

**YANGON UNIVERSITY OF ECONOMICS
DEPARTMENT OF COMMERCE
MASTER OF BANKING AND FINANCE PROGRAMME**

**FINANCING OF SMALL AND MEDIUM ENTERPRISES
IN SITTWAY**

**HNIN NANDAR WIN
(MBF- 4th BATCH)**

DECEMBER, 2018

FINANCING OF SMALL AND MEDIUM ENTERPRISES IN SITTWAY

A thesis submitted as a partial fulfillment towards the requirement for the
degree of Master of Banking and Finance (MBF)

Supervised By:

DAW Htay Htay
Associate Professor
Department of Commerce
Yangon University of Economics

Submitted By:

Hnin Nandar Win

Roll No: 72
(MBF- 4th Batch)

December, 2018

ABSTRACT

This study is the financing of Small and medium enterprises (SMEs) in Sittway. There are two main objectives in this study are to identify accessibility to finance by small and medium enterprises (SMEs) in Sittway and to analyze the nature and causes of the financing constraints of Small and Medium Enterprises in Sittway. To meet the objectives of study, the primary data collected by interviewing with owners and managers of small and medium enterprises (SMEs). There are 135 register Small and Medium Enterprises (SMEs) in Sittway. By using the descriptive analysis, this study provided the valuable results and answers to the results to use of financial sources and financing problems of small and medium enterprises (SMEs). This survey included 45% of the Small and Medium Enterprises (SMEs) in Sittway and interview by using structured questionnaires. According to the results of the study, the small and medium enterprises faced with the problem that are not able to meet the requirement of theses financial institutions, which are banks and other financial firms, are willing to contribute funds to small and medium enterprises (SMEs). Although there are many financial institutions, most of the small and medium enterprises faced the difficulties in making the loan with the bank. Moreover, SMEs in Myanmar have to rely on informal finance sources for funding which charge high interest rates. This paper identifies the accessibility of finance in Myanmar and examines the access of finance in Sittway. It also evaluates the issues and challenges faced by small and medium enterprises (SMEs) sector and recommends policies for stabilizing macro economic fundamentals, improving lending infrastructures of the country and improving demand- and supply-side conditions from the SMEs financing perspective in order to provide a more accessible financing for SMEs and to contribute in the overall development of SMEs in Myanmar thereby to sharpen national competitive advantage in the age of speedy economic integration.

ACKNOWLEDGEMENT

First, I would like to express my sincere gratitude to Professor Dr. Khin Naing Oo and Dr. Tun Aung Pro-Rector for their kindly permission to participate in this Master of Banking and Finance Program me at Yangon University of Economics.

Secondly, my heartfelt wish to extend my special thanks to Professor Dr Daw Soe Thu, Programme Director of the MBF programme and professor and Head of the Department of the Commerce, Yangon University of Economics for her monitoring and fruitful guideline to enable me to complete this study.

I would also like to give my deepest gratitude to my supervisor, Daw Htay Htay, Associate Professor, Department of Commence, Yangon University of Economies for her great support, inspiring guidance, constructive counseling throughout my studies.

I would also like to thank specially my respected professors and lectures who imparted their time and valuable knowledge during the course of my study at the Yangon University of Economics and my friends and all persons who contributed in various ways to my thesis.

I would also like to thank to the responsible committee members and staffs from Sittway, for their great support for survey. I am also very grateful to all firms' managers and owners in Sittway for paying attention to get the required data for my paper completeness.

TABLE OF CONTENTS

	Page	
ABSTRACT	i	
ACKNOWLEDGEMENTS	ii	
TABLE OF CONTENTS	iii	
LIST OF TABLE	iv	
CHAPTER I	INTRODUCTION	1
	1.1 Rationale of Study	2
	1.2 Objective of the Study	4
	1.3 Scope and Method of Study	4
	1.4 Organization of the Study	4
CHAPTER II	LITERATURE REVIEW	6
	2.1 Definition of Small and Medium Enterprises (SMEs) and International Overview	6
	2.2 Important of Small and Medium Enterprises (SMEs) for the economy	7
	2.3 Challenges of Small and Medium Enterprises (SMEs) in Developing Countries	10
	2.4 Sources of finance for Small and Medium Enterprises	13
	2.5 Problems and Challenges of Financing in Small and Medium Enterprises (SMEs)	17
CHAPTER III	PROFILE OF SMES IN MYANMAR	19
	3.1 Overview of Small and Medium Enterprises (SMEs) Business in Myanmar	19
	3.2 Profile of Small and Medium Enterprises (SMEs) Development in Central Committee of Myanmar	22

3.3	Strategic Factors for the Improvement of Small and Medium Enterprises (SMEs)	23
3.4	Financial Support of Government to Small and Medium Enterprises (SMEs)	24
3.5	Access to Finance For Small and Medium Enterprises in Sittway	25
CHAPTER IV	ANALYSIS OF FINANCING NEED OF SMALL AND MEDIUM ENTERPRISES (SMEs) IN SITTWAY	27
4.1	Profile of the Small and Medium Enterprises (SMEs) in Sittway	27
4.2	Financing Needs of Small and Medium Enterprises (SMEs) in Sittway	31
4.3	Sources of Financing of Small and Medium Enterprises	33
4.4	Difficulties and Challenges of Small and Medium Enterprises	37
CHAPTER V	CONCLUSION	39
5.1	Findings	39
5.2	Suggestions	41
5.3	Need for further study	42
REFERENCE		43
APPENDIX		

LIST OF TABLES

Table No		Page
(2.1)	Small and Medium Enterprises (SMEs) participation and contribution to the economy	8
(3.1)	Definition of Small and medium enterprises (SMEs) in Myanmar	20
(3.2)	Number of Registered Enterprises in States and Regions (February, 2015)	21
(4.1)	Types of Business	28
(4.2)	Types of Ownership	29
(4.3)	Age of Business	29
(4.4)	Amount of Initial Investment	30
(4.5)	Responsible Person	30
(4.6)	Credit Term of Business Expansion	31
(4.7)	Period Requirement of Financing for Business Expansion	31
(4.8)	Credit Term of Working Capital	32
(4.9)	Period for Working Capital	32
(4.10)	Credit Term of Replacement Assets	33
(4.11)	Sources of Fund for Initial Investment	34
(4.12)	Requirements for Getting Loan	34
(4.13)	Satisfaction on Financing for Business Expansion	35
(4.14)	Satisfaction on Financing for Working Capital	36
(4.15)	Reason for Difficulties of Getting Loan from Bank	37
(4.16)	Major Constraint to the Growth of Business	38

CHAPTER I

INTRODUCTION

The small and medium enterprises (SMEs) sector forms the backbone of Myanmar's economy. Small and medium sized enterprises (SMEs) play a crucial role in the socio-economic development of a country through business opportunities, employment generation and poverty alleviation. However, constraints on the provision of finance to small and medium enterprises (SMEs) is a key challenge faced by developing countries. The primary aim of this study is to investigate the cause and nature of the small and medium enterprises (SMEs) financing constraint, in terms of accessibility to bank loans, in Myanmar.

Small and medium enterprises (SMEs) represent 90% of businesses in Myanmar. Following trade liberalization, border openings, and fast-paced economic growth, small businesses are desperate for technical and financial support. The Small and Medium Enterprises (SMEs) in Myanmar are still a highly challenging industry. It is facing difficulty in access to finance yielding the lack of needed fund at the time they need it. The cost, terms and conditions of finance are also alleged to be unfavorable for the growth of the sector. The scarcity of incessant access to institutional credit is also an acute problem and appears to be one of the most serious constraints to small and medium enterprises (SMEs) growth in Myanmar.

Myanmar is an agricultural based country, where around 85% people are living at village with activities of agriculture, in this perspective Myanmar can achieve industrialization through agriculture based small and cottage industry to start aggressively. Now the SMEs are not only concentrated to low-tech, traditional, and agro-based economic activities; these are spread over other non-traditional manufacturing and service sector as well. In fact, the small and medium enterprises (SMEs) are recognized as engines of economic growth worldwide. To achieve high and sustained economic growth, a triggering force is mandatory to exit from endemic poverty and socio- economic deprivation. The entrepreneurs behind could and should play a much larger role in development, but too often are held back by a lack of ready access to financing from local formal sector financial institutions.

Banks are the main source of external financing for small and medium enterprises (SMEs) in Myanmar. Since the transition process began in 2011, the Government of Myanmar has started to implement wide-ranging reforms with the aim of reducing poverty and increasing economic growth. A key role has been assigned to the private sector, which is almost exclusively composed of small and medium-sized enterprises (SMEs).

More importantly, Myanmar government should support the development of non-bank financial instruments to better serve the needs of smaller firms and improve competition and efficiency in credit allocation. However, these steps should be taken sequentially and continuously to limit associated risks. Despite support provided by Myanmar government, Small and medium enterprises (SMEs) still face challenges. The main problem faced by owners and operators of small and medium enterprises (SMEs), is the inaccessibility of bank finances. The lack or inaccessibility of bank finances is a serious constraint during the formation of new ventures as well as at later stages as business requires additional inflows of capital to support expansion and growth.

1.1 Rationale of the Study

According to the Myanmar Government, more than 90% of the Myanmar economy is composed of private companies, particularly small and medium enterprises (SMEs). SMEs are considered as a major source of income for Myanmar economy. However, despite the importance of small and medium enterprises (SMEs) to the economy and the government's effort to make these small and medium enterprises (SMEs) viable, a number of significant obstacles continue to prevent sustainable growth and development in this sector. Many small and medium enterprises (SMEs) have limited access to adequate capital and thus may have difficulties meeting financial demands, especially during their development stages and, consequently, perform poorly. This difficulty arises because many SMEs have weak financial bases, no credit ratings and poor business structures. Banks are often reluctant to lend money to small and medium enterprises (SMEs) as these enterprises lack the necessary credit information required to measure financial solvency, default risk and ascertain the nature and size of the business. Due to the level of risk involved in lending money to small and medium enterprises (SMEs), the interest rates for loans from banks are high. Presently, financial institutions in Myanmar are reluctant to offer

loans to small and medium enterprises (SMEs) due to the high levels of risk and transaction costs involved. 20% of small and medium enterprises (SMEs) have an outstanding loan, irrespective of firm size. Only around 50% of small and medium enterprises (SMEs) declared that they had considerable further funding needs, mostly to expand the business.

The financing available to small and medium enterprises (SMEs) from banks is a fully collateralized loan with the interest rates of 13% per annum around ceiling interest rate and most microfinance charge interest rate to 30% per annum which most small and medium enterprises (SMEs) find impossible to fulfill. An exception to this harsh condition is a loan offered by SMIDB through JICA as this loan has been created to exclusively focus on small and medium enterprises (SMEs) lending for the manufacturing sector. Although If the small and medium enterprises (SMEs) can provide immovable property as collateral, it can secure the loan at the 8.5pc interest rate. Otherwise, it must secure further collateral under the Credit Guarantee Insurance. In such situations, the small and medium enterprises (SMEs) will need to pay a CGI premium of 2.5pc on top of the 8.5pc interest rate. Yet the application and approval procedure are cumbersome, which has resulted in a low number of loans dispersed to 300 SMEs from 2012 until 2015. An absence of financial programmes and support services for small and medium enterprises (SMEs) from banks in Myanmar has shortened the longevity of small and medium enterprises (SMEs).

In the course of implementing the economic reforms the government has put in place a number of strategies and programmes aiming at addressing some of the major constraints such programmes and strategies includes. Rural development strategy, agricultural sector Development Strategy, strategic trade policy, BEST programme, microfinance policy and poverty alleviations strategies. To implement these and other existing initiatives, this small and medium enterprises (SMEs) Development policy shall ensure that small and medium enterprises (SMEs) related components are adequately implemented, harmonized and coordinated. With current emphasis by the Government, that private sector should be an engine for economic growth, Small and medium enterprises (SMEs) needs to evaluate the coming challenges and prospects of different grounds. Thus, the objectives of the study were to identify the causes of inaccessibility to finance by small business operators, to assess the extent to which banks support SMMEs and to suggest solutions to ease the challenge of inaccessibility of finance by small business operators.

1.2 Objectives of the Study

The main objectives of the study are:

- To identify accessibility to finance by small and medium enterprises (SMEs) in Sittway.
- To analyze the nature and causes of the financing constraints of small and medium enterprises (SMEs) in Sittway.

1.3 Scope and Method of the study

This study is only focused on financing of small and medium enterprises (SMEs) in Sittway. Descriptive statistics research method was used for this study. In this study both primary and secondary data were collected. Primary data were collected from 61 SMEs (45%) were selected from the number of total small and medium enterprises (SMEs) in Sittway with structured survey questionnaires. The primary survey questionnaires were constructed to obtain the opinions of SMEs operators in issues pertaining to accessing bank finance. Small and medium enterprises (SMEs) owners and managers in Sittway were the target population. Data collection period collected during the month July 2018 to Dec, 2018. A sampling Method was constructed using the lists of small and medium enterprises (SMEs) obtained from the municipality and also from the small and medium enterprises (SMEs) associations in Myanmar. To avoid bias of selection, simple random sampling technique was used to select the respondents. The secondary data is also collected from previous research papers, published journals, internet websites and other publications. Secondary data are used from several sources such relevant reference books, previous research papers, manual and records of Sittway township committee and various related websites.

1.4 Organization of the Study

This project is summarized into five different chapters. Chapter-1 describes introduction, rationale of the study, objectives and research methodology. Chapter -2 designates literature review, definition of small and medium enterprises (SMEs) and international overview, the importance of small and medium enterprises (SMEs) in economy, type of financing and problems and challenges of financing in small and medium enterprises (SMEs). Chapter -3 analyze the overview on small and medium enterprises (SMEs) business in Myanmar, profile of small and medium enterprises

(SMEs) development in central committee of Myanmar, strategic factors for the improvement of small and medium enterprises (SMEs) and financial support of Government to small and medium enterprises (SMEs) .Chapter 4 evaluates accessibility to Finance by small and medium enterprises (SMEs) in Sittway in terms of needs for finance, Sources of Finances, clients satisfaction with short term loan, difficulties and challenges and major constraints faced .Chapter 5 observes policy recommendations toward the improvement of SMEs finance system, Conclusion, Recommendation for future research.

CHAPTER II

LITERATURE REVIEW

This chapter represent about the existing literature on small and medium enterprises in Myanmar. This chapter includes definition of small and medium enterprises(SMEs) and international overview, important of small and medium enterprises for the economy, challenges of small and medium enterprises in developing counties and problems and challenges of financing in small and medium enterprises.

2.1 Definition of Small and Medium Enterprises

While the importance of the small and medium enterprises (SMEs) sector and the informal sector is acknowledged internationally, defining an small and medium enterprises (SMEs) is a challenging task, as every country has its own definition. There is no single, uniformly accepted definition of a small firm. Firms differ in their levels of capitalization, sales and employment. Hence, definitions which employ measures of size (e.g. number of employees, turnover, profitability and net worth) when applied to one sector might lead to all firms being classified as small, while the same size definition when applied to a different sector might lead to a different result. This section provides a broad overview of small enterprise definitions used across the globe with the objective of understanding what an small and medium enterprises (SMEs) really This understanding will go a long way in comparing and benchmarking results from different studies.

Small and medium enterprises (SMEs) definitions can be broadly categorized into two, “economic” and “statistical” definitions. Under the economic definition, a firm is regarded as small if it meets the following three criteria: (1) it has a relatively small share of their market place; (2) it is managed by owners, or part owners, in a personalized way and not through the medium of a formalized management structure; and (3) it is independent in that it is not part of a larger enterprise. (Storey,1994)

The “statistical” definition, on the other hand, is used in three main areas: (1) quantifying the size of the small firm sector and its contribution to GDP, employment and exports; (2) comparing the extent to which the small firm sector’s economic contribution has changed over time; and (3) in a cross- country comparison of the

small firms' economic contribution. These definitions, however, have a number of weaknesses. For example, the economic definition, which states that a small business is managed by its owners or part owners in a personal way and not through the medium of a formal management structure, is incompatible with its statistical definition of a small manufacturing firm which might have up to 200 employees.

According to UNIDO, the definition of small and medium enterprises (SMEs) is a significant issue for policy development and implementation and depends primarily on the purpose of the classification. It is also important at this juncture to define entrepreneurship. The term 'entrepreneurship' is the creation of new enterprise, which includes small and medium enterprises (SMEs).

Synopsis of Small and Medium Enterprises (SMEs) Definitions by Region

The abbreviation small and medium enterprises (SMEs) occurs commonly in the European Union (EU) and in international organizations such as the World Bank (WB), the United Nations (UN) and the World Trade Organization (WTO). The term "small and medium businesses" or "SMEs" is predominantly used in the USA. In South Africa the term is "SMME" for small, medium and micro-enterprises, and elsewhere in Africa, SMME is used for micro, small and medium enterprises. (Storey,1994).

2.2 Importance of Small and Medium Enterprises (SMEs) in the economy

The value of the small business sector is recognized in economies world-wide, irrespective of the economy's developmental stage. The contribution towards growth, job creation and social progress is valued highly and small business is regarded as an essential element in a successful formula for achieving economic growth. It is estimated that SMEs employ 22% of the adult population in developing countries. Table (2.1) is presented about analyzing of World Bank (2007).

Table (2.1) Small and Medium Enterprises (SMEs) participation and contribution to the economy

Country Name	Structure of the SMME Sector (% of all SMMEs)			SMEs Participation in the Economy		
	Micro	Small	Medium	SMEs	SMEs per 1,000 people	SME employment (% total)
Brazil	93.9	5.6	0.5	4 903 268	27.4	67.0
China	n/a	n/a	n/a	8 000 000	6.3	78.0
Egypt	92.7	6.1	0.9	1 649 794	26.8	73.5
United Kingdom	95.4	3.9	0.7	4 415 260	73.8	39.6
Ghana	55.3	42.0	2.7	25 679	1.2	66.0
India	94.0	3.3		295 098	0.3	66.9
Mexico				2 891 300	27.9	71.9
Malawi	91.3	8.5	0.2	747 396	72.5	38.0
Russian Federation				6 891 300	48.8	50.5
United States	78.8	19.7	1.5	5 868 737	20.0	50.9
South Africa	92.0	7.0	1.0	900 683	22.0	39.0

Source: World Bank (2007)

The important roles of small and medium enterprises (SMEs) are recognized around the world by following reasons; (1) Small and medium enterprises (SMEs) contribute to employment growth at a higher rate than large company; (2) Small and medium enterprises (SMEs) form in private sector, the backbone of a market economy and in long term, may provide most of the employment in the transitional economy; (3) Small and medium enterprises (SMEs) crash the monopoly system of large and strong enterprises those offer complementary service, Fluctuations the business environment; (4) Small sized small and medium enterprises (SMEs) produce normally the requirement of domestic market, generally using the domestic resources;

(5) The structure of small and medium enterprises (SMEs) is easily to change to large enterprises as they have unit and well discipline labor forces and systematic lines of business; (6) The structure change to SEEs to small and medium enterprises (SMEs) will increase the number of owner and the management group represents greater responsibility and commitment than in planned system; (7) The growth in volume of small and medium enterprises (SMEs) will bring more flexibility to society and economy. At the same time, might facilitate technological innovation and encourage for new innovation and skill development; (8) For cost and benefit purpose, most of the small and medium enterprises (SMEs) use the local techniques which may be same level of production and get same quality of foreign technology; (9) Small and medium enterprises (SMEs) appointed the labor from the rural areas where the surplus labor forces are wasted and also contribute to increase the standard of living of the rural areas.

Small and medium enterprises (SMEs) businesses are more easily to fail than big businesses. Often this is because they are taking more risks- selling products that are new and untried. But there are also at least five other reasons as follows: inadequate management skills, lack of financial support, lack of credit, unfavorable economies of scale and difficulty in hiring and keeping good employees.

In developing countries, including ASEAN, Small and medium enterprises (SMEs) represent over 80% of the industrial base. They act as nursery for entrepreneurship and they also provide rooms for acquisition of and upgrading technology. However, SMEs or SMIs have little influence on policy developments concerning small and medium enterprises (SMEs), partly due to their backwardness, less effective voice and the absence of their representing bodies engaged in policy making. They have limited access to finance, information and technology. Their capability to increase their managerial skills is limited as well. Therefore, to overcome the above difficulties and promote their productivity effectively, they do need assistance.

Concrete recommendations that have been put forward give much needed impetus to examining and shaping the regional integration architecture embodied in the AEC Blueprint measures from the lens of the development of SMEs I the region (i.e., their growth, adjustment, and participation in deepening trade and economic linkages within ASEAN and East Asia). In recognition of the importance of Small and

medium enterprises (SMEs), ASEAN countries have embarked on small and medium enterprises (SMEs) promotion programs under their industrial promotion policies. Some ASEAN countries experiences on small and medium enterprises (SMEs) businesses are remarked as follow; Indonesia, Malaysia, Philippines, Singapore, and Thailand. (Austria, M.S.,2016)

2.3 Challenges of Small and Medium Enterprises (SMEs) in Developing Countries

Small and Medium Enterprises (SMEs) are an integral part of any economy and play a vital role in supporting a stable economic environment. However, Small and medium enterprises (SMEs) are confronted with several challenges. These challenges stand as barrier against effective growth and development of small and medium enterprises (SMEs).

Lack of Finance

One of the key elements for small and medium enterprises (SMEs) success is access to finance. In developing countries, Small and medium enterprises (SMEs) face a number of hurdles while achieving the financial resources for building up of their businesses. Finance is crucial for any small and medium enterprises (SMEs) to acquire or absorb innovative technologies. Their expansion to global markets or association with other firms is also related to the availability of finance. Traditionally, Small and medium enterprises (SMEs) find it difficult to avail credit or equity. Even maturities of commercial bank loans offered to them are limited to a very short period. Similarly, lower interest rates are extended to very few companies.

Small and medium enterprises (SMEs) are often considered to be high-risk borrowers because of insufficient assets and their vulnerability to market fluctuations. They are also very much susceptible to mortality. The existence of an information asymmetry caused due to lack of records in accounting and inadequate business plans often make them a difficult choice for creditors and investors. Also, the high cost of transaction or related administrative costs of lending small amounts make lending to small and medium enterprises (SMEs) a risky proposition. Even then, banks turn out to be the biggest supporters of Small and medium enterprises (SMEs). It has also been proven that banks would benefit commercially from lending to small and medium enterprises (SMEs).

Besides assistance from banks, Small and medium enterprises (SMEs) can also rely on private equity firms, which are experienced and expert in their businesses. They would prefer to invest in businesses, which have a potential to grow. Many small and medium enterprises (SMEs) do not prefer such investments because of the interference by the equity firm members. However, there are certain investor firms who prove to be a viable option for funding as they use their own money for funding various initiatives.

Lack of Managerial Skills

In running effective small and medium enterprises (SMEs), efficient and effective managerial skills are required. Many small and medium enterprises (SMEs) lack the basic skills, techniques and aptitude to successfully operate a business. The managerial skills and talents necessary for planning, organizing, directing and controlling both the human and material resources are essential components of effectively running a business outfit.

Lack of Innovation

Innovation is the key to small and medium enterprises (SMEs) strategy and a central factor for its competitive growth and development. Small and medium enterprises (SMEs) are expected to introduce innovation into their business in order to create sustainable small and medium enterprises (SMEs) business solutions. Innovation is a process that creates knowledge, which is collected, shared and integrated. It takes the form of new technology or new product or services. Innovation is related to change that can be integrated or incremental. Commonly, innovation can be considered a simple mentation of exploration and process that shapes outcomes and products.

Political and Religious

The present political dispensation since independence does not allow for favorable and conducive environment for small and medium enterprises (SMEs) to operate. Delays in the passing of national budgets both in the states and federal levels are a major example. Party wrangling and disagreements takes months and years to settle. Unfavorable policies, laws and delays in the implementation of the national budgets stall proper planning of small and medium enterprises (SMEs). The constant change of power from one administration to another in the political has militated

against the success of small and medium enterprises (SMEs). The persistent religious crises have negatively affected small and medium enterprises (SMEs). Small businesses cannot afford to bribe their way towards having police and military personnel to guide their businesses. Most deaths that occur during religious crises are victims of small business owners. Politicians have failed on several occasions to address this issue as it does not affect their interest greatly, as such; efforts are not put into resolving the conflicts.

Social/Cultural

Social factors influence the likelihood of a person becoming an small and medium enterprises (SMEs) owner or manager. Most small and medium enterprises (SMEs) follow from social marginalization and it is more common in some ethnic groups.

Economy

The economy is marred with corruption in all aspects and corruption has continued to pose serious menace to the survival of small and medium enterprises (SMEs). The high cost of doing business imposes economic dimension of challenges encountered by small and medium enterprises (SMEs). In the present day, the rate of poverty has resulted in the death of most small and medium enterprises (SMEs) because people can no longer afford to buy products and serviced provided by the small and medium enterprises (SMEs). A drastic improvement in the nation's economy will go a long way in resolving these problems.

Environmental

Another constraint in the growth and development of small and medium enterprises (SMEs) relate to environmental problems. Most small and medium enterprises (SMEs) faces a lot of environmental challenges. Multiple taxation from environmental and allies agencies makes the operation and smooth running of small and medium enterprises (SMEs) difficult. This factor affects both entrepreneurial firms and non-entrepreneurial and it has created unhealthy and insecure environment for small and medium enterprises (SMEs) operation.

Infrastructural Facilities

Small and medium enterprises (SMEs) do not operate without a number of challenges that impede their successful entrepreneurial drive for national development. Amongst the notable challenges: Basic ICT infrastructures are inadequate. This is as a result of lack of electricity to power ICT resources, poor telecommunication facilities, and insufficient funds in general. Less spending in small and medium enterprises (SMEs) highlighted the devastating effect of poor infrastructural facilities, including epileptic power supply, poor condition of road network and inadequate water supply on emerging businesses. A large number of the population live below the poverty line, as such, average middle-income SMEs cannot afford basic technological and communication gadgets. (Jiang, J., 2014)

2.4 Sources of finance for Small and Medium Enterprises

The most important consideration in deciding the source of finance for small and medium enterprises (SMEs) is to strike a balance equity and debt and to make sure the source of finance suits the business. What differentiate (money borrowed) debt and equity are that financial institutions demand interest and capital repayments, but debts is usually held up against a business assets or personal properties of the owners. The sources of finance for start-ups and small and medium enterprises (SMEs) can be divided into two: internal which includes (personal savings, family and friends) and external includes (trade credit, venture capitals, business angle, hiring and leasing, bank loans, Factoring and invoice discounting, grant, bank overdraft). (Thorne, S., 2007)

Internal source are personal savings, family and friends: this is often the starting point for most small and medium enterprises (SMEs) where the owner uses his/her savings to start up the business. An advantage is that this shows that the owner has some level of confidence and commitment to the business enterprise and might make it easier to gain money from others. It costless form of finance, but there is higher risk of the money being lost since the entrepreneur idea might not be fully developed.

External Source: Grants are often available from councils, local authorities, and other Government agencies for specific reasons. For example there may be plans by the government or council to revive or encourage the development of a sector or an

area. Alternatively there are some institutions that helps entrepreneur to lunch new business. One disadvantage is that assess to grants can be competitive as some businesses are classified more important than others and it can be very difficult to locate an individual or organizations who will be willing to give funds for small business. An advantage is that most grants don't require payback and has no interest.

Bank Overdraft: An overdraft is agreed sums which a customer can overdraw form his current account. Bank overdraft can be a good source of short-term finance to help a business with seasonal shortage of funds that does not require long-term solution. The charges varies and are linked to the bank rate. The advantage of overdraft is that it is always there when it is need and it is at no cost (however small fee are charged) it helps to maintain a good cash flow. Also it is quick to set-up when compared to a loan. Overdraft disadvantages. The interest rate on an overdraft can be quite high, especially for small firms where the risk to the bank that they might not get their money back is greater. In addition, the business is not allowed to exceed their overdraft limit. If they do, the bank might refuse to pay cheques to creditors and may hit the business with a hefty charge for exceeding the limit. Overdraft facilities can be re-negotiated but if this is tried too many times, it may be a signal to the bank that a business has not got control over its finances.

Venture capitals (VCs): It is also known as private equity finance. This source is often most times used in the early stages (or a later stage depending on the type of VCs) of developing a new business, where the risk of failure is high but the possible earnings may well also be high. One advantages of getting a VC are they provide large sum of finance and the significant expertise, contacts and experiences they have acquire while running other businesses. Further more successfully attracting a venture capital makes it sometimes easier to get others for further funding. On the other hand disadvantage getting a deal with a venture capitalist may be a long and difficult process. As it will require drawing up a well detailed plan, financial projections which may require professional help or friends who have such knowledge, legal requirement may be needed on getting to the negotiation stage all of these services will have to be paid for whether or not the fund was secured. Also there is tendency for VCs to influence or take control of the business.

Business Angels: Business angels (BAs) are also know as angle investors, they are rich individuals who invest in a potential high growth businesses in return for a

share in the ownership of the business. They are typically involved at an early stage of the business. Some BAs invest as an individual, while others do as part of a group, or investment club. However, a professional and well prepared business plan will be needed to get their attention. Most BAs bring relevant experience, skill, time, and contacts they have built up overtime. Most BAs are committed and do everything within their power to make the business work. The disadvantage of BAs is that they are difficult to find and don't make investments very regularly, more time will be spent with the BAs rather with the business giving information.

Invoice Discounting and Invoice Factoring: This involves a company outsourcing its invoicing activities to an external organization. It makes funds available in few days to the business base on the values of the outstanding invoices. Then process, It begins by the firm making sales, sending the invoice to the customer, sending a copy of the invoice to the factoring institution where necessary negotiations and investigations is carried out on the customer after which an agreed percentage of the invoice is paid by the factoring company. This service comes with a cost which include administration charges, interest, credit protection charges, etc. the major advantage of this source of finance is the quick availability of funds which can be channel into another aspect of the business, also with presence of many factoring companies, this makes prices competitive, further it makes preparation of financial planning and cash flow easier and smoother, it can be an efficient and cost effective was of sub contracting that area of the business which reduces the time spent chasing payment. It is also an opportunity to know the credit standing of your customers which can help in negotiating a better deal with your suppliers and customer. The down side is that the charges will imply a reduction in the profit margin, in addition it may limit the way business is done as the factoring company may want to vet your consumers. It may reduce the extent of borrowing as the invoice is not available as security, also some customer may prefer to deal directly with their suppliers. In the situation where the customer default the business has to pay also an additional fees may be charged.

Trade credit: Some businesses depend on the purchase of a product from other companies (suppliers) to run their enterprise. Trade credit is a case where a supplier gives out his product to a customer on credit expecting to pay at a later date. Most trade creditors allow for a period of 30 days or longer before payment are made, this

can allow the business to use the funds in the short term to finance other things. This should be done with caution so as not to risk upsetting the supplier and put at risk the future working relationship of business. Advantages of Trade credit: By setting up trade credit it will require less money to start up a business, this can be really important to those who have little capital in starting up a business, also the ability to buy now and pay later, the business can purchase the item and sell them at a profit before payment are made. With this the business time to focus on other areas of the business like marketing etc, rather than worry about paying their supplier. It also makes for improved cash flow and smooth operation for the business. Example of all these is the case of QPC as discussed in the seminar. The downside to trade credit is if the business fails to meet the deadline it may leads to poor credit history which might limit the business chances of securing funds elsewhere. Also it can be difficult to get trade credit as only firms with good credit history are given, however these can be difficult to build as a new business.

Hire Purchase and Leasing: Hire purchase and leasing allows a business to acquire an asset without paying the full-price. The business will have the right to use the equipment for a period of time after which they can buy it at a reduced price or return it. These means is mostly used in the purchase of heavy equipment. Leasing an asset makes available some working capital that can be use in other areas of the business. Some advantages of leasing equipment include, having and using an asset without having to pay the full cost up front, so cash can be diverted for other purpose. it gives the business access to a modern standard of equipment, which might be too costly to buy upfront payments are spread over a long period of time., leases can be helpful to business which carries out short projects or needs equipment for short time as they don't have to buy such equipment out-rightly. With the payment based on the fixed period of time the equipment will be use and fixed monthly rental costs, this helps the business to budget for the future, forecast cash flow and plan effectively. It also reduces the cost of maintenance, as the leasing company will be responsible for that and carries the risk of the equipment if it breaks down. Capital allowance can be claim on the equipment. The asset can be purchased as a reduced price. Some disadvantages of leasing equipment: it can work out to be more expensive than if you buy the assets outright, Capital allowances may not be claimed on lease equipment

less than five years in some cases seven years. Business can be stocked into inflexible medium or long-term agreements, which may be difficult to terminate.

Bank Loans: Bank loans can be a couple of thousand to hundred thousands of pounds depending on the security and business prospects. A loan is an amount of money borrowed for a set period with aim of paying back at an agreed date. The repayment will depend on the size, length of the loan and the rate of interest. The terms and conditions of loan vary with providers and may be negotiable. The riskier the business, the less likely to be able to borrow, and the higher the interest rate charged. This helps the bank to ensure that they are covered even if the risk does not pay off. **Advantages of loans:** Banks loan are reliable because the money is guaranteed throughout the agreed period generally three to ten years – unless there is a breach of the loan conditions. If the loan will be use in the purchase of equipment it can be tied to the lifetime of the equipment or other assets you're borrowing the money to pay for. Loans do not require giving up part of the business as of the case of an investor but the interest which serve as the cost must be paid. Some loans have fixed interest rates which are easy to calculate. **Disadvantages of loans:** Most loans are not flexible once the payment date are fixed also they have strict terms and conditions, there might be difficulty in making monthly repayment when customers done pay on time therefore causing cash flow problem. Most loans are secured against the business owner's property or the asset of the business, but these properties will be at risk if the business defaults. (Thorne. S., 2007)

2.5 Problems and Challenges of Financing in Small and Medium Enterprises (SMEs)

Small and medium enterprises (SMEs) may not know about the sources of finance available. Finance may be difficult to obtain because of the risks faced by small and medium enterprises (SMEs). Small and medium enterprises (SMEs) are restricted in their sources of new equity finance. They are private companies, with a limited number of shareholders. Unless the shareholders are wealthy, there is a limit to the amount of extra capital they may be able to invest in the company.

Small and medium enterprises (SMEs) therefore rely heavily on retained profits for new equity finance, but there is a limit to the amount of equity that can be obtained from this source, especially when profits are low. It is not easy for small and

medium enterprises (SMEs) to attract venture capital. They must be able to demonstrate strong opportunities for profit growth. So if small and medium enterprises (SMEs) are restricted in the amount of new equity they can obtain, they may rely on borrowing to supplement their finances.

Government policy can have a major influence on the level of funds available for borrowing. For example, Tax policy including concessions given to businesses to invest (tax-allowable depreciation) and taxes on distributions (higher taxes on dividends mean less income for investors) can have an impact. Interest rate policy can affect lending to small and medium enterprises (SMEs). High interest rates work in different ways – borrowing for small and medium enterprises (SMEs) becomes more expensive, but the supply of funds is also greater, as higher rates give greater incentives to investors to save. Competition small and medium enterprises (SMEs), however, also face competition for funds. Investors have opportunities to invest in all sizes of organization, as well as overseas and in government debt.

Uncertainty and risk for lenders is the main handicap that small and medium enterprises (SMEs) face in accessing funds is the problem of uncertainty and risk for lenders. Small and medium enterprises (SMEs) will have to provide extensive information about their business to a bank when they seek loan finance. They will need to give a business plan, a list of the firm's assets, details of the experience of directors and managers and show how they intend to provide security for sums advanced. Prospective lenders, usually banks, will then make a decision based on the information provided. The terms of the loan (interest rate, term, security, and repayment details) will depend on the risk involved, and the lender will also want to monitor their investment. Maturity gap is the further problem for small and medium enterprises (SMEs). It is particularly difficult for SMEs to obtain medium-term loans due to a mismatching of the maturity of assets and liabilities. Longer-term loans are easier to obtain than medium-term loans, as longer loans can be secured with mortgages against property. (Huang., C 2014)

CHAPTER III

PROFILE OF SMALL AND MEDIUM ENTERPRISES (SMEs) IN MYANMAR

This chapter includes overview on small and medium enterprises (SMEs) in Myanmar including development of industrial zone and finance provided to Small and medium enterprises (SMEs) in Myanmar, definition of small and medium enterprises (SMEs) in Myanmar, role of small and medium enterprises (SMEs) in economic development, financing for small and medium enterprises (SMEs) are presented.

3.1 Overview on Small and Medium Enterprises (SMEs) Business in Myanmar

The official definition of small and medium enterprises (SMEs) in Myanmar issued since 1990. In this definition, the two main size of business was defined as small business and medium business. This definition also classified as types of business such as Manufacturing sector, Labor intensive manufacturing sector, Wholesale business, Retail business, Service business and except from other.

3.1.1. Definition of Small and Medium Enterprises (SMEs) in Myanmar

Small and medium size enterprises are businesses that maintain revenues, assets or a number of employees below a certain threshold. Every country and economic organization has its own definition of what is considered a small and medium-sized enterprise. In Myanmar, Small and medium enterprises (SMEs) are defined as amount of capital invested and employed number of employees. Small businesses are identified with number of employee employed from 30 to 300, according to capital invested up to kyats 500 million. Medium size enterprise are also defined with number of employee employed from 51 to 600 and invested capital from kyats 500 million to kyats 1000 million. Number of employee employed and capital invested are depend on their types of business detail are presented with the following table. The manufacturing sector and labor intensive manufacturing sector it had not identified with revenue.

Table 3.1 Definition of Small and medium enterprises (SMEs) in Myanmar

Sr	Categories	Number of Employees	Capital (Kyats in Million)	Turnover (Kyats in Million)
1. Small				
(a)	Manufacturing Sector	Up to 50	Up to 500	
(b)	Labor intensive Manufacturing sector	Up to 300	Up to 500	
(c)	Wholesale business	Up to 30		Up to 100
(d)	Retail business	Up to 30		Up to 50
(e)	Servicing business	Up to 30		Up to 100
(f)	Except from above Business	Up to 30		Up to 50
2. Medium				
(a)	Manufacturing sector	From 51-up to 300	From 500- upto 1000	
(b)	Labor intensive Manufacturing sector	From 301-up to 600	From 500-up to 100	
(c)	Wholesale business	From 31- up to 60		From 100- Up to 300
(d)	Retail business	From 31- up to 60		From 50- Up to 100
(e)	Servicing business	From 51- up to 100		From 100- Up to 200

Source: Ministry of Industry (2), 2010

3.1.2 Number to Small and Medium Enterprises (SMEs) in Myanmar

Small and medium enterprises (SMEs) play a crucial role in the economic well-being of developed and developing countries alike. 126,237 or approximately 99.4% of all businesses in Myanmar are classified as Small and medium enterprises (SMEs). On average, Small and medium enterprises (SMEs) in Myanmar account for 50-95% of employment and contribute 30-53% of GDP in ASEAN member states. The Government recognizes that Small and medium enterprises (SMEs) entrepreneurship will define the country's future national economic development. Special attention has been paid by the Government of Myanmar to protect domestic Small and medium enterprises (SMEs) as a key player for industrialization, income generation and economic development.

The number of small and medium enterprises registered in all states and divisions are shown in the Table 3.2.

**Table 3.2 Number of Registered Enterprises in States and Regions
(February, 2015)**

Sr. No	States/ Regions	Large	Medium	Small	Total	Percentage
1	Kachin State	50	167	1274	1491	3.14
2	Kayar State	21	335	121	477	1.00
3	Kayin State	88	135	736	959	2.02
4	Chin State	5	19	732	756	1.59
5	Taninthery Region	166	148	1298	1612	3.39
6	Pegu Region	441	975	3235	4651	9.79
7	Magway Region	169	456	2645	3270	6.88
8	Mandalay Region	1266	2597	3878	7741	16.29
9	Mon State	57	311	1928	2396	5.04
10	Rakhine State	67	129	2223	2419	5.09
11	Yangon Region	2699	2024	1758	6481	13.64
12	Shan State	264	654	3123	4041	5.51
13	Ayeyarwaddy Region	625	609	4884	6118	12.88
14	Nay Pyi Taw	134	170	347	651	1.37
15	Saging Region	345	942	3160	4447	9.36
	Total	6497	9671	31342	47510	100
	% of Total	13.68	20.36	65.97	100	100

Source : Central Department of SMEs Development, 2015

3.2 Profile of SMEs Development Central Committee of Myanmar

The key ministries involved in small and medium enterprises (SMEs) development are the ministries of industry, cooperatives, commerce, finance, national planning and economic development, agriculture and irrigation, and science and technology. The small and medium enterprises (SMEs) Development Central Committee (SMEDC) was established as a coordinating mechanism among line ministries. The Government also created the Central Department of small and medium enterprises (SMEs) Development in 2012, which operates under the Ministry of Industry. Myanmar is basically an agricultural country producing a substantial quantity of forestry-based products. Myanmar transformed its centralized planning economic system into market oriented economic system in 1989. The government tries to promote the economic development of the country. The Private Industrial Law of 1990 and the Promotion of Cottage Industrial Law of 1991 were enacted to upgrade the private business enterprises. Myanmar Industrial Development Committee (MIDC) was also formed in 1995.

The vision of the Central Department of small and medium enterprises (SMEs) development is to stand firmly the nation's sustainable economy by supporting the small and medium scales to be transformed large scale enterprises (SMEDC, 2015). The objective is to contribute small and medium enterprises (SMEs), lifeblood of the nation's economy, effectively.

The missions of small and medium enterprises (SMEs) development Centre Myanmar are as follow (SMEDC, 2015);

(1) To enhance effective support to small and medium enterprises (SMEs) and to fulfill the basic requirement for National Economic Development by way of promoting more development of small and medium enterprises (SMEs). (2) To make improvement by evaluation and analyzing the requirement, weakness and difficulties of small and medium enterprises (SMEs) encountered in past. (3) To formulate Laws, Rules Regulations and System to support small and medium enterprises (SMEs) on Financial Management, technology Development and Market Development in the process of business start-up, operation, sustainability and development. (4) To enhance Small and medium enterprises (SMEs) to clearly conceptualize and setting the Vision, Goal, Plan and Strategy of their business and high standard. To enable to spread the production technology among the people and to nurture the productive

workforce, by way of importing the basic knowledge of business start-up ,financial management, production technology, marketing and international treaties related to small and medium enterprises (SMEs), are to be taught as optional curriculum of Basic System.(5) To promote PPP (Private – Public Partnership) Scheme systematically among government officials, private enterprises and institutions, for the effective support to small and medium enterprises (SMEs). (6) To formulate as a guiding Small and medium enterprises (SMEs) policy of the government for the persons who are engaging in the National Economic Development with the production. (7) To provide safety net for Small and medium enterprises (SMEs) by enacting it in the law. (8) To provide financial and technical support to small and medium enterprises (SMEs) so as to be able to compete with external business entities.

The five main objectives of Myanmar Industrial Development Committee (MIDC) are: (a) Development of industries with agriculture as the base (b)Enhancement of quantity and quality of industrial products (c) Increased production of new types of machinery and equipment (d) Production of machinery and equipment for industrial use (e) Creation of Suitable conditions for changing over to an industrialized state.

3.3 Strategic Factors for the Improvement of Small and Medium Enterprises (SMEs)

To develop the efficiency of small and medium enterprises (SMEs), the following strategic factors assist to strengthen the six-economics related areas; (1) Human Capital Development and Innovation are (a) The strategy to establish human capacity development. (b)The strategy to care and improve for the international recognized skill labor. (2) Technology Adoption and Entrepreneurship Development (a) Operation management and production development. (b) Quality improvement and modernize. (c) Innovation in new technology and research activities. (d) Development in production technology for value added products and (e) Environment friendly and effective technology development. (3) Access to Financing: (a) Provide financial assistance and insurance strategy to small and medium enterprises (SMEs). (4) Infrastructure development: (a) Economic zone development and fulfill the base requirement. (b) Strategy for Operation Support Association and Service Centre. (c) Market Development (d) To take care of regional industry operation (e) Public

services business (f) To encourage the foreign investment (g) Competitive efficiency improvement (h) Competition Policy and prescribe Law (i) Export orientation strategy (j) Strategy to extend international market, and (k) Legal and Regulatory Environment.

Finally, the banks which provide financial assistance to the SME business are: (a) State- owned Banks (b) Myanmar Economic Bank (MEB) (c) Myanmar Investment and Commercial Bank (MICB) (d) Private Banks (e) Small and Medium Industrial Development Bank (SMIDB). The main efficient sectors are human resource sector, technology development and innovative sector and financial sector as shown in Figure (3.1). The supporting sectors are the development of infrastructure sector, assistance to business to business and market and fare taxation and regulation. (Asian Development Bank, 2014)

3.4 Financial Supports of Government to Small and Medium Enterprises

The Myanmar government provides only non-financial assistance to business enterprises, due to limitations on the government budget. However, thanks to the Financial Support for SMEs policy, the Myanmar Economic Bank (MEB), Myanmar Investment & Commercial Bank (MICB) and Myanmar Industrial Development Bank (MIDB) have provided loans to SMEs since 2004. The state-owned Myanmar Agriculture Development Bank has also provided loans to farmers throughout the country. At the same time, banks are trying to reduce the interest rate on loans in order to contribute to national economic development. They have proposed that interest rates be reduced from 17 percent to 15 percent. Banks and the Ministry of Agriculture are also working together to provide financial support towards the development of rural areas and rural livelihoods. For example, state-owned Myanmar Agriculture Development Bank has provided small loans to farmers, the fishery sector and rubber plantations.

Financing to small and medium enterprises (SMEs) in Myanmar is as follow: (a) First time financing is starting from October 2012, The Government provides small and medium enterprises (SMEs) loans amount MMK 5 billion to 25 entrepreneurs. (b) Second time financing is the Government allowed small and medium enterprises (SMEs) Loans amount MMK 5 billion to another 37 entrepreneurs for the year 2013. (c) Third time financing.

The Government approved the small and medium enterprises (SMEs) Loans amount MMK (20) billion equally share to the entrepreneurs from all States and Divisions. The interest rate is 8.5 per annum and the payment period is 3 years. The main factors for accessing loans are:(i) Recommended by concerned Government from States and Divisions. (ii) As the production business, business existing and operating. (iii) Registered and valid of license life issued by Industrial Supervise and Auditing Department. (iv) Having collateral for accessing loans.

In addition, the Japan International Cooperation Agency (JICA) will provide a K 15 billion loan through the government to develop small and medium enterprises (SMEs) in 2017 at a low interest rate. The loan is granted through the Myanmar Economic Bank (MEB), and small and medium enterprises (SMEs) and businessmen who apply for the loan are required to submit their current business situation and future program of their businesses to the small and medium enterprises (SMEs) Development Department. Nevertheless, despite the increasing provision of loans, the lack of financial access and high tax rates still restrict the development of small and medium enterprises (SMEs) in Myanmar.

3.5 Access to Finance for Small and Medium Enterprises SMEs in Sittway

Sittway is the capital of Rakhine State and a port city on the Bay of Bengal at the mouth of the Kaladan River. It was an important trade center during colonial time (when it was known as Akyab). According to the data taken in 2015, only 2419 SMEs are registered in Rakhine State representing merely 5% of total of the country. Out of it, only 135 SMEs are registered at Sittway SMEs department. Most of the businesses in sittway are micro and family businesses. The city is the least developed city compared to others capital cities in Myanmar. Although the government has prioritized the area for the economy development due to recent conflict issues in region, the city has lacked major infrastructure developments for further growth. Lack of access to formal financial sector due to the sizes of the business in sittway and tight requirements for applications has been major constraints for most of the SMEs business in sittway. On the other hand, Financing constraints that prevent SMEs from investing in innovative projects, seizing growth opportunities, or undertaking restructuring in case of distress negatively affect productivity, employment, innovation and income gaps.

Funding gaps are often even more pronounced and among the main barriers to small business formalization. Moreover, while a large share of small and medium enterprises (SMEs) do not have access to formal credit, long-term credit to sustain investment and innovation is even scarcer, which severely limits growth opportunities (IFC, 2013).

CHAPTER IV

ANALYSIS OF FINANCING NEED OF SMEs IN SITTWAY

This chapter analyses the small and medium enterprises (SMEs) in Sittway by three sections. Section one include the profile of the small and medium enterprises (SMEs) in Sittway. Section two is the funding needs of small and medium enterprises (SMEs) and the final section is concerned with the challenges faced by small and medium enterprises (SMEs) in financing.

The data that was presented and analyzed are gotten from the respondents on whom the questionnaires were administered. As far as nature or sort of business, the respondents likewise spread over different types of financial exercises including services, agriculture, trading, construction, development, retail and fisheries sector. The target population was 135 small and medium enterprises (SMEs) in sittway and the sample was taken as 61% (83) Firms and distributed the questionnaires among them. Out of the 83 questionnaires circulated in the mid of 2018, 61 were returned representing about 45% of response rate, which seemed impressive considering the short time given to these respondents.

4.1 Profile of the small and medium enterprises (SMEs) in Sittway

The selected small and medium enterprises (SMEs) in Sittway are located in central part and eastern part. The profile consists of the types of ownership, established year, amount of investment and types of business.

(1) Types of Business

In Sittway, most of business are retail shops and wholesales, Other businesses are fisheries, construction, machinery and equipment, vehicles, petroleum, chemicals, textiles and manufacturing.

Table (4.1) Types of Business

No.	Type of business	No. of Respondent	Percentage
1	Machinery & equipment,	3	5
2	Petroleum, chemicals	3	5
3	Textiles and/or shoes	6	10
4	Wood, straw, weaving and/or furniture	5	8
5	Marine and Fisheries	9	14
6	Wholesales	13	21
7	Retail	18	29
8	Service	1	2
9	Manufacturing	3	5
	Total	61	100

Source: Survey Data 2018

It is a general knowledge that small and medium enterprises (SMEs) cut across the various sectors of an economy, hence the 50% response received were fairly spread across a wide range of central and eastern part of Sittway with the most concentration centered in the retail and wholesales. This sectors are accounted for 29% and 21% respectively of the total responses as can be seen from Table (4.1) above. The marine and fisheries sector accounted for 14%. Manufacturing, service, machinery and equipment, petroleum and chemical account for lower percentages among others.

(2) Types of Ownership

There are a total of 135 business firms are operating in this area of Sittway. This study selected only 61 small and medium enterprises (SMEs) firm. All of the selected 61 small and medium enterprises (SMEs), 36% of small and medium enterprises (SMEs) are Sole Trader, 8% of small and medium enterprises (SMEs) are private limited, 11% of small and medium enterprises (SMEs) are partners and 40% of small and medium enterprises (SMEs) are Family business.

Table (4.2) Types of Ownership

No.	Types of Ownership	No. of Respondent	Percentage
1	Sole Proprietorship	22	36
2	Partnership Firm	7	11
3	Private Limited	5	8
4	Family Owned Business	27	40
	Total	61	100

Source: Survey Data (2018)

As can be seen from Table (4.2), the bulk of the respondents small and medium enterprises (SMEs) is family owned business. They accounted for 27 out of 61 respondents, representing 40%. Second is sole proprietorship and representing 36%. 7 respondents representing 11% were Partnership with 8% being private limited.

(3) Age of Business

The majority of enterprises are micro and small-sized and started operating 10 or more years ago.

Table (4.3) Age of Business

No.	Established Year	No. of Respondent	Percentage
1	Up to 1 year	3	5
2	2-4 years	5	8
3	5-9 years	2	3
4	10-14 years	35	58
5	15+ years	16	26
	Total	61	100

Source: Survey Data, 2018

As shown in Table (4.3), most of the small and medium enterprises (SMEs) businesses in sittway are established and registered as small and medium enterprises (SMEs) more than 10 years ago and 10-14 years and 15+year account for 58% and 26% respectively. It could be assumed that start up business aged up to 1 years account for only 5%.

(4) Amount of Initial Investment

Table (4.4) Amount of Initial Investment

No.	Initial Investment (in Million)	No. of Respondent	Percentage
1	>50	40	65
2	>500	21	35
	Total	61	100

Source: Survey Data,2018

According to Table (4.4), the amount of initial capital invested in the small business is less than 50 million Kyats. The amount of initial capital invested in the medium business is less than 500 million kyats. The survey data collected in table above described the most of the investment of small and medium enterprises (SMEs) in Sittway is less than 50 million kyats that represent 65% of respondents. The number of small and medium enterprises (SMEs) which have less than 500 million kyats is 21 only, representing 35%.

(5) Qualification and Position of Finance Manager

This questionnaire also aimed to identify the qualifications needs among small and medium enterprises (SMEs) Finance staff. It was therefore to analyze the educational background of the surveyed small and medium enterprises (SMEs) staff who managing finance.

Table (4.5) Responsible Person

No.	Responsible Person	No. of Respondent	Percentage
1	Owner	46	75
2	Managing Director	5	8
3	Finance Manager	10	16
	Total	61	100

Source: Survey data, 2018

As the above Table (4.5), most of the owners manage the finance of their business, only 8% and 16% of small and medium enterprises (SMEs) is managed by Managing director and by Finance Managers. The majority of management staff

graduated from a university and hold a bachelor degree in their respective fields. Most of the profession process master degrees.

4.2 Financing Needs of Small and Medium Enterprises (SMEs) in Sittway

Respondents are further requested to answer on the question of need of financing for expanding business and working capital.

(1) Financing for Business Expansion

Respondents need for financing to purchase land and building and need for financing to buy machinery for long-term.

Table (4.6) Credit Term of Business Expansion

No	Terms	No. of Respondent	Percentage
1	Short-Term	29	48
2	Long-Term	32	52
	Total	61	100

Source: Survey Data, 2017

In Table (4.6) show that the period of the financing for business expansion, the reason is to buy machinery with short-term period as the 48% that and 52% are presented the investment for land and building in long term assets.

(2) Period requirement of financing for Business Expansion

The business needs of business expansion period are one month up to six months, seven months up to twelve months, one year up to three years an three years up to five years

Table (4.7) Period Requirement of Financing for Business Expansion

No.	Terms	No. of Respondent	Percentage
1	1-6 months	4	5
2	7-12 months	8	13
3	1-3 years	14	23
4	3-5 years	35	59
	Total	61	100

Source: Survey Data, 2018

In above Table (4.7) show that the detail of the period of the financing for business expansion, the uses for short – term period as the 5% are under six months and 13% are presented the investment within one year. Another 23% are use period for between one and three years and most of the small and medium enterprises (SMEs) use for long – terms period 59% are between three and five years.

(3) Financing Needs for Working Capital

The term of financing needs for working capital are Short term and long term. Business need for working capital period are short term but some of businesses need for working capital for long term.

Table (4.8) Credit Term of Working Capital

No.	Terms	No. of Respondent	Percentage
1	Short- Term	25	40
2	Long-term	36	60
	Total	61	100

Source: Survey Data, 2018

According to Table (4.8), the respondents need financing for working capital period to purchase raw materials, representing 40% are short-term period 60% are presented financing for working capital in long term period. Therefore, most of the small and medium enterprises (SMEs) In Sittway are money need for working capital is long term period.

(4) Financing for Working Capital

The business needs for working capital period are one month up to six months, seven months up to twelve months, one year up the three years and three years up to five years.

Table (4.9) Period for Working Capital

No.	Terms	No. of Respondent	Percentage
1	1-6 months	6	8
2	7-12 months	12	20
3	1-3 years	10	17
4	3-5 years	33	55
	Total	61	100

Source: Survey Data, 2018

As shown in above Table (4.9), the detail of the period of the financing for working capital, the uses for short-term period as the 8% are under six months and 20% are presented the investment within one year. Another 17% are use period for between one and three years and most of the small and medium enterprises (SMEs) use for long-terms period 55% are between three and five years.

(5) Financing Needs for Replacement Assets

The term of financing needs for replacement assets are short term and long term. Businesses need for replacements period are short term but some of businesses need for replacement assets for long term.

Table (4.10) Credit Term of Replacement Assets

No.	Terms	No. of Respondent	Percentage
1	Short-Term	24	38
2	Long-Term	37	62
	Total	61	100

Source: Survey Data, 2018

As it can be seen on above table, the respondents need financing for replacement assets period to preplace land and building and machinery, representing 38% are short-term period 62% are presented financing for working capital in long term period. Therefore, most of the small and medium enterprises (SMEs) in Sittway are money need for replacement assets are long-term period.

4.3 Sources of Financing of Small and Medium Enterprises

Most of the small and medium enterprises (SMEs) in sittway use following financing sources which are described as following.

(1) Sources of Fund for Initial Investment

There are many sources for financing of initial investment. These are from inherits, relative, personal saving, bank loan, and other sources.

Table (4.11) Sources of Fund for Initial Investment

No.	Sources of Investment	No. of Respondent	Percentage
1	Inherits	15	25
2	Relatives	25	25
3	Personal Saving	26	42
4	Bank loan	5	8
	Total	61	100

Source: Survey data, 2018

The above Table (4.11) shows the distribution of SMEs sources of funding in establishing their businesses. It is clear from the figure that 42% and 25% of the funds are generated from personal savings and relatives and friend respectively, with 8% of SEs initial investment getting their finances from the banks. The remaining 25% get their funds from inherit sources. This makes it extremely difficult for the small and medium enterprises (SMEs) sector to pursue growth, thereby hindering their growth just to stay afloat.

(3) Requirements for Getting Loan

In order to enlarge earning amount would need to enlarge the business capital. The business does not need only a stable benefit, but a sustainable profit for long life and growth. So, it is needed to finance loans for growth of business. There will also be the requirement for getting loans for the business.

Table (4.12) Requirements for Getting Loan

No.	Requirements	Bank		Others	
		No	Percentage	No	Percentage
1	Collateral	61	100	40	66
2	Legal Agreements	61	100	35	57
3	Cash Flow Statement	61	100		
4	Audited Financial Statement	61	100		
5	Business Plan	61	100		
6	Tax, Municipal License	61	100		

Source: Survey Data (2018)

According to Table (4.12), the results of the analysis, it was found that 100 % percentage of all respondent's state that they need all the following documentation such as collateral to get bank loans, legal agreements, audited financial statements and business plan and taxes. Only 66 percentage of respondent states that they need collateral to get loan from others and 57% said they need legal agreement. The rest documentations are not required to get loan from others.

(4) Satisfaction on Financing

Taking surveying on satisfaction and dissatisfaction on loan for business expansion and working capital also based on the same industries and use the Likert Scale of a five point scale which is used to allow the individual to express how much they agree or disagree with a following particular statement.

It is analyzing by two parts. Satisfaction and dissatisfaction of government bank, private banks and other financial institution. Another part is the Satisfaction and dissatisfaction of other financial sources including family, relative partners and illegal or informal financial sources.

(a) Satisfaction on Financing for Business Expansion

There are five satisfaction factors for the business expansion. They are Interest rate, Mode of Interest rate payment, Principle of repayment, Credit term and Flexible.

Table (4.13) Satisfaction on Financing for Business Expansion

No.	Factors	Satisfaction of Percentage	
		Banks	Others
1	Interest Rate	2.9	1.5
2	Mode of Interest rate Payment	3.9	3
3	Principle of Repayment	3.1	2.5
4	Credit Term	3.1	3
5	Flexible	2.5	2.3
	Mean Value	3.1	2.46

Source: Survey Data (2018)

The Table (4.14) states that the percentage of satisfaction of the number of respondent on the bank loan factors are 2.9 on interest rate, 3.9 on mode of interest payment, 3.1% on principal of repayment and 3.1% on flexible to pay interest, and 3.1% on credit term. The analysis also states that the mean value of satisfaction of the number of respondent received loan from relative and friend on the other loan factors are 1.5 on interest rate, 3 on mode of interest payment, 2,5 on principal of repayment and 3 on credit terms and 2.3 on flexible.

Satisfaction on Financing for Working Capital

There are five satisfaction factors for the business use working capital. They are Interest rate, Mode of Interest rate payment, Principle of repayment, credit term and Flexible.

Table (4.14) Satisfaction on Financing for Working Capital

No.	Loan factors	Banks (Mean Values)	Others (Mean Values)
1	Interest Rate	2.8	1.5
2	Mode of Interest rate payment	3.8	3.1
3	Principle of Repayment	3.2	2.6
4	Credit Term	3.2	3.1
5	Flexible	2.7	2.9
	Mean Value	3.14	2.64

Source: Survey data, 2018

The above Table (4.14) states that the mean value of satisfaction of the number of respondent on the bank loan factors are 2.8 on interest rate, 3.8 on mode of interest payment, 3.2 on principal of repayment and 2.7 on flexible to pay interest, and 3.2 on credit term. The analysis also states that the mean value of satisfaction of the number of respondent received loan from relative and friend on the others loan factors are 1.5 on interest rate, 3.1 on mode of interest payment, 2.6 on principal of repayment and 3.1 on credit terms and 2.9 on flexible.

4.4 Difficulties and Challenges of Small and Medium Enterprises

(1) Difficulties of Accessing Finance

Most of the small and medium enterprises (SMEs) face the difficulties and challenges to get loan from formal financing sector. This high interest rate demanded from the small and medium enterprises (SMEs) sector by the banks is due to the high risk nature of this sector, resulting from the high default rates associated with small and medium enterprises (SMEs) financing.

Table (4.15) Reason for Difficulties of Getting Loan from Bank

No.	Factors	Mean Value
1	Collateral	3.9
2	High Interest rate	3.1
3	Cost of Credit	2.9
4	Not getting as required Terms	2.8
5	Not getting loan on time	2.5
6	Loan amount period is too short	2.7
7	Bank Condition and procedures	3.8
	Mean value	3.1

Source: Survey data, 2018

According to the above Table (4.15), the mean value of the reason for difficulties on getting finance of respondents 3.9 on collateral land, 3.1 on high interest rate, 2.9 on cost of credit, 2.8 on not getting as required term and 12.5 on not getting loan on time. Mean value of Bank condition and procedures factor is 3.1 and average mean value is 3.1.

(2) Major Constraints to the Growth of Business

Small and medium enterprises (SMEs) known all over the world are faced with lots of challenges in their operations and this was not different from the responses received from the target respondents. The inadequate access to finance was considered to be a major constraint This means that among all the problems faced by small and medium enterprises (SMEs) in their operating ranging from lack of finance, high interest on loans, competition and taxation. The respondent of small and medium enterprises (SMEs) figured out the lack of credit facilities as the major constraint.

Table (4.16) Major Constraint to the Growth of Business

No.	Major constraints to growth of company	Mean Value
1	Lack of finance	3.9
2	Competition	3.2
3	High interest on bank loan	3
4	Taxes	2.9
5	Lack of infrastructure facilities	3.9
6	Political Issues and macro economy	2.7
7	Lack Of education	2.5
	Mean value	3.1

Source: Survey data, 2018

The above Table (4.16) shows the mean value rankings of the major problems facing the growth of their businesses is 3.9 at lack of finance as the major constraints to the growth of their business followed by lack of infrastructure facilities, competition and high interest on loans, which recorded the mean value of 3.9,3.2,3 respectively. Mean value of other factors such as taxes and political issues and macro economy and lack of education is 2.9,2.7 and 2.5 correspondingly.

CHAPTER V

CONCLUSION

Small and medium enterprises (SMEs) perform an important financial responsibility, considerably in emerging economies. Small and medium enterprises (SMEs) is the single biggest participator to job and employment creation, and they consider a considerable part of GDP in this world. However, lack of access to finance keeps the most entrenched barrier to growth of organizations in Myanmar. This chapter focuses on the conclusion of financing need of SMEs in Sittway and challenges faced by small business related to the study and findings and suggestion of business operations in 61 small and medium enterprises (SMEs) of various types and presented for further study.

5.1 Findings

This study analyses the financing of Small and medium enterprises (SMEs) in Sittway. There are two main objectives in this study; to identify accessibility to finance by Small and medium enterprises in Sittway and the second objectives is to analyze the nature and causes of the financing constraints of small and medium enterprises(SMEs) in Sittway. To meet these objectives of the study and to do analysis, the required data of the objectives are collected through sample survey. The total of 61 respondents from small and medium enterprises (SMEs) in Sittway were surveyed to represent the financing of small and medium enterprises (SMEs) and the challenges factors in small and medium enterprises (SMEs) in Sittway. Almost all the enterprises surveyed in Sittway are micro-sized and small business representing (45%). Most small and medium enterprises (SMEs) have been operating for 10 years or more. It cannot be concluded from the findings that the transition process in Myanmar has, as yet, led to many more business start-ups.

Based on the responses received through the questionnaires circulated. It became evident that small and medium enterprises (SMEs) in Sittway like most small and medium enterprises (SMEs) are faced with major challenges in accessing credit and need for Long Term Financing. These challenges were revealed by the study to include, the inability of small and medium enterprises (SMEs) to provide collateral and other information needed by the study to include, the inability of small and medium enterprises (SMEs) to provide collateral and other information needed by

banks such as audited financial statement coupled with the high cost of loan in term of high interest rates make it extremely difficult to access bank loans.

The above also support the result, which concluded that 90 percent of sampled enterprise that need loans under the study conducted on the demand supply of finance for small and medium enterprises in Sittway township among those that had their application rejected, lack of adequate collateral was the main reason given by the bank. There are also many constraints to access of finance for small and medium enterprises (SMEs), The first constraint among these requirements is the issue of collateral, that is most of the small and medium enterprises (SMEs) cannot provide. Secondly, small and medium enterprises (SMEs) is also faced with the constraint of high interest rates and short repayment periods when they access credit from financial institutions. Infrastructure has been the greatest problem of the development of economy growth of small and medium enterprises (SMEs) in Sittway. Power supply poses the greatest challenge as most of the small and medium enterprises (SMEs) companies have turned to generating sets for regular power supply, which is costly. Many of the small and medium enterprises (SMEs) also have to construct their own road network and providing their own water system at huge costs. This is the main problem to enter on other development and expansion of new projects. Other challenges are concerned with the regarding to the high rate of defaults in repayment of loans contracted.

Because of these constraints, which relate to access to bank loans and the difficulties small and medium enterprises (SMEs) have in managing their receivables, mainly due to delays in receiving payment for goods and services rendered, small and medium enterprises (SMEs) in Sittway are not able to mobilize cash as quickly enough to grow and expand in a way that they are supposed to. They still remain Small without expanding their businesses to the other regions of the country, even though small and medium enterprises (SMEs) have expressed the desire to do so when they have the financial assistance required.

Finally, small and medium enterprises (SMEs) are exploiting other Micro-finance and Small Loans Centre among other to access loans to operate their businesses other than the banks and non-bank financial institutions. Even though these two institutions remain the major source of credit for small and medium enterprises

(SMEs) inability to meet the stringent requirements of these institutions make these sources unavailable unless there is a total change in the financial institutions lending methodologies, which will relax the criteria of these institutions to allow SMEs easy access to loans.

5.2 Suggestions

When we go back to the findings in this research, the Sittway small and medium enterprises (SMEs) are left far behind; they have far to go in the business arena. Due to the lack of the collateral, Small and medium enterprises (SMEs) are difficult for taking loan form the bank. To improve economic development interest charges on small and medium enterprises (SMEs) loan should be reduced. The small and medium enterprises (SMEs) in sittway truly require a pressing backing from the government to revamp the small and medium enterprises (SMEs) segment of the economy so as to review the developing unemployment rate in the state, decrease corruption and poverty level and improve expectation for everyday life. It is not only the regulatory framework that is important for the economic development of enterprises; so too are formal commercial structures such as business and sector associations and other organizations such as the small and medium enterprises (SMEs) Development Centre.

The development of Sittway's inadequate and degraded infrastructure is a national issue, as is the modernization of the country's power and telecommunications industries. Progress is both welcome and ongoing. Similarly, it will take years for outdated technologies to be replaced and investment in local R&D to bear fruit. Most of respondents mention on difficulty of document requirement for taking loan form the bank. Therefore, the banking sector should be liberalized the requirement document for taking loan.

As concluded, the situation may also change rapidly in the finance sector due to the anticipated growth of the Myanmar economy. More capital will be needed for the expansion of the manufacturing and trading sectors. Then new financial models and financial services will be of growing interest to businesses, especially when joint ventures with foreign firms and exports become more relevant. Financial sector development, however, must not take place without bearing in mind the needs of the private sector. A demand for financial innovation must first be created and trust

between banks and businesses needs to be established before firms start to increasingly request financial services for banks.

5.3 Need for Future Study

Although this study some extend of explores the financing sources and problems of small and medium enterprises (SMEs), this study cannot thoroughly investigate of financing problems exist in the whole small and medium enterprises (SMEs) in Sittway. In order to have a complete picture of the financial problems of small and medium enterprises (SMEs), firstly, it is recommended that future study should focus on firms in different states of the whole country. It would be beneficial if future studies could explore the different financial problems of small and medium enterprises (SMEs) in different locations. Secondly, it is necessary for additional study to examine the financial problems of the firms not only from the small and medium enterprises (SMEs) operation but also from the bank's point of view to solve the problems effectively. If the future studies get the data from the banks, the study could inform the detail information on the credit provided to small and medium enterprises (SMEs), in position on the types of industry or products and consider on the soft terms and conditions to the small and medium enterprises (SMEs). Finally, because of specific nature of the small and medium enterprises (SMEs), future studies should focus on the other types of small and medium enterprises (SMEs) which are operating in the service sectors that are facing the financing sources and problems to start and extend their business in line with the country and international business development.

REFERENCE

1. Ackah, J. and Vuvor, S. (2017). The Challenges faced by Small & Medium Enterprises (SMEs) in Obtaining Credit in Ghana. [online] Diva-portal.org. Available at:
<https://www.diva-portal.org/smash/get/diva2:829684/fulltext01.pdf> [Accessed Jun.2011].
2. Amine, M. and Stockmann, P. (2017). Cite a Website – Cite This For Me. [online] Deval.orf. Available at: [https://www.deval.org/files/content/Dateien/Evaluierung/Beric the/2015_DEval_SME%20Report.pdf](https://www.deval.org/files/content/Dateien/Evaluierung/Beric%20the/2015_DEval_SME%20Report.pdf) [Accessed 2 Aug.2015].
3. Abe, M. and Dutta, M. (2017). A New Policy Framework for Myanmar's SMEs Development. [online] Artnet.unescap.org. Available at: <http://arnet.unescap.org/pub/AWP-142-Masato-Abe.pdf> [Accessed Feb.2014].
4. Boocook, B., & Shariff, M., N.M. (1996), Loan Guarantee Schemes for SMEs the Experience in Malaysia. *Small Enterprise Development*, 7(2), 25-36.
5. BIS 2012, SMEs access to external finance. In: BIS Economic Paper No.16. January, 2012.
6. Green, A. (2003). Credit Guarantee Schemes for Small Enterprises: An Effective Instrument to promote Private Sector-Led Growth. SME Technical Working Paper No. 10. Vienna: UNIDO.
7. Huang, C., When, Y., & Liu., (2014). Analysis on Financing & Difficulties for SMEs due to asymmetric information. *Global Disclosure of Economics and Business*, 3(2), 28-36.
8. Japan Myanmar Economy & Investment Center (JMEIC), 2015, SMEs Business Matching; SME Seminar in Myanmar.
9. Insider, M. (2017). SMEs financing in Myanmar has a long way to go Myanmar Insider. [Online] Myanmarinsider.com. Available at: <http://www.myanmarinsider.com/sme-financing-in-myanmar-has-a-long-way-to-go/> [Accessed Jan.2014]

10. Jiang, J., Li, Z. & Lin, C. (2014). Financing Difficulties of SMEs from its Financing Sources in China. *Journal of Service Science and Management*, 7, 196-200.
11. Malhotra, et al., Fan, Q., Hamel, I. & Savchenko, (2007). *Expanding Access to Finance: Good Practices and Policies for Micro, Small and Medium Enterprise*. Washington DC, World Bank.
12. Ministry of Industry(2). *Management & Quality Control Manual Process (1) and (2)*
13. Ministry of Industry (1), 2009. *Myanmar Industrial Development Committee Facts about 18 Industrial Zones*. Yangon.
14. Zaw Min Win, *Challenges and Perspective for the future developments of SMEs in Myanmar*. Yangon.
15. Myanmar Industries Association. *Issues, Challenges and Recommended Strategies for the Growth of SMEs in Myanmar*. Yangon.
16. Myanmar Industries Association, 2007. *The Current Situation and Role of SMEs in Myanmar*. Yangon.
17. Wolfgang Konig, 1999. *Factors Conditioning the Growth of SME in Myanmar*. Göttingen, Germany. Yangon.
18. Union of Myanmar Federation of Chambers of Commerce and Industry. *Business Opportunities in Myanmar*. Yangon.
19. Yi Yi Kyaw, Win Win Han and Tin Nyunt, 2009. *Country Paper on The Status of Industrial Qualification Systems in Myanmar*. Yangon.

APPENDIX A

Questionnaires for Financing of SMEs in Myanmar

Section I: Profile of respondent Business

1. Name of Business

.....
.....

2. In What year was this business established?

.....
.....

3. In what year was this business registered

.....
.....

4. What is the ownership form of your business?

- Sole proprietorship
- Partnership firm
- Private Limited
- Others

(Specify).....
.....

5. What type of business are you involved in?

- Machinery & equipment
- Petroleum, Chemicals
- Textiles and-or shoes
- Wood, Straw, weaving, and Furniture
- Marine and Fisheries
- Wholesales
- Retail
- Service
- Manufacturing

6. What is your business initial capital?

.....Million Kyats

7. What is your business current capital?

.....Million Kyats

8. How many employees are employed by your business currently?

.....
.....

Section II: Needs of Financing

9. Why do you need financing for expansion business?

Needs	Term	
	Long Term (above 1 year)	Short Term (Within a year)
Land and Building		
Buying Machinery		
Buying Equipment		
Others		

10. What is the requirement amount of fund for expansion business or purchase assets?

.....
.....

11. How many months or years do you need fund for expansion business or purchase assets?

- **1-6 months**
- **Between 7-12 months**
- **Between 1-3 years**
- **Between 3-5 years**
- **Others (Please specify.....)**

12. Why do you need financing for working capital?

Needs	Term	
	Long Term (above 1 year)	Short Term (Within a year)
Purchase Raw Materials		
Paid for Salary		
Operating expense		
Others		

13. What is the requirement amount of fund for working capital of your business?

.....

14. How months or years do you need fund for working capital of your business?

- **1-6 months**
- **Between 7-12 months**
- **Between 1-3 years**
- **Between 3-5 years**
- **Others (Please specify.....)**

15. Why do need financial for replacement assets?

Needs	Term	
	Long Term (above 1 year)	Short Term (Within a year)
Land and Building		
Buying Machinery		
Others		

16. What is the requirement amount of fund for replacement assets?

.....

17. How many months or years do you need fund for replacement assets?

- 1-6 months
- Between 7-12 months
- Between 1-3 years
- Between 3-5 years
- Others (Please specify.....)

Section III: Sources of Financing

18. How did you fund your initial Investment?

- Inherits
- From relatives
- Personal Saving
- From bank loan
- Others (Specify).....

19. Who provided credit or loan to your financing?

- **Government Bank**
- **Private Bank**
- **SMIDB Bank**
- **Other Financial Institutions**
- **Others**

Section IV: Difficulties and Challenges of access to finance

20. What are most important difficulties and challenges to get short term Financing?

Reason for Difficulties of Getting Loan from Bank

Factors	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
Collateral					
High Interest Rate					
Cost of Credit					
Not getting as required terms					
Not getting Loan on time					
Loan amount period is too short					
Bank condition and procedures					
Average Mean Value					

21. In your Opinion, what are the major constraints to the growth of your company

Major constraints to the growth of your company

Factors	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
Lack of Finance					
Competition					
Cost of Credit					
High interest on bank loan					
Taxes					
Lack of infrastructure facilities					
Political Issues and macro economy					
Lack of education					

22. Suggest any requirements to improve solving the financial problems

.....

.....

.....

.....