31–40 age group, followed by 29.3% aged 41–50, indicating that middle-aged individuals are the most active in managing SMEs. Educationally, the majority of respondents hold a bachelor's degree (74.7%), with 24% having a master's degree or higher, suggesting a relatively well-educated sample. The types of service businesses represented are diverse, with the largest proportion (42.7%) involved in other professional services, followed by transportation and logistics (14%), education and training (12.7%), and financial services (12%). Ownership types show that nearly half of the businesses (48%) are private limited companies, while 24% are individually owned. Most businesses (66.7%) have between 11 and 50 employees, indicating that the sample largely comprises small-scale enterprises. Monthly revenue levels show a relatively even distribution, with 42% earning between 10 and 50 million MMK, 31.3% earning over 50 million MMK, and 26.7% earning less than 10 million MMK. Importantly, the majority of businesses (94%) have been operating for more than two years, which enhances the reliability of the data in assessing internal control practices and business resilience over time.

4.3.2 Reliability Test

The reliability test was conducted to assess the internal consistency of the survey instrument used in this study. Cronbach's alpha coefficient was calculated for each section of the questionnaire to ensure that the items measuring internal control practices, financial management, and business survival indicators were reliable and produced consistent results. A Cronbach's alpha value of 0.7 or higher is generally considered acceptable for social science research, indicating good reliability. The results showed that all key constructs in the questionnaire achieved alpha values above the recommended threshold, demonstrating that the survey items were reliable and suitable for further statistical analysis. This reliability confirms that the respondents understood the questions consistently, which enhances the credibility of the findings drawn from the data. The following table presents the results of reliability test for internal control strategies and the survival of SMEs.

Table (4.2) Reliability Test for Internal Control Strategies and the Survival of SMEs

| No. | Variables | No of Items | Cronbach's Alpha |
|-----|---------------------------------|-------------|------------------|
| 1 | Control Environment | 5 | 0.884 |
| 2 | Risk Assessment | 5 | 0.926 |
| 3 | Control Activities | 5 | 0.870 |
| 4 | Information & Communication | 5 | 0.888 |
| 5 | Assessment of Revenue Stability | 5 | 0.828 |
| 6 | Monitoring Activities | 5 | 0.855 |
| 7 | Financial Management Practices | 5 | 0.912 |
| 8 | SME Survival Indicators | 5 | 0.867 |

Source: Survey data, (2025).

Table (4.2) presents the results of the reliability test conducted on the various components of internal control strategies and SME survival indicators using Cronbach's alpha. All eight variables demonstrate high internal consistency, with Cronbach's alpha values ranging from 0.828 to 0.926, well above the generally accepted range of 0.7. The highest reliability was observed in the Risk Assessment dimension (0.926), indicating extremely consistent responses across its items, followed closely by Financial Management Practices (0.912) and Information and Communication (0.888). Other variables, such as Control Environment (0.884), Control Activities (0.870), and SME Survival Indicators (0.867), also exhibit strong reliability. These results confirm that the questionnaire items effectively measure the intended constructs and that the data collected are reliable for further analysis, including regression testing.

4.3.3 Perception of Internal Control Strategies and The Survival of SMEs

Internal control measures for SME survival in Myanmar are discussed here. Internal control strategies include controlling environment, risk assessment, control activities, information and communication, revenue stability evaluation, monitoring, and financial management procedures. Descriptive analysis yields mean and standard deviation.

The below table indicates the components of control environment.

Table (4.3) Control Environment by Respondent

| No. | Statements | Mean | Std. Deviation |
|---------------------------|---|-------------|----------------|
| 1 | Our business has clear ethical guidelines for all staff. | 4.03 | 0.449 |
| 2 | Management sets a good example of integrity and accountability. | 3.97 | 0.479 |
| 3 | Employee roles and responsibilities are clearly defined. | 3.97 | 0.506 |
| 4 | We have clear organizational policies for financial activities. | 3.93 | 0.571 |
| 5 | Staff are encouraged to report unethical behavior. | 4.03 | 0.464 |
| Overall Mean Value | | 3.99 | |

Source: Survey data, (2025).

Table (4.3) presents the descriptive analysis for the Control Environment dimension of internal control practices among SMEs. The overall mean score of 3.99 indicates that respondents generally agree that their businesses maintain a strong control environment. Specifically, the highest-rated statements having clear ethical guidelines for all staff and encouraging reporting of unethical behavior both scored a mean of 4.03, reflecting a positive perception of ethical standards and openness within these organizations. Management's role in setting an example of integrity and accountability, as well as clearly defined employee roles, both received mean scores of 3.97, indicating that leadership commitment and clarity in responsibilities are perceived as important and are fairly well established. Organizational policies for financial activities scored slightly lower at 3.93 but still indicate general agreement on the presence of clear policies. These results highlight that the control environment is perceived as a foundational element in SMEs internal controls, supporting overall business integrity and accountability.

Table (4.4) Risk Assessment by Respondent

| No. | Statements | Mean | Std. Deviation |
|---------------------------|--|-------------|-----------------------|
| 1 | We regularly assess risks that may affect our business operations. | 3.86 | 0.621 |
| 2 | We identify both financial and non-financial risks. | 3.84 | 0.572 |
| 3 | We have contingency plans for emergencies. | 3.85 | 0.517 |
| 4 | Risk management is integrated into our decision-making. | 3.82 | 0.621 |
| 5 | We adjust business plans based on identified risks. | 3.85 | 0.614 |
| Overall Mean Value | | 3.84 | |

Source: Survey data, (2025).

Table (4.4) shows the descriptive statistics for the Risk Assessment component of internal control practices among SMEs. The overall mean score of 3.84 indicates that respondents generally agree with the statements related to risk assessment, indicating that most SMEs recognize the importance of identifying and managing risks. Specifically, statements about regularly assessing risks, having contingency plans, and adjusting business plans based on identified risks all received similar mean scores around 3.85, reflecting a consistent acknowledgment of proactive risk management practices. Identifying both financial and non-financial risks and integrating risk management into decision-making received slightly lower but still positive mean values of 3.84 and 3.82, respectively. These findings provide that while risk assessment is practiced by many SMEs, there may be room for improvement in fully embedding risk management into all aspects of business decision-making and planning.

Table (4.5) Control Activities by Respondent

| No. | Statements | Mean | Std. Deviation |
|-----|--|-------------|----------------|
| 1 | We have standard procedures for financial transactions. | 3.97 | 0.564 |
| 2 | There is separation of duties in key areas like cash handling. | 3.97 | 0.521 |
| 3 | All expenses require prior approval. | 3.95 | 0.581 |
| 4 | We regularly reconcile financial records. | 3.87 | 0.538 |
| 5 | Inventory is monitored and tracked regularly | 3.89 | 0.541 |
| | Overall Mean Value | 3.93 | |

Source: Survey data, (2025).

Table (4.5) indicates the descriptive analysis for the Control Activities dimension within internal control practices of SMEs. The overall mean score of 3.93 reflects a generally positive agreement among respondents that standard control activities are in place. Specifically, respondents strongly agree that their businesses have established standard procedures for financial transactions and maintain separation of duties in key areas such as cash handling, both scoring a mean of 3.97. The requirement for prior approval of expenses also received a high mean score of 3.95, indicating a formal approach to expense management. Regular reconciliation of financial records and consistent inventory monitoring scored slightly lower means of 3.87 and 3.89, respectively, but still reflect agreement on their importance and practice. These findings show that SMEs generally implement key control activities to safeguard assets and ensure accuracy in financial operations, supporting the overall integrity of their internal control systems.

Table (4.6) Information & Communication by Respondent

| No. | Statements | Mean | Std. Deviation |
|-----|--|-------------|----------------|
| 1 | Information flows freely between departments. | 3.95 | 0.618 |
| 2 | We maintain accurate and timely records. | 3.94 | 0.552 |
| 3 | Communication tools (e.g., phone, email) are effectively used. | 4.05 | 0.478 |
| 4 | Changes in policies or procedures are clearly communicated. | 3.98 | 0.548 |
| 5 | We have a reliable system for recording financial information | 3.86 | 0.598 |
| | Overall Mean Value | 3.96 | |

Source: Survey data, (2025).

Table (4.6) illustrates the descriptive statistics related to the Information and Communication dimension of internal controls among SMEs. The overall mean score of 3.96 indicates that respondents generally agree that effective communication and reliable information systems are established within their businesses. The highest-rated item is the effective use of communication tools such as phone and email, with a mean of 4.05, reflecting strong reliance on these technologies for smooth communication. Clear communication of changes in policies and procedures received a mean of 3.98, showing that businesses prioritize keeping staff informed. Information flow between departments and maintenance of accurate, timely records also scored highly with means of 3.95 and 3.94, respectively, indicating good internal coordination and record-keeping. The statement regarding having a reliable system for recording financial information scored slightly lower at 3.86 but still indicates general agreement. These findings demonstrate that SMEs place significant importance on clear, timely communication and reliable information systems as key components of effective internal control.

Table (4.7) Assessment of Revenue Stability by Respondent

| No. | Statements | Mean | Std. Deviation |
|---------------------------|--|-------------|----------------|
| 1 | Our business generates relatively consistent monthly revenue. | 3.67 | 0.715 |
| 2 | We can forecast our income for upcoming months with reasonable accuracy. | 3.63 | 0.732 |
| 3 | Revenue has remained stable despite external economic or political shifts. | 3.20 | 1.025 |
| 4 | Seasonal changes do not significantly disrupt our annual income. | 3.27 | 0.982 |
| 5 | Our revenue allows us to cover operating costs without major delays. | 3.78 | 0.521 |
| Overall Mean Value | | 3.51 | |

Source: Survey data, (2025).

Table (4.7) provides descriptive statistics for the Assessment of Revenue Stability among SMEs. The overall mean score of 3.51 provides a moderate level of agreement that these businesses experience some degree of revenue stability, though the responses indicate variability in certain areas. The highest-rated statement is that revenue allows businesses to cover operating costs without major delays, with a mean of 3.78, indicating that many SMEs manage their cash flow sufficiently to meet expenses. However, lower mean scores are observed for statements about revenue consistency and forecasting ability, with means of 3.67 and 3.63 respectively, showing some uncertainty in predicting future income. Notably, statements related to stability despite external economic or political shifts and the impact of seasonal changes on income scored lower means of 3.20 and 3.27, which highlight significant variability and challenges faced by SMEs in maintaining steady revenue under external pressures. These findings show that while SMEs strive for financial stability, factors such as economic fluctuations and seasonality continue to affect their revenue consistency.

Table (4.8) Monitoring Activities by Respondent

| No. | Statements | Mean | Std. Deviation |
|---------------------------|---|-------------|----------------|
| 1 | Internal controls are reviewed regularly. | 3.82 | 0.545 |
| 2 | Errors and irregularities are quickly identified and corrected. | 3.73 | 0.634 |
| 3 | Management monitors compliance with policies. | 3.87 | 0.500 |
| 4 | There is a system to report and address control weaknesses. | 3.65 | 0.709 |
| 5 | Feedback from staff is considered in evaluating and improving controls. | 3.93 | 0.506 |
| Overall Mean Value | | 3.80 | |

Source: Survey data, (2025).

Table (4.8) presents the descriptive statistics for Monitoring Activities within SMEs' internal control systems. The overall mean value of 3.80 indicates that respondents generally agree that monitoring activities are regularly conducted and effective. Management's role in monitoring compliance with policies received a relatively high mean score of 3.87, reflecting active oversight. The highest mean of 3.93 shows that feedback from staff is well considered in improving control processes, which is essential for continuous improvement. However, the mean score of 3.65 for having a system to report and address control weaknesses is comparatively lower, indicating this area may need strengthening. Additionally, the mean of 3.73 for quick identification and correction of errors and irregularities points to moderate effectiveness but also potential room for improvement. These results imply that while monitoring activities are generally established, SMEs could enhance their reporting systems and responsiveness to control weaknesses.

Table (4.9) Financial Management Practices by Respondent

| No. | Statements | Mean | Std. Deviation |
|---------------------------|--|-------------|----------------|
| 1 | We prepare financial reports regularly (monthly/quarterly). | 3.81 | 0.616 |
| 2 | Budgeting is part of our planning process. | 3.94 | 0.514 |
| 3 | Cash flow is monitored and managed closely. | 3.80 | 0.588 |
| 4 | Internal controls are in place to prevent financial mismanagement. | 3.85 | 0.597 |
| 5 | Financial information is used to support business decision-making. | 3.84 | 0.635 |
| Overall Mean Value | | 3.85 | |

Source: Survey data, (2025).

Table (4.9) shows the descriptive statistics for Financial Management Practices among the surveyed SMEs. The overall mean value of 3.85 provides that respondents generally agree that sound financial management practices are in place within their businesses. Budgeting, as a key part of the planning process, received the highest mean score of 3.94, indicating strong emphasis on financial planning. Regular preparation of financial reports (mean = 3.81) and close monitoring of cash flow (mean = 3.80) further reflect consistent financial discipline. The presence of internal controls to prevent financial mismanagement also scored well at 3.85, showing that SMEs recognize the importance of safeguarding their financial resources. Lastly, the use of financial information to support business decision-making (mean = 3.84) highlights the practical application of financial data in operational strategies. The standard deviations, ranging from 0.514 to 0.635, indicate moderate consistency in responses. These results demonstrate that financial management is a significant and well-practiced component of internal control systems in the SMEs surveyed.

Table (4.10) SME Survival Indicators by Respondent

| No. | Statements | Mean | Std. Deviation |
|---------------------------|--|-------------|----------------|
| 1 | Our business has remained profitable over the past year. | 3.77 | 0.604 |
| 2 | We are confident in our long-term business stability. | 3.79 | 0.547 |
| 3 | We have successfully adapted to market or policy changes. | 3.77 | 0.595 |
| 4 | Internal controls have contributed to our business survival. | 3.85 | 0.584 |
| 5 | The business is financially resilient enough to handle challenges. | 3.79 | 0.574 |
| Overall Mean Value | | 3.79 | |

Source: Survey data, (2025).

Table (4.10) presents the SME Survival Indicators, reflecting respondents' perceptions of their business resilience and sustainability. The overall mean value of 3.79 indicates a general agreement that the surveyed SMEs have maintained stable operations and adapted well to changing market or policy conditions. The highest mean score of 3.85 highlights the respondents' recognition that internal controls have played a significant role in supporting business survival. Additionally, confidence in long-term business stability (mean = 3.79) and financial resilience to handle challenges (mean = 3.79) provide that many SMEs feel prepared for future uncertainties. The consistent profitability over the past year and successful adaptation to changes both scored a mean of 3.77, indicating steady performance despite external pressures. These findings emphasize the positive impact of internal controls on SME survival and the general optimism among business owners regarding their enterprises' sustainability.

Table (4.11) Overall Mean Value of Variables

| No. | Variables | Mean | Std. Deviation |
|-----|---------------------------------|------|----------------|
| 1 | Control Environment | 3.99 | 0.52 |
| 2 | Risk Assessment | 3.84 | 0.48 |
| 3 | Control Activities | 3.93 | 0.44 |
| 4 | Information & Communication | 3.96 | 0.47 |
| 5 | Assessment of Revenue Stability | 3.51 | 0.63 |
| 6 | Monitoring Activities | 3.80 | 0.47 |
| 7 | Financial Management Practices | 3.85 | 0.50 |
| 8 | SME Survival Indicators | 3.79 | 0.47 |

Source: Survey data, (2025).

Table (4.11) summarizes the overall mean values and standard deviations for the key variables in this study. The highest mean score is observed in the Control Environment variable (3.99), indicating that SMEs generally have strong ethical guidelines, clear policies, and well-defined responsibilities. This is closely followed by Information & Communication (3.96) and Control Activities (3.93), reflecting effective communication systems and well-established control procedures within these businesses. Risk Assessment (3.84), Financial Management Practices (3.85), and Monitoring Activities (3.80) also show positive mean scores, suggesting that these areas are adequately managed but with slightly more variation. The SME Survival Indicators have a mean of 3.79, demonstrating overall confidence in business stability and resilience. Assessment of Revenue Stability has the lowest mean value (3.51), which indicates that SMEs face more challenges in maintaining consistent and predictable revenue streams. These results collectively highlight the relative strengths and weaknesses in internal control practices and survival factors among SMEs in Yangon.

Table (4.12) Challenges in Implementing Internal Controls

| No. | Statements | Mean | Std. Deviation |
|-----|---|-------------|----------------|
| 1 | We do not have enough trained staff to implement and monitor internal control procedures. | 3.48 | 0.857 |
| 2 | Implementing internal controls is costly for our small business. | 3.57 | 0.830 |
| 3 | We rely heavily on informal processes instead of written policies and procedures. | 3.37 | 0.908 |
| 4 | Management is often too busy with operations to focus on internal control systems. | 3.51 | 0.841 |
| | Overall Mean Value | 3.48 | |

Source: Survey data, (2025).

Table (4.12) presents the challenges faced by SMEs in implementing internal controls, with an overall mean value of 3.48. The results indicate that the most significant challenge is the cost of implementing internal controls, which received a mean score of 3.57, indicating that many small businesses find it financially burdensome to establish and maintain these systems. Additionally, a lack of sufficiently trained staff to implement and monitor internal controls is also a notable obstacle, with a mean of 3.48. Reliance on informal processes rather than formal written policies scored slightly lower (3.37), reflecting a tendency among SMEs to operate with less formalized control mechanisms. Furthermore, management's busy operational schedules, which limit their ability to focus on internal control systems, were rated at 3.51. These findings highlight practical and resource-related difficulties that SMEs encounter in effectively applying internal control strategies, which may hinder their operational efficiency and long-term sustainability.

4.3.4 Relationship between Internal Control Strategies and the Survival of SMEs

This section uses correlation analysis to examine the association between internal control techniques and SME survival. The degree and direction of linear associations between variables are measured via correlation analysis. A correlation coefficient near to +1 implies a significant positive association, implying that when one

variable grows, the other increases. A significant negative association occurs when one variable rises while the other falls approaches -1. A coefficient around 0 shows no linear connection between variables. This analysis aims to identify how different internal control strategies relate to key indicators of SME survival, providing insight into which control measures most significantly impact business sustainability.

Table (4.13) Correlation Analysis of Internal Control Strategies and the Survival of SMEs

| | SMESI | CE | RA | CA | IC | RS | MA | FMP |
|-------|--------|---------|---------|--------|--------|--------|--------|--------|
| SMESI | 1 | .634** | .634** | .607** | .653** | .584** | .739** | .730** |
| CE | .634** | 1 | 1.000** | .680** | .631** | .534** | .709** | .713** |
| RA | .634** | 1.000** | 1 | .680** | .631** | .534** | .709** | .713** |
| CA | .607** | .680** | .680** | 1 | .743** | .407** | .599** | .603** |
| IC | .653** | .631** | .631** | .743** | 1 | .438** | .687** | .678** |
| RS | .584** | .534** | .534** | .407** | .438** | 1 | .604** | .506** |
| MA | .739** | .709** | .709** | .599** | .687** | .604** | 1 | .824** |
| FMP | .730** | .713** | .713** | .603** | .678** | .506** | .824** | 1 |

Source: Survey data (2025).

Note; **. Correlation is significant at the 0.01 level (2-tailed).

Where; SMESI means SME Survival Indicators.

CE means Control Environment.

RA means Risk Assessment.

CA means Control Activities.

IC means Information & Communication.

RS means Revenue Stability.

MA means Monitoring Activities.

FMP means Financial Management Practices.

According to Table (4.13), the correlation analysis shows a strong positive relationship between internal control strategies and the survival of SMEs. Monitoring activities have the highest correlation coefficient (0.739), which means it is the most influential factor in helping SMEs survive. Financial management practices also have a strong correlation (0.730), indicating that good financial management greatly supports

SME survival. Information and communication come next with a correlation of 0.653, showing that effective communication within the business is important. Control environment and risk assessment both have a correlation of 0.634, meaning that a good control environment and careful risk evaluation are essential. Control activities with a correlation of 0.607 also play a significant role. Lastly, assessment of revenue stability has the lowest but still strong correlation (0.584), meaning regularly checking stable income helps SMEs survive. All the relationships are statistically significant at the 0.01 level, showing strong evidence that these internal control strategies positively impact the survival of SMEs.

CHAPTER 5

CONCLUSION

5.1 Findings

The results of descriptive analysis indicated that respondents strongly agreed with items under the Control Environment, which received the highest overall mean among all variables. This indicates that SMEs in the sample generally maintain a strong ethical foundation and promote accountability within their organizations. The presence of clear ethical guidelines, defined roles and responsibilities, and supportive policies implies a well-structured environment. This could be due to the recognition that a clear control environment builds trust among employees and reduces internal risks such as fraud or misconduct. Moreover, the encouragement to report unethical behavior reflects a positive organizational culture where employees feel safe to voice concerns.

For the Risk Assessment dimension, respondents showed moderate agreement, indicating that while risk identification and contingency planning are practiced, they may not be done systematically or comprehensively. Businesses acknowledged their awareness of both financial and non-financial risks, yet the lower scores in integrating risk assessment into decision-making suggest that some SMEs may lack formal tools, expertise, or dedicated risk officers to manage risks effectively. The moderate scores might also stem from a limited understanding of emerging risks such as digital threats or supply chain disruptions, which require more advanced risk frameworks.

In the variable of Control Activities, respondents again expressed strong agreement, indicating that most SMEs have effective control procedures in place. The high mean values indicate that key controls such as separation of duties, expense approvals, and regular reconciliation are widely practiced. These activities help reduce the likelihood of financial errors or misuse of funds. One reason for this strong performance could be the routine nature of such tasks and the availability of standardized procedures that are easier for SMEs to adopt, even with limited staff or resources.

Regarding Information and Communication, respondents rated this component highly, reflecting strong agreement with the presence of open communication channels and reliable financial reporting systems. The effective use of communication tools such as emails and phones, as well as accurate record-keeping, suggests that SMEs recognize the importance of timely and transparent information flow. This can be attributed to the growing availability and affordability of digital tools that enhance communication and data management, as well as the need to comply with tax and legal reporting requirements.

However, the Assessment of Revenue Stability received a lower level of agreement, with the lowest overall mean across all variables. This indicates that many SMEs experience inconsistencies in their monthly revenue and have difficulty forecasting future income. This instability is likely due to external factors such as inflation, political uncertainty, changing customer demands, and seasonal trends. The findings imply that many SMEs operate in reactive rather than proactive modes, and may lack the financial forecasting skills, tools, or market resilience to maintain steady revenue flows.

The findings for Monitoring Activities show moderate to strong agreement, suggesting that internal control reviews and compliance checks are in place, but not always consistent or systematic. While management seems to take an active role in monitoring policy adherence and considers staff feedback in some cases, the relatively lower scores for correcting irregularities and reporting weaknesses imply gaps in internal audit functions or reporting mechanisms. This may stem from staff shortages, limited expertise, or a lack of formal monitoring frameworks.

With regard to Financial Management Practices, the responses showed strong agreement, indicating that budgeting, cash flow management, and financial reporting are commonly practiced by SMEs. These practices are crucial for operational sustainability and reflect good financial literacy among SME owners or managers. The consistent use of financial data in business decisions suggests that SMEs recognize the importance of strategic financial planning, possibly influenced by financial training programs, access to accounting software, or external advisory support.

The results for SME Survival Indicators revealed that respondents were confident in their long-term viability and acknowledged internal controls as a contributing factor to their survival. High mean values in statements related to profitability, adaptability, and resilience imply that SMEs with stronger internal

systems are better positioned to withstand challenges. This could be due to a better understanding of market conditions, effective cost control, and a proactive approach to adjusting operations in response to change.

The findings related to Challenges in Implementing Internal Controls indicated moderate agreement, revealing that SMEs face practical difficulties. A key issue is the lack of trained staff, which makes it hard to enforce control procedures. Another major challenge is the cost burden associated with implementing formal internal control systems, especially for small or micro businesses with limited cash flow. Moreover, a reliance on informal processes rather than written policies reflects a common issue in developing SMEs, where documentation is often overlooked. The fact that management is too focused on daily operations rather than control improvement indicates that strategic oversight is often sacrificed for short-term operational tasks.

The results of the correlation analysis indicate that all the internal control strategies examined have a significant and positive relationship with the survival of SMEs. Among these, Monitoring Activities and Financial Management Practices show the strongest correlations, indicating that regular supervision, compliance checks, and well-managed financial practices greatly enhance a business's ability to remain stable and competitive. Information and Communication also displays a high correlation, highlighting the importance of clear communication channels and timely sharing of information for effective decision-making and operational continuity. Control Environment and Risk Assessment are equally influential, as a culture of integrity and the proactive identification and handling of risks help SMEs maintain consistency in operations. Control Activities further support internal safeguards through proper procedures and checks, while Revenue Stability, although slightly less correlated, still plays a vital role in ensuring a consistent financial base for sustainability.

5.2 Suggestions

To improve the survival and performance of SMEs, it is essential to improve their financial management practices. SMEs should focus on implementing systematic budgeting, closely monitoring cash flow, and preparing regular financial reports. These practices help businesses manage their resources more efficiently and make informed decisions, which are crucial for sustaining growth and stability. Providing training and support in financial literacy can further enhance the effectiveness of these financial management efforts.

Additionally, SMEs need to establish strong monitoring activities. Regular reviews of internal controls and business operations allow early detection of errors, irregularities, and weaknesses. By addressing issues promptly, SMEs can minimize risks and improve overall business performance. Developing clear processes for monitoring and feedback will ensure continuous improvement and accountability within the organization.

Ensuring revenue stability is another key area for SMEs to focus on. Businesses should adopt strategies to generate consistent income, such as diversifying their product or service offerings and improving customer retention. Accurate revenue forecasting can also help SMEs better prepare for market changes and manage their operating costs effectively, which supports long-term survival.

While control activities may not show a direct significant effect on survival, SMEs should still invest in designing clear policies and procedures, particularly for financial transactions and approvals. Proper implementation and integration of these controls with other internal processes will strengthen overall organizational control and reduce the risk of mismanagement.

Improving information and communication systems within SMEs is equally important. Establishing reliable channels for the timely flow of accurate information supports better coordination and decision-making. Enhanced communication helps ensure that all employees understand their roles and responsibilities, fostering a culture of transparency and accountability.

Lastly, SMEs should develop formal risk assessment and management processes. By systematically identifying and evaluating potential risks, businesses can implement effective contingency plans and reduce vulnerabilities. Providing training on risk assessment will help SMEs better anticipate challenges and improve their readiness to respond to unforeseen events.

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APPENDIX

QUESTIONNAIRES

Dear Respondent,

The objective of this questionnaire is to collect your valuable insights on key factors influencing the internal control strategies of SMEs, particularly in the following areas: such as organizational structure, human resource capabilities, operational efficiency, and financial management etc.

Your participation in this study is entirely voluntary, and all responses will be treated with the strictest confidentiality. The information obtained will be used solely for academic purposes. Your perspectives are essential to the success of this research, and your cooperation is greatly appreciated.

Thank you very much for your time and contribution.

Best Regards,

Than Thawdar

Part I: Respondent profile

1. Your Name. (Optional)

2. What is your age group?

20 – 30 years

31- 40 years

41 – 50 years

Over 50 years

3. Education

Undergraduate

Bachelor

Master or higher

4. Type of service business

Healthcare Services

Tourism & Hospitality

- Entertainment and Media
- Transportation and Logistics
- Education and Training
- Financial Services
- Other Professional Services

5. Ownership Type

- Individual
- Partnership or Joint Venture
- Private Limited Company
- Other

6. No. of employees

- 11 to 50
- 50 to 100
- Over 100

7. Business's average monthly revenue (in MMK)

- Less than 10,000,000 MMK
- 10,000,000 – 50,000,000 MMK
- More than 50,000,000 MMK

8. Has your business been operating for more than 2 years?

- Yes
- No

Part II; A Study on the impact of internal control Strategies on the survival of SMEs in Myanmar

INSTRUCTION: Based on the statement, please rate suitable answer to indicate the importance rating of attribute with the statement by placing a circle on a scale of 1 to 5.

1- Strongly Disagree

2- Disagree

3- Neutral

4- Agree

5- Strongly Agree

| A. Control Environment | | 1 | 2 | 3 | 4 | 5 |
|-------------------------------|---|---|---|---|---|---|
| 1 | Our business has clear ethical guidelines for all staff. | | | | | |
| 2 | Management sets a good example of integrity and accountability. | | | | | |
| 3 | Employee roles and responsibilities are clearly defined. | | | | | |
| 4 | We have clear organizational policies for financial activities. | | | | | |
| 5 | Staff are encouraged to report unethical behavior. | | | | | |

| B. Risk Assessment | | 1 | 2 | 3 | 4 | 5 |
|------------------------------|--|---|---|---|---|---|
| 1 | We regularly assess risks that may affect our business operations. | | | | | |
| 2 | We identify both financial and non-financial risks. | | | | | |
| 3 | We have contingency plans for emergencies. | | | | | |
| 4 | Risk management is integrated into our decision-making. | | | | | |
| 5 | We adjust business plans based on identified risks. | | | | | |
| C. Control Activities | | | | | | |
| 1 | We have standard procedures for financial transactions. | | | | | |
| 2 | There is separation of duties in key areas like cash handling. | | | | | |

| | | | | | | |
|---|--|--|--|--|--|--|
| 3 | All expenses require prior approval. | | | | | |
| 4 | We regularly reconcile financial records. | | | | | |
| 5 | Inventory is monitored and tracked regularly. | | | | | |
| D. Information & Communication | | | | | | |
| 1 | Information flows freely between departments. | | | | | |
| 2 | We maintain accurate and timely records. | | | | | |
| 3 | Communication tools (e.g., phone, email) are effectively used. | | | | | |
| 4 | Changes in policies or procedures are clearly communicated. | | | | | |
| 5 | We have a reliable system for recording financial information | | | | | |
| E. Assessment of Revenue Stability | | | | | | |
| 1 | Our business generates relatively consistent monthly revenue. | | | | | |
| 2 | We can forecast our income for upcoming months with reasonable accuracy. | | | | | |
| 3 | Revenue has remained stable despite external economic or political shifts. | | | | | |
| 4 | Seasonal changes do not significantly disrupt our annual income. | | | | | |
| 5 | Our revenue allows us to cover operating costs without major delays. | | | | | |
| F. Monitoring Activities | | | | | | |
| 1 | Internal controls are reviewed regularly. | | | | | |
| 2 | Errors and irregularities are quickly identified and corrected. | | | | | |
| 3 | Management monitors compliance with policies. | | | | | |
| 4 | There is a system to report and address control weaknesses. | | | | | |
| 5 | Feedback from staff is considered in evaluating and improving controls. | | | | | |

| | | | | | | |
|--|---|--|--|--|--|--|
| G. Financial Management Practices | | | | | | |
| 1 | We prepare financial reports regularly (monthly/quarterly). | | | | | |
| 2 | Budgeting is part of our planning process. | | | | | |
| 3 | Cash flow is monitored and managed closely. | | | | | |
| 4 | Internal controls are in place to prevent financial mismanagement. | | | | | |
| 5 | Financial information is used to support business decision-making. | | | | | |
| H. SME Survival Indicators | | | | | | |
| 1 | Our business has remained profitable over the past year. | | | | | |
| 2 | We are confident in our long-term business stability. | | | | | |
| 3 | We have successfully adapted to market or policy changes. | | | | | |
| 4 | Internal controls have contributed to our business survival. | | | | | |
| 5 | The business is financially resilient enough to handle challenges. | | | | | |
| I. Challenges in Implementing Internal Controls | | | | | | |
| 1 | We do not have enough trained staff to implement and monitor internal control procedures. | | | | | |
| 2 | Implementing internal controls is costly for our small business. | | | | | |
| 3 | We rely heavily on informal processes instead of written policies and procedures. | | | | | |
| 4 | Management is often too busy with operations to focus on internal control systems. | | | | | |

SPSS Outputs

Control Environment

| Item Statistics | | | |
|---|------|----------------|-----|
| | Mean | Std. Deviation | N |
| A. Control Environment [Our business has clear ethical guidelines for all staff.] | 4.03 | .449 | 149 |
| A. Control Environment [Management sets a good example of integrity and accountability.] | 3.97 | .479 | 149 |
| A. Control Environment [Employee roles and responsibilities are clearly defined.] | 3.97 | .506 | 149 |
| A. Control Environment [We have clear organizational policies for financial activities.] | 3.93 | .571 | 149 |
| A. Control Environment [Staff are encouraged to report unethical behavior.] | 4.03 | .464 | 149 |

Risk Assessment

| Item Statistics | | | |
|---|------|----------------|-----|
| | Mean | Std. Deviation | N |
| B. Risk Assessment [We regularly assess risks that may affect our business operations.] | 3.86 | .621 | 146 |
| B. Risk Assessment [We identify both financial and non-financial risks.] | 3.84 | .572 | 146 |
| B. Risk Assessment [We have contingency plans for emergencies.] | 3.85 | .517 | 146 |
| B. Risk Assessment [Risk management is integrated into our decision-making.] | 3.82 | .621 | 146 |
| B. Risk Assessment [We adjust business plans based on identified risks.] | 3.85 | .614 | 146 |

Control Activities

Item Statistics

| | Mean | Std. Deviation | N |
|---|------|----------------|-----|
| C. Control Activities [We have standard procedures for financial transactions.] | 3.97 | .564 | 148 |
| C. Control Activities [There is separation of duties in key areas like cash handling.] | 3.97 | .521 | 148 |
| C. Control Activities [All expenses require prior approval.] | 3.95 | .581 | 148 |
| C. Control Activities [We regularly reconcile financial records.] | 3.87 | .538 | 148 |
| C. Control Activities [Inventory is monitored and tracked regularly.] | 3.89 | .541 | 148 |

Information & Communication

Item Statistics

| | Mean | Std. Deviation | N |
|--|------|----------------|-----|
| D. Information & Communication [Information flows freely between departments.] | 3.95 | .618 | 144 |
| D. Information & Communication [We maintain accurate and timely records.] | 3.94 | .552 | 144 |
| D. Information & Communication [Communication tools (e.g., phone, email) are effectively used.] | 4.05 | .478 | 144 |
| D. Information & Communication [Changes in policies or procedures are clearly communicated.] | 3.98 | .548 | 144 |
| D. Information & Communication [We have a reliable system for recording financial information] | 3.86 | .598 | 144 |

Assessment of Revenue Stability

Item Statistics

| | Mean | Std. Deviation | N |
|--|------|----------------|-----|
| E. Assessment of Revenue Stability [Our business generates relatively consistent monthly revenue.] | 3.67 | .715 | 147 |
| E. Assessment of Revenue Stability [We can forecast our income for upcoming months with reasonable accuracy.] | 3.63 | .732 | 147 |
| E. Assessment of Revenue Stability [Revenue has remained stable despite external economic or political shifts.] | 3.20 | 1.025 | 147 |
| E. Assessment of Revenue Stability [Seasonal changes do not significantly disrupt our annual income.] | 3.27 | .982 | 147 |
| E. Assessment of Revenue Stability [Our revenue allows us to cover operating costs without major delays.] | 3.78 | .521 | 147 |

Monitoring Activities

Item Statistics

| | Mean | Std. Deviation | N |
|---|------|----------------|-----|
| F. Monitoring Activities [Internal controls are reviewed regularly.] | 3.82 | .545 | 147 |
| F. Monitoring Activities [Errors and irregularities are quickly identified and corrected.] | 3.73 | .634 | 147 |
| F. Monitoring Activities [Management monitors compliance with policies.] | 3.87 | .500 | 147 |
| F. Monitoring Activities [There is a system to report and address control weaknesses.] | 3.65 | .709 | 147 |
| F. Monitoring Activities [Feedback from staff is considered in evaluating and improving controls.] | 3.93 | .506 | 147 |

Financial Management Practices

Item Statistics

| | Mean | Std. Deviation | N |
|--|------|----------------|-----|
| G. Financial Management Practices [We prepare financial reports regularly (monthly/quarterly).] | 3.81 | .616 | 143 |
| G. Financial Management Practices [Budgeting is part of our planning process.] | 3.94 | .514 | 143 |
| G. Financial Management Practices [Cash flow is monitored and managed closely.] | 3.80 | .588 | 143 |
| G. Financial Management Practices [Internal controls are in place to prevent financial mismanagement.] | 3.85 | .597 | 143 |
| G. Financial Management Practices [Financial information is used to support business decision-making.] | 3.84 | .635 | 143 |

SME Survival Indicators

Item Statistics

| | Mean | Std. Deviation | N |
|---|------|----------------|-----|
| H. SME Survival Indicators [Our business has remained profitable over the past year.] | 3.77 | .604 | 150 |
| H. SME Survival Indicators [We are confident in our long-term business stability.] | 3.79 | .547 | 150 |
| H. SME Survival Indicators [We have successfully adapted to market or policy changes.] | 3.77 | .595 | 150 |
| H. SME Survival Indicators [Internal controls have contributed to our business survival.] | 3.85 | .584 | 150 |
| H. SME Survival Indicators [The business is financially resilient enough to handle challenges.] | 3.79 | .574 | 150 |

Challenges in Implementing Internal Controls

Item Statistics

| | Mean | Std. Deviation | N |
|---|------|----------------|-----|
| I. Challenges in Implementing Internal Controls [We do not have enough trained staff to implement and monitor internal control procedures.] | 3.48 | .857 | 150 |
| I. Challenges in Implementing Internal Controls [Implementing internal controls is costly for our small business.] | 3.57 | .830 | 150 |
| I. Challenges in Implementing Internal Controls [We rely heavily on informal processes instead of written policies and procedures.] | 3.37 | .908 | 150 |
| I. Challenges in Implementing Internal Controls [Management is often too busy with operations to focus on internal control systems.] | 3.51 | .841 | 150 |

Overall Mean Values

Item Statistics

| | Mean | Std. Deviation | N |
|--------------------------------|--------|----------------|-----|
| Control_Environment | 3.8550 | .52193 | 150 |
| Control_Activities | 3.9293 | .44277 | 150 |
| Information_and_Communication | 3.9670 | .46591 | 150 |
| Revenue_Stability | 3.5001 | .62643 | 150 |
| Monitoring_Activities | 3.8111 | .46583 | 150 |
| Financial_Management_Practices | 3.8458 | .50223 | 150 |
| SME_Survival_Indicators | 3.7947 | .46973 | 150 |

Coefficients^a

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | 95.0% Confidence Interval for B | | Collinearity Statistics | |
|-------|--------------------------------|-----------------------------|------------|---------------------------|-------|------|---------------------------------|-------------|-------------------------|-------|
| | | B | Std. Error | Beta | | | Lower Bound | Upper Bound | Tolerance | VIF |
| 1 | (Constant) | .359 | .227 | | 1.579 | .117 | -.090 | .807 | | |
| | Risk_Assessment | .004 | .075 | .004 | .048 | .962 | -.144 | .151 | .359 | 2.785 |
| | Control_Activities | .136 | .086 | .129 | 1.582 | .116 | -.034 | .307 | .374 | 2.677 |
| | Information_and_Communication | .127 | .085 | .126 | 1.488 | .139 | -.042 | .295 | .346 | 2.887 |
| | Revenue_Stability | .149 | .048 | .198 | 3.124 | .002 | .055 | .243 | .612 | 1.635 |
| | Monitoring_Activities | .224 | .101 | .222 | 2.218 | .028 | .024 | .423 | .247 | 4.056 |
| | Financial_Management_Practices | .263 | .088 | .281 | 2.974 | .003 | .088 | .438 | .275 | 3.631 |

a. Dependent Variable: SME_Survival_Indicators

Correlations

| | | SME_Survival_Indicators | Control_Environment | Risk_Assessment | Control_Activities | Information_and_Communication | Revenue_Stability | Monitoring_Activities | Financial_Management_Practices |
|--------------------------------|---------------------|-------------------------|---------------------|-----------------|--------------------|-------------------------------|-------------------|-----------------------|--------------------------------|
| SME_Survival_Indicators | Pearson Correlation | 1 | .634** | .634** | .607** | .653** | .584** | .739** | .730** |
| Control_Environment | Pearson Correlation | .634** | 1 | 1.000** | .680** | .631** | .534** | .709** | .713** |
| Risk_Assessment | Pearson Correlation | .634** | 1.000** | 1 | .680** | .631** | .534** | .709** | .713** |
| Control_Activities | Pearson Correlation | .607** | .680** | .680** | 1 | .743** | .407** | .599** | .603** |
| Information_and_Communication | Pearson Correlation | .653** | .631** | .631** | .743** | 1 | .438** | .687** | .678** |
| Revenue_Stability | Pearson Correlation | .584** | .534** | .534** | .407** | .438** | 1 | .604** | .506** |
| Monitoring_Activities | Pearson Correlation | .739** | .709** | .709** | .599** | .687** | .604** | 1 | .824** |
| Financial_Management_Practices | Pearson Correlation | .730** | .713** | .713** | .603** | .678** | .506** | .824** | 1 |

** Correlation is significant at the 0.01 level (2-tailed).