

THE REGION ECONOMY OF MYANMAR AND ITS FUTURE - AGENDA

The Organizer:



Yangon University of Economics



Taipei University of Business

Date : 06th January 2017 (Friday) – DRAFT

Time : PM13 : 30 – PM16 : 30

Venue : Nilar Yatu Hall of YUE

Address : University Estate, University P.O, Inya Road, Yangon, Myanmar

13:00 – 13:30	Registration & Networking
13:30 – 13:35	Welcome Address By The Rector of Yangon University of Economics - Prof. Dr. Khin Naing Oo, Rector,
13:35 – 14:15 40min.	Key Speaker: Prof. Dr. Nu Nu Lwin, Professor, Dept. of Management Studies, YUE Topic: “Development of SMEs in Myanmar”
14:15 – 14:55 40min.	Key Speaker: Prof. Dr. Lin, Chun-Ju Specialty: Economic and Trade in China, Regional economy and trade, International Business Seminar, FDI Inflow in China, WTO Disputes Settlement and VER in International Textiles Industries Topic: “The Dean of International Research and Development Division From National Taipei University of Business”
14:55 – 15:15	Tea / Coffee & Networking Break
15:15 – 15:55 40min.	Key Speaker: Mr. Michael J.C. Yeh, The Director of Taiwan Trade Council, Yangon Branch Topic: “Myanmar, Ready to jump?”
15:55 – 16:35 40min.	Key Speaker: Daw Mi Moe Thuzar, Assistant Lecturer, Dept. of Economics, YUE Topic: “The Impact of Exchange Rate on Trade Balance in Myanmar ”
16:25 – 16:30	The end of Seminar & Photographing



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DEVELOPMENT OF SMES IN MYANMAR

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ABSTRACTS

This paper aims to explore the role of SMEs in Myanmar economy. It analyses the contribution of SMEs in the economy and identifies the opportunities and obstacles of Myanmar SMEs. TO reach research objectives, the study is conducted based on 150 SMEs which are registered for at least two years and not more than 100 employees at the year of establishment and operates in manufacturing, processing, wholesaling, retailing, or services provision sectors in Yangon Municipal Area for the period of March to May 2014. To identify the current situation of SMEs in Myanmar, this research mainly focuses on seven areas, namely, institutional framework, access to supporting services, access to finance, access to technology, international market expansion, entrepreneurial education; and representation of SMEs' interests. The study found out that while political willingness, enthusiastic implementation of national development planning, private sector participation, and momentum of regional integration in ASEAN region can create opportunities for Myanmar SMEs, weak institutional and legal environment, limited sources of finance and technology, weak managerial skills, inadequate infrastructures, weak readiness in business strategies and practices to face regional integration are major hindrance that calls upon concrete and applicable policies and supporting institutions for development of SMEs in Myanmar.

Key words: SMEs development, entrepreneurial activities, ASEAN, institutional environment

Introduction

Myanmar is endowed with plenty of natural resources and trainable human resources with high literacy rate favorable for development of its economy through resources-based industrialization. As Myanmar economy mainly based on agricultural-based industrialization, the contribution to GDP by agriculture, livestock and fisheries, and forestry accounted for 30.4%, while the processing and manufacturing sector constituted 32.1% and service sector made up 37.4% of GDP in 2012.¹

After decades of struggle under relatively closed economic policies and international sanctions, Myanmar has gradually begun to open up its markets and restructured economy through both political and economic reforms. Reform measures mainly underscore on improving monetary and fiscal management, facilitating trade and FDI and removing structural impediments to growth by establishing physical and social infrastructure, building legal and institutional frameworks, and developing banking and financial sectors.

Myanmar's economy is significantly prospering with strong export earnings from resource commodities and a pickup in FDI flows. Myanmar reported impressive GDP growth rates, averaging 10.2 percent during 1992–2010 and 12.2 percent during 2000–2010 while Asian Development Bank (ADB) estimates about 4.7 percent for the same period. Inflation has been brought down to a single digit and fiscal deficits are being kept at 4–6 percent of gross domestic product (GDP). ADB forecasts that Myanmar's GDP is likely to grow by about 7.8 percent in 2014 (ADB 2013). If Myanmar keep up its pace on reform measures, the country could grow at 7–8

¹ Asian Development Bank (2014), Key Indicators for Asia and the Pacific 2013

percent every year for an extended period. At such growth rates, its GDP per capita would reach \$2,000–\$3,000 by 2030 – more than 3 times the current level – propelling Myanmar safely into the ranks of the middle- income countries.²

To support this progress, the government of Myanmar gradually opened up the economy through several reforms. Among these reforms, the most significant one is the new foreign investment law, passed in 2012. In addition, industrial development mainly based on SMEs, leveling the playing field in the market, competition and intellectual property rights laws are also on the agenda. In particular, the government has made the development of the industrial sector a high priority, aiming to increase the sector’s share in the GDP to 36 per cent within the three years. To this end, the government has eliminated the export-first trade policy and revised its Special Economic Zone (SEZ) law.

As a result, spurring economic development can be foreseen by its growing business sector. Following the return of trade privileges with the European Union (EU) and United States, investment into the garment and textile sector are outgrowing whereas numerous international oil companies are currently bidding for untouched offshore oil and natural gas drilling sites that the government is opening up to foreign exploration. More foreign investors are investigating the market and looking for capable local business partners and joint ventures, giving increased opportunities and incentives to locals to get involved in business.

However, a number of business surveys conducted in Myanmar pointed out several impediments to doing business including common problems related to access to capital and credit, poor trade facilitation, high customs-related fees, cumbersome business and trade licensing and permits, electricity shortages, weak telecommunications and inefficient transportation systems. Although Myanmar’s business sector has the potential to become the driving force of its economic development, it needs to set up an institutional framework that creates an environment conducive to entrepreneurship and other private initiatives.

The Significance of SMEs

SMEs represent a major share of Myanmar economy as in the case of other developing countries. SMEs play a significant role in the country’s economic, social and political development. The sustainable development of the SMEs will contribute to employment creation, resource utilization, income generation and promotion of investment. At the same time, SMEs has comparative advantage in their flexibility and dynamism in terms of response to the changing economic and social environment. Due to these facts, SMEs get significant share in output of goods and services in Myanmar economy.

SMEs mainly contribute for import substitution, local employment, provision for niche market requirement and reducing poverty in Myanmar. In fact, almost all of the businesses in the private sector are said to be SMEs. SMEs are estimated as representing 96 percent of all economic activities of the country and about 90 percent of manufacturing industries. At the same time, SMEs

² Asian Development Bank (2012), Myanmar in Transition: Opportunities and Challenges, Manila: ADB

have offered about 70% of total employment and contributed 32.5% of GDP in Myanmar.

SMEs have long been received much attention in Myanmar as a catalyst to promote industrial and economic development. The importance of SMEs has been cited by many academicians and practitioners for many years. In contrary, there were a little practical action have been taken place to support them in reality. Much of the efforts of government to develop SMEs in the country are basically ad hoc and end up with politically for show activities. Therefore, not much change was happened practically at the grass root level. There were many government agencies and departments which have stated objectives to support SMEs in theory but, in reality, they became administrative burdens. SMEs faced many difficulties particularly from availability of finance, shortage of skilled labor and technology, limited capability in market access and poor infrastructures. These and inadequate institutional supports hindered their development potential.

After one year of new government has handed over power, SME development has been regained attention of the top-level policy makers as a tool for economic development and poverty reduction in the country. National SME development council which is chaired by the President U Thein Sein has been formed to provide leadership for effort towards SME development in the country with the primary aim of promoting indigenous SMEs. A SME development policy framework has been currently drafted by the working committee headed by the Ministry of Industry with the aim to enhancing performance and contribution of SMEs.

In Myanmar, the official definitions of SMEs defined in the Revised Industry Law 1990 and Private Industrial Enterprise Law 2011 focuses on the industrial sector only. Four criteria for classification, namely power usages, number of employees, capital investment, and production volume are applied to distinguish different sizes of the firms (Table-1). The smaller micro industries is defined as the industries which employ less than 10 workers and using less than 5 horsepower (H.P) under the Cottage Industries Law.

Table-1: Official Definition of SMI

Categories	Small	Medium	Large
Power used (Horsepower)	Over 5 to 25	Over 25 to 50	Over 50
Number of workers	11 to 50	51 to 100	Over 100
Capital investment (Kyat' million)	Up to 1	Over 1 to 5	Over 5
Annual production (Kyat' million)	Up to 2.5	Over 2.5 to 5	Over 5

Source: Ministry of Industry (2012)

Although, the definition of Small and Medium Industry (SMI) is uniformly applied in government programs and policies throughout the countries, nowadays, it has been widely criticized due to containing many self-contradictory dimensions and no distinction in size for enterprises under the manufacturing and service sectors. In addition, the amount of money in term

of sales and capital investment stated in the definition is no longer relevant nowadays. As a result, the new definition of SME is proposed under SME Law which is, now, in the process to be approved by the Parliament (Table-2).³

Table-2: Proposed Definition of SME

Sr. No.	Description	Small	Medium
1	Employees		
	(a) Manufacturing Industry (Mining Sector, Construction Sector, Quarry Sector)	< 50	51 - 300
	(b) Labor-intensive or CMP sector	< 300	301 - 600
	(c) Servicing Industry	< 30	31 - 200
2	Capital investment (Kyat' million)		
	(a) Manufacturing Industry (Mining Sector, Construction Sector, Quarry Sector)	< 500	500 - 1000
	(b) Labor-intensive or CMP sector	< 500	501 - 1000
	(c) Servicing Industry	< 200	201 - 1000
3	Previous Year Annual Turnover (Kyat' million)		
	(a) Servicing Industry	< 50	51 - 100

Source: SME Development Center (2014)

In Myanmar, business establishments are spread in classification based on the following criteria: (1) ownership and nationality (e.g. state-owned, locally-owned, foreign-owned or a joint venture); (2) industry and the respective ministries, which handle business registration or licensing for that industry (e.g. Ministry of Hotels and Tourism and Ministry of Rail Transport); (3) the laws and regulations governing various types of businesses (e.g. manufacturers under the Private Industrial Enterprise Law 1990); and (4) the size of the business (e.g. the “cottage industry” under the Ministry of Cooperatives).

SMIs are required to register under Private Industrial Enterprise Law in the Ministry of Industry. The number of SMIs registered is increasing year by year and it is reaching up almost 40,000 in 2012 (Table-3 and Table-4). In fact, almost all of the SMEs are in the private sector and about 64 percent of them are concentrated in food processing industry mainly target to domestic market.

³ http://www.smedevelopmentcenter.gov.mm/?q=en/def_sme

Table-3: Registered Private Industries in Myanmar

	2000	2005	2007	2012 (As of July, 2012)
Large	1843 (5.10%)	3194 (7.63%)	3483 (8.01%)	4808 (11.12%)
Medium	4185 (11.50%)	6149 (14.68%)	6516 (14.98%)	7287 (16.86%)
Small	30201 (83.40%)	32534 (77.69%)	33504 (77.01%)	31137 (72.02%)
Total	36229	41877	43503	43232

Source: Directorate of Industrial Supervision and Inspection (2013)

Table-4: Sectoral Distribution of SMIs in Myanmar

(As of July, 2012)

Sr. No.	SMIs	Quantity of SMIs				% of Total
		Large	Medium	Small	Total	
1	Food & Beverages	2369	4110	20976	27455	63.51
2	Clothing & wearing apparel	341	380	1001	1722	3.98
3	Construction materials	510	650	2117	3277	7.58
4	Personal goods	375	410	330	1115	2.58
5	Consumer products	144	79	97	320	0.74
6	Literature and Art	60	117	183	360	0.83
7	Raw good production	169	240	282	691	1.60
8	Metal and Mineral	315	381	1204	1900	4.39
9	Agriculture Machinery	9	25	37	71	0.16
10	Industrial tools and equipment	15	49	66	130	0.30
11	Automobile production	194	40	33	267	0.62
12	Electrical equipment	43	15	12	70	0.16
13	General Industries	264	791	4799	5854	13.54
	Total	4808	7287	31137	43232	100
	% of total	11.09	16.92	71.99	100	

Source: Directorate of Industrial Supervision and Inspection (2013)

However, the large number of micro- or small-sized firms are still operating in the informal sector. It is estimated that over 83% of all Myanmar businesses operates in the informal sector.⁴

⁴ Nay Pyi Taw News (2013). U Thein Sein delivers an address at Small and Medium Enterprises Development Central

The majority of these are expected to be family-based establishments and self-employed workers. The large informal sector can be explained by a variety of factors, including a weak entrepreneurial culture, the cumbersome registration and licensing procedures, and a lack of incentives to enter the formal sector.

Entrepreneurial Activities in Myanmar

Entrepreneurship and entrepreneurs which normally rise from small and medium businesses where they can independently shape their dreams and build the reality with innovative mind are main fuel for the economic engine of the country. In Myanmar, entrepreneurs have been emerging in small private businesses including manufacturing/processing firms, trading firms (retailing or wholesaling), and services firms with the ownership form of sole proprietor, partnership, company limited, joint venture, and co-operative.

Entrepreneurial activities in Myanmar are mainly explored based on the survey data conducted in March 2014. The population in this study consists of business owners who registered in Yangon Municipal area. The sample frame was drawn with the following characteristics:

- (1) A firm that is registered for at least 2 years;
- (2) A firm with no more than 100 employees at the year of establishment;
- (3) A firm that operates manufacturing, processing, wholesaling, retailing, or services provision.

Due to the absence of reliable information on number of SMEs in Yangon area, simple random sampling approach has been applied to explore the entrepreneurial activities and SMEs in this study. In order to cover all types of small business, respondents were chosen from two sources. They are (75) firms which are members of the Republic of the Union of Myanmar Federation of Chambers of Commerce and Industry (RUMFCCI) and another (75) firms which are not the member of RUMFCCI but are well-known and recognized in local business sector.

Table-5: Number of Surveyed Firms by Type of Business

No.	Type of Business	Number of firms	Percentage
1	Manufacturing	57	42%
2	Service	49	36%
3	Trading	30	22%
4	Total	136	100%

Source: Survey Data (March, 2014)

A total of selected (150) SME owners-managers were surveyed by the structured questionnaires followed by personal interview. Among the sample of (150) entrepreneurs, (136)

entrepreneurs gave response. Number of surveyed firms by type of business is shown in Table-5. Among (136) firms, 42% of entrepreneurs are working at manufacturing sector and 36% of them are running business in service sector while remaining are from trading firms.

Profile of Selected Entrepreneurs

Regarding profile of entrepreneurs, the majority of entrepreneurs were older than 30 years, and among them the largest group (36%) is the age between 31 – 40 years old while the second largest group (32%) is the age between 41 - 50 years old, thus, it can be said that Myanmar entrepreneurs normally start their business after having the enough experience in their working life. As concerned for gender, 64% of respondents were male while the remaining were female indicating the nature of Myanmar business environment. As for marital status, it was found that 76% of respondents were married and the rest were single reflecting the fact having family responsibilities were one of the critical factors that influence on the majority of entrepreneurs to start business. As far as the education background of entrepreneurs is concerned, the majority held bachelor's degree (52%), high school level (25%) or postgraduate (14%). The majority of respondents (62%) were Myanmar, the second largest group (18%) were Myanmar-Chinese whereas only 6% of them were Myanmar-Indian and the remaining were from Myanmar ethnic groups. (Table-6)

Entrepreneurial Characteristics

To explore the characteristics of entrepreneurs, this study analyzed six factors mainly attributed to the starting their own business. They are role model in their business life, motivating factors for starting own business, prior-work experience, availability of financial resources, methods of financing, and entrepreneurial tactics.

Environmental influence is as important as personal attributes on owner's entrepreneurial behavior. In this study, having role model can be examined as one of the states of motives to start owned business. Among (136) entrepreneurs, 82% responded that they had role model before starting their business (Table-7). The entrepreneurs regarded their parent as a role model were the largest group (30%) and those who identified superiors as role model were second largest group (20%) whereas 15% of them determined their teachers and 11% considered their relatives as role model.

To be an entrepreneur, the specific needs or motivators drive the people to start their owned business. Those motivating factors can be varied and shaped by family background, sociological and environmental factors. Table-8 identifies the motivating factors of Myanmar entrepreneur to start a business: creating wealth, stable life, independence, challenge, need for achievement, no choice and all reasons mentioned above.

Table-6: Profile of Selected Entrepreneurs

No.	Variables		Percentage (Total Respondents = 136)
1.	Age	<= 20	1 %
		21 -30	13 %
		31 -40	36 %
		41 -50	32 %
		51 -60	16 %
		61 and above	2 %
2.	Gender	Male	64 %
		Female	36 %
3.	Marital Status	Married	76 %
		Single	24 %
4.	Education Level	Primary School	0 %
		Middle School	5 %
		High School	25 %
		Graduate	52 %
		Postgraduate	14 %
		Others	4 %
5.	Race	Myanmar	62 %
		Myanmar-Chinese	18 %
		Myanmar-Indian	6 %
		Ethnic Group	14 %

Source: Survey Data (March, 2014)

Table-7: Number of Selected Entrepreneurs by Role Models

No.	Having Role Models	Total Firms	Percentage
1.	Yes	112	82%
	a. Parent	41	30%
	b. Relatives	16	11%
	c. Teachers	21	15%
	d. Superiors	27	20%
	e. Peers	5	4%
	f. Subordinates	1	1%
	g. Others	1	1%
2.	No	24	18%
	Total	136	100 %

Source: Survey Data (March, 2014)

Table-8: Number of Entrepreneurs by Motivating Factors

No.	Motivating Factor	Percentage (Total Respondents = 136)
1.	Creating wealth	21%
2.	Stable Life	18%
3.	Independence	28%
4.	Challenge	15%
5.	Need for achievement	10%
6.	No choice	4%
7.	All above	4%
	Total	100 %

Source: Survey Data (March, 2014)

The majority of respondents (28%) replied that they prefer the independence and like to stand with owned decision in their life and second largest group (21%) reasoned for creating wealth whereas 18% of the entrepreneurs responded that they aims to get stable life by doing owned business and another 15% answered that they preferred to face the challenges for the success of their life. Only 10% of entrepreneurs responded that they started their own business aimed to realize the achievement, which represents, in fact, one of the important characteristics of entrepreneurs.

Working experience is the most important factor for acquiring entrepreneurial and managerial skills and successfully starting a business. This study found that 88% of respondents had previous jobs while only 12% had no prior-work experience before starting their business (Table-9). Among the person who had work experience, the largest group (24%) ran their own businesses, and the second largest group (22%) were government staffs before while 20% of respondents worked as staffs in private businesses and 12% had the experience of apprentice.

Table-9: Number of Entrepreneurs by Previous Job Type

No.	Prior-work Experience	Total Firms	Percentage
1.	Yes	120	88%
	a. Government Staff	30	22%
	b. Company Staff	27	20%
	c. Apprentice	16	12%
	d. Own Business	33	24%
	e. Student	11	8%
	f. Others	3	2%
2.	No	16	12%
	Total	136	100 %

Source: Survey Data (March, 2014)

Availability of financial resource is one of the determinants to be an entrepreneur. Among respondents, 38% of them had sufficient financial resources and 48% had moderate level of financial resources to start their owned business (Table-10). Thus, it can be referred that the majority of Myanmar entrepreneurs started their business when they had readily available financial resources.

Table-10: Number of Entrepreneurs by Availability of Financial Resources

No.	Availability	Percentage (Total Respondents = 136)
1.	Poor	6%
2.	Moderate	48%
3.	Enough	38%
4.	Rich	8%
	Total	100%

Source: Survey Data (March, 2014)

For the start-up capital, the majority of respondents (64%) used both debt and equity financing while the remaining realized the capital through only equity financing (Table-11). Thus, it can be implied that majority of entrepreneurs prefer to held the right of ownership even though they have to give up the current benefits to pay interest and to repay the principal.

Table-11: Number of Entrepreneurs by Financing Methods

No.	Financing Methods	Percentage (Total Respondents = 136)
1.	Equity Financing	36%
2.	Debt Financing	0%
3.	Both	64%
	Total	100%

Source: Survey Data (March, 2014)

Another factor to be considered in starting a business is whether it is started from the scratch, inherited, or purchasing existing ones. As shown in Table-12, the majority of respondents (62%) started their business from the scratch while 28% of them inherited the business form their parents and relatives and only 10% operated their business by purchasing exiting ones from others. Thus, it can be said that most of Myanmar entrepreneurs prefer to start their business from the scratch by their own way.

Table-12: Number of Entrepreneurs by Entrepreneurial Tactics in Starting Business

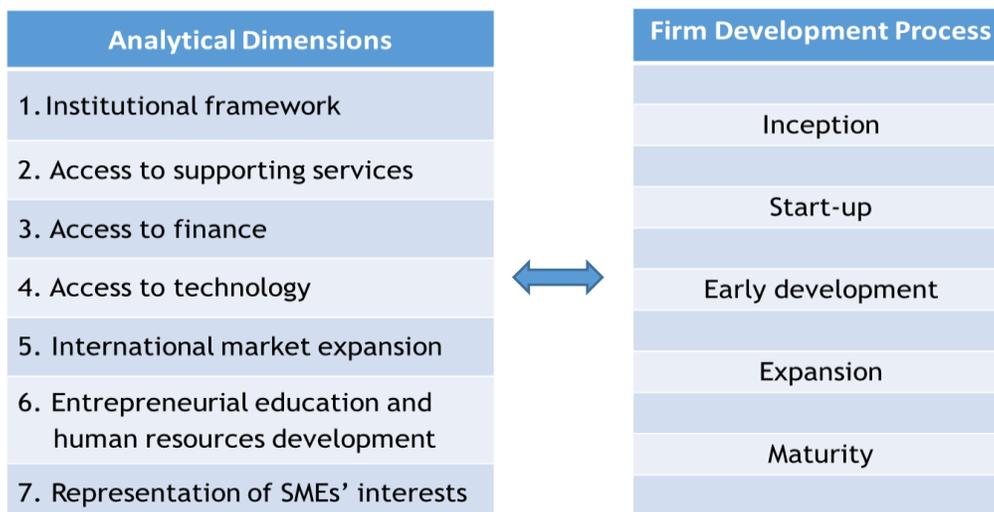
No.	Entrepreneurial Tactics	Percentage (Total Respondents = 136)
1.	Starting from Scratch	58%
2.	Inherited	34%
3.	Purchasing existing firms	8%
4.	Others	0%
	Total	100%

Source: Survey Data (March, 2014)

Analysis on SME Development in Myanmar

To identify the current status of Myanmar SMEs and to explore their constraints and issues, this study applies seven analytical dimensions. These dimensions are adapted based on the OECD SME Policy Index and ASEAN SME Policy Index and set to be relevant to SMEs in any of the five stages of firm development process: inception, start-up, early survival, expansion, and maturity (Figure-1). Each dimension is subdivided into a number of sub-dimensions and each sub-dimension in turn is composed of a number of indicators, with each indicator having the score of 1 to 6. The lowest score, 1, means no initiatives and the highest score, 6, indicates the closest to international best practice.

The assessment on each dimension were conducted through a questionnaire survey and in-depth interviews with sampled entrepreneurs, responsible agencies and institutions from both government and private sectors and other SME stakeholders.

Figure-1: Analytical Dimensions and Firm Development Process

Institutional Framework

Regulatory and institutional framework is critically important for development of SMEs in any country. Recently, lack of common SME definition, weak coordination among agencies responsible for SME policy formulation and implementation, absence of SME development strategy, and insufficient facilitation in formalization of SMEs are still be stumbling blocks for the development of SMEs in Myanmar.

In April 2012, SME Development Center (SDC) was established under the Ministry of Industry.⁵ SDC is mainly responsible for SME policy formulation by coordinating with relating organization, agencies, and departments. Accordingly, SME Policy has been drafted by coordination with government and private sector organizations. After having the recommendation and endorsement of Attorney Office, drafted SME Policy was submitted to President Office in September 2012. Based on the submission of SME Policy Draft, the President Office suggested to enact the SME Law first since SMEs cannot be properly encouraged and promoted without SME Law. Recently, SME Development Law has also been drafted and in the process to be approved.

The government apparently endeavor for SME development in order to promote their competitiveness in ASEAN Economic Community (AEC) by 2015 and ultimately, to contribute the economic development of the country. In January 2013, the government set up Central Committee for Development of Small and Medium Enterprises with 27 members including Ministers of relating ministry chaired by the President. At the same time, Working Committee for Development of Small and Medium Enterprises is also formed with 15 members chaired by Vice-President (2) (Appendix-1). The Committees are tasked to formulate and promulgate laws, regulations and procedures for SME development, ensure that the government and private banks effectively provide financial capital for SME development, establish a network with local and foreign organizations to meet technical requirement, encourage market development of SME from rural to urban areas, make SME supporting industries for local and foreign investment to promote healthy development of market chains and to plan for nurturing human resources for SME development.

Regarding SME development strategy, recently, there is in the process of formulating concrete strategy by SDC with the cooperation of various ministries under the guidance of the Working Committee for SME Development. The committee is laid down the policy, encompassing the following main pillars to create the supporting environment for SME development:

- (a) To support and nurture the development of important resources, namely: -
 - (1) Human resource development;
 - (2) Technology development and innovation encouragement;
 - (3) Provision of financial support.
- (b) To implement facilitating measures, namely: -
 - (1) To develop basic infrastructure;
 - (2) To assist in market development modernization of enterprises;
 - (3) To provide favorable taxation system and good working practices (i.e. efficient and

⁵ http://www.smedevelopmentcenter.gov.mm/?q=en/org_chart

simplified procedures.)

For SME policy implementation, according to discussion with relevant stakeholders, although SDC is mainly responsible for coordinating in implementation of SME policies recently, the following institutions are also coordinating in SME related matters.

For formalization of SMEs, Directorate of Industrial Supervision and Inspection (DISI) is mainly responsible for transformation of SMEs from informal to formal sector. In fact, DISI is, legitimately, a responsible agency for formalization of SMEs even though it is only available for registration of SMEs in industry sector. SMEs in service sector have to register at respective city council and municipal council. Moreover, SME Development Committee under RUMFCCI assists for the transformation by collecting the information of informal SMEs, sharing information and assisting for registration procedures and linking with trade associations.

Table-13: Responsible Institutions for SME Policies Implementation

No.	Institution	Role
1.	Ministry of Industry	Leading Agency
2.	Ministries concerned (13 ministries in Working Committee of SME Development)	Member
3.	Republic of the Union of Myanmar Federation of Chambers of Commerce and Industry (RUMFCCI)	Member
4.	Myanmar Industrial Association (MIA)	Member
5.	Myanmar Engineering Society (MES)	Member
6.	SME Development Centre (SDC)	Coordinator

Source: Survey Data (March, 2014)

The main stumbling blocks in institutional framework of Myanmar SMEs include lack of common SME definition, weak coordination among agencies responsible for SME policy formulation and implementation, and absence of concrete SME development strategy. The score of Institutional Framework of Myanmar SMEs is summarized in Table-14.

Table-14: The Score of Institutional Framework

No.	Sub-dimension	Score
1.1	SME definition	3.0
1.2	Intra-governmental coordination in policy formulation	3.5
1.3	SME development strategy	2.0
1.4	SME policy implementation agency or equivalent	2.0
1.5	Facilitation for a transition from informal to formal sector	4.0
	Overall score	2.9

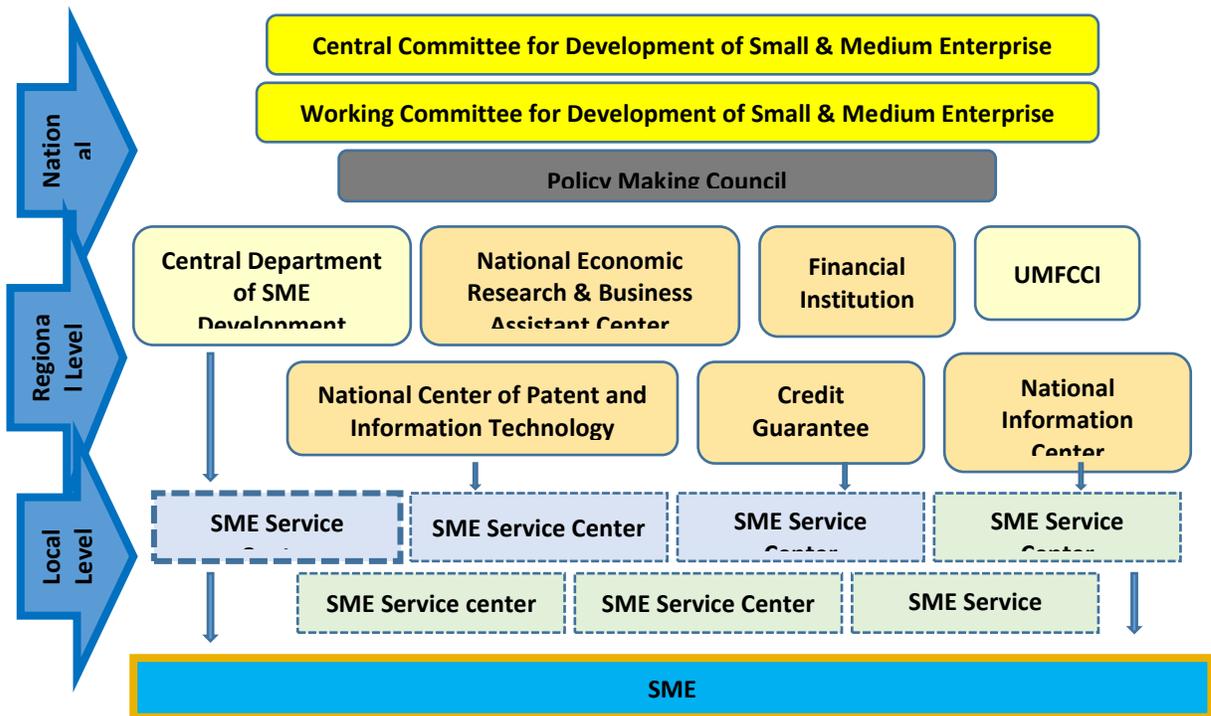
Source: Survey Data (March, 2014)

Access to Supporting Services

For SME supporting services, SDC, SME Development Committee under RUMFCCI, and MES take the responsibility under the guideline of Central Committee and Working Committee for SME Development. The model of SME supporting services has been proposed by SDC as three levels: National, Regional, and Local (Figure-2). At the national level, Central Committee and Working Committee for Development of SMEs take in charge and provide guideline for SME supporting services. Policy Making Council is aimed to set up with Ministers, Deputy Ministers, experts and stakeholders from private sector. It is mainly responsible for

- Establishment of SME promotion plan;
- Establishment and clarification of concrete responsibilities and budgets for related executive board;
- Propose SME promotion policies and plans to the Cabinet;
- Submit SME current status report to the cabinet and make public the results at least once a year;
- Guide the implementation of related agencies

Figure-2: The Hierarchy of SME Supporting Services



Source: SME Development Centre (2013)

At the regional level, SDC, National Economic Research & Business Assistant Center, Financial Institution, RUMFCCI, National Center of Patent and Information Technology, Credit Guarantee Corporation, and National Information Center are mainly responsible for SME supporting services. At the local level, SME Service Centers is comprised of representatives of

regional authority, officers of related Ministries including Industry, Agriculture, Cooperative, Education, Health, and Energy, experts and related stakeholders.

SDC is responsible to conduct credit screening scheme that screens the eligibility of local SME for loan with the discounted interest rate, i.e. 8.5% based on analysis of business situation and prospect for growth. Moreover, SDC provide the following services to SMEs.

- Preparing SMEs database and surveying the related sectors
- Arranging technical and business management training by cooperation with partners
- Supporting for establishment of new Industrial Zone
- Organizing meeting and workshop for exchanging view and sharing information with respective organizations
- Providing information, consultancy service and technology transfer
- Supporting in formulation of policy and regulation based on real situations faced by SMEs

There is no one-stop shop business development centres for SMEs in Myanmar. Recently, one-stop service center for investment has been established in April 2013 in Yangon with the aim to facilitate both foreign and domestic investors to go through all the required administrative and legal steps at one location. Officials from all relevant ministries and departments will be at the centre to support the investors.⁶ However, it seems to be limited services available for SMEs.

Regarding E-services, e-commerce has yet to widely applicable in domestic business transactions other than procurement purpose of some private firms. E-commerce law is under consideration for facilitating trade and investment. The e-government is also in early phase of implementation although some applications such as e-departure form for immigration, visa application, and export/import license application services can be accessed online.

Although an online portal for SMEs, Central Department of Small and Medium Enterprises Development <<http://www.smedevelopmentcenter.gov.mm/>>, is set up recently, it is rather static in providing information and seems to be limited usage by SME community. New on-line portal for SMEs is developing in process and expected to activate later this year. It is designed to provide the information for registration, financing, training courses, custom procedures, market access, industrial zones, and ASEAN SMEs such as Directory of top 100 SMEs in ASEAN Countries, ASEAN SME Festivals, Trade Fairs and Expo. It is also planned to link with related organizations and agencies such as Directorate of Industrial Supervision and Inspection, Directorate of Investment and Company Administration, Directorate of Trade, Small and Medium Industrial Development Bank (SMIDB), RUMFCCI, and MIA.

For issuing registration certificate, all private individuals and entities operating as the small and medium enterprises which produce finished goods from raw materials need to register at DISI under Ministry of Industry. According to statistics of DISI, over 43,000 SMIs have already registered at Ministry of Industry. Many SMEs have not registered yet and are operating informally even though Ministry of Industry encourages them to register and to operate formally. The registration fee is about US\$ 15 and US\$ 30 for small and medium firms, respectively. At present,

⁶ <http://www.mmtimes.com/index.php/business/6479-dica-opens-one-stop-shop.html>

the application of registration certificate takes about 9 days. To obtain it, registration process involves six administrative steps. For completion of overall registration process, the study observed that it can take minimum 10 days to maximum 2 weeks including application of licenses for business activities. It is still need to establish on-line access and one-stop shop for registration and start-ups of SMEs.

For start-up firm, financial support cannot be provided yet in Myanmar. RUMFCCI has played a critical role in supporting start-up firm by organizing several supporting activities, both domestic and international, such as seminars, training, trade fairs, and business matching programs and providing advice and market information. SDC provides advice, market information and consultation to start-up firms. Moreover, it also assists SMEs to participate in SMEs Festivals and Expo. At present SMIDB provides collateral loan with 8.5% preferential interest rate to potential firms.

Regarding legislations and regulations, SMEs Law and its related policy have been drafted by cooperation with government sector, private sector, non-government organizations and professionals of SMEs. In January 2014, SME Development Bill was published and public feedback has been invited to finalize and to approve by the Parliament. Systematic Regulatory Impact Analysis (RIA) has yet to practice In Myanmar, although the government puts the effort to develop RIA.

The score of Access to Supporting Services is summarized in Table-15. The bottlenecks in accessing supporting services for SMEs can be summarized as follows:

- Lack of one-stop shop business development center,
- Initialization stage of, e-government implementation, rarely use of e-commerce services, and yet to enact e-commerce law,
- No financial support for start-up firms,
- Not available yet on-line access and one-stop-shop for registration and start-ups, and
- Absence of RIA for SMEs.

Table-15: The Score of Access to Supporting Services

No.	Sub-dimension	Score
2.1	Policy framework for supporting services	2.8
2.2	Promotion of E-services	2.7
2.3	Cheaper and Faster Start-up	3.2
2.4	Better legislation and regulation	1.5
	Overall score	2.6

Source: Survey Data (March, 2014)

Access to Finance

Regarding access to finance, legal and institutional framework that support to financing, type and

amount of collateral requirements, the rights of creditors, diversification of financial markets and alternative options for getting finance like microfinance, leasing and factoring, availability of venture capital and access to financial markets are primarily explored in this study. According to survey result, the findings in this area are not very satisfactory as shown the score in Table-16.

Table-16: The Score of Access to Finance

No.	Sub-dimension	Score
4.1	Legal and regulatory framework	2.7
4.2	Sound and diversified financial markets	1.6
	Overall score	2.2

Source: Survey Data (March, 2014)

For financing, immovable property mainly land and build can be used as collaterals for bank loans and till now, movable property are not allowed to be collateralized. The loan amount is ranged from 35 to 50 percent on the forced sales value of the collateralized property depending on the case. It should also be mentioned that loans can be available only for manufacturing firms and not for services firms.

Concerning creditor rights, it is common in Myanmar that if the borrower defaults to pay principal or interest on the loan, the bank officer brings the case to the court. The lawsuit is based on civil law for the reason of contravening the contract between the bank and the borrower. The time taken to finish legal procedure may range from 3 to 6 months depending on the workload and efficiency of concerned court. Although formal legal cost is less than US\$100, including attorney fees, transportation and other expenses it may actually incur up to US\$2000 depending on the nature of the case.

Regarding credit guarantee, there is no credit guarantee scheme either in government or private sector in Myanmar so far. However, it is now involved as one of the activities prioritized in the SME development policy framework that is in the process to be approved. Currently, SDC has conducted credit screening scheme that screens the eligibility of local SME for loan with the discounted interest rate, i.e. 8.5% mainly aims to promoting local SMEs.

SMEs approved by the SDC on its credit standing are eligible to get the loan with discounted rate of 8.5% from SMIDB while normal lending rates in Myanmar is 12% per annum. Up to August 2013, totally Kyat 10 billion are lending to 62 small- and medium-sized firms with discounted interest rate. Only SME in the manufacturing sector (so called SMI) are being given the loans so far.⁷ Since interest rate on bank deposit is 8 percent in Myanmar, there is no possibility to provide discounted rate below current level i.e. 8.5 percent (0.5 percent is for the cost of bank transaction) at present without subsidized by the government.

There is no specialized bureau for preparing and disseminating credit information and thereby, no consolidated national wide database of credit information. Microfinance system has been implanted in Myanmar and microfinance bill has passed in November 2011. However, it is

⁷ SME Development Center, 2014

limited availability for SMEs since this system mainly target to the poor people from rural areas and suburbs of the cities. Leasing and factoring market has also yet to develop and there is no specialized leasing or factoring company at present in Myanmar.

Regarding venture and risk capital, there is not legal provision for operating venture capital as well as other forms of risk capital so that they cannot be existed in operation. Such forms of capital arrangements cannot be available and even hardly to be heard by the owners of SMEs. Since financial markets including stock market has also yet to be developed in Myanmar, SMEs are unable to finance from the stock market. However, measures for establishing stock market are being taken in collaboration with some foreign institutions in 2015, financing from this source will be foreseeable in the future.

The hindrance in SMEs' access to finance can be listed as follows:

- Unable to collateralize immovable property,
- Insufficient regulations for creditor's right, secured transaction, and bankruptcy proceedings,
- No credit guarantee schemes,
- Lack of specialized bureau for preparing and disseminating credit information and no consolidated database of credit rating;
- Insufficient financing options such as limited availability of micro-financing, lack of leasing and factoring market, stock market, venture capital and angels fund.

Access to Technology

Accessing technology and technology transfer has become a critical activity for promoting SMEs. In this aspect, this study concerns with the innovation policy, information and other support services that encourage innovated activities, standard certifications, level of investment in R&D and linkages with R&D institutions, the establishment of business and technological incubators, presence of intellectual property rights (IPR) for protecting creative ideas and innovations, formation of business clusters and industrial parks and financial incentives and grants for innovation activities. Again, according to survey results, the performances in this area are not very encouraging. The score of Access to Technology is presented in Table-17.

There is no strategic innovation policy in Myanmar and even yet to prepare till recently. However, some ideas and activities that are aimed at to promote innovative activities are sporadically found. One of the examples is SDC annually requests the Chamber of Commerce and Industry to nominate the most innovative firms among its members during the year. After getting these nominees, they are awarded for their innovated activities. In fact, these prizes are awarded by an international agency through SDC. There is neither coordinated approach nor annual budget allotted for innovation activities and programs. Local SMEs are not explicitly mentioned about this program and there is also no mechanism to measure impact of the program.

Table-17: The Score of Access to Technology

No.	Sub-dimension	Score
5.1	Promote Technology Dissemination	2.7
5.2	Foster Technology Cooperation to Develop R&D focused on Commercialization of Knowledge	3.3
5.3	Promote Clusters and Business Networks	2.5
5.4	Finance and Technology Development	1.0
	Overall Score	2.4

Source: Survey Data (March, 2014)

There is no plan for providing information on innovation supporting services either from the part of government or other private service providers. However, SDC is now designing an information portal for providing SMEs related information to all stakeholders and when it is completed, some information on innovation supporting services can probably be provided.

In Myanmar there are some agencies that specialized to certify products for standards. Most of them focus to certify health and safety standards mainly for agricultural and marine products exported to the countries like Japan and some EU members that set higher safety standards. The companies like SGS Myanmar Ltd offers ISO Quality management system and quality assurance services for products in agriculture, food, non-food, oil & gas and minerals. There are also some specialized services and training agencies that help local firms to get internationally recognized quality standards like ISO certificates.

Regarding business and technological incubators, 20 technological incubators have been already established under the Ministry of Science and Technology but business incubators have not been established so far. These technological incubators can provide technology development, product improvement and development, quality testing and other services. But the availability of their services for SMEs is still quite limited. There is no virtual incubator in Myanmar till now.

There are no coordinated and coherent policy frameworks to support technology developments in universities, R&D centers, laboratories and incubators. These organizations are standing for their own purposes and conducting R&D activities in their concerned areas. Mutual collaboration and sharing knowledge are rarely found among them and the support from government for collaboration & coordination has yet to be seen in near future.

The universities and research centers operate separately under different ministries that may render for coordination among them. There are no other grants or incentives to provide innovation support services to these organizations and there are also no monitoring mechanisms for this purpose.

Myanmar has legislations on protecting Intellectual Property Right (IPR) although enforcement in this area is still weakening at present.⁸ Although firms are able to protect trademark

⁸ Win, T.K.(2006) Legal Status of Intellectual Rights in Myanmar, WIPO/ESCAP Colloquium on Intellectual Property United Nation Conference Centre, Bangkok

and copy rights by registering at patent office, there is no specialized arrangement yet for protecting IPR. Specialized support center for protecting IPR has yet to set up.

There is also limited supporting policy and practices for promoting clusters and business networks. In this regards, broadband infrastructure is provided in special economic zones and most of the major areas of the country and now it is underway to available in all remaining areas.⁹ The speed of broadband network is still slow but from the positive side, it is rarely breakdown.

There are two industrial parks specially dedicated for information and communication technology that are located in Yangon and Pyin Oo Lwin.¹⁰ The occupancy rate in these facilities is said to be moderately high. However, there is no linkage between the firms in these parks and universities and other R&D institutions located at outside of these facilities. Also there is no incentive scheme to attract SMEs to locate into these facilities.

For financing to support activities for technology development, there are no direct government grants or incentives for these activities. Yet, it is safe to say that supports from funding agencies abroad particularly for training on these activities are sporadically available mainly come from international donor agencies. However, there is no connection between these sources of funding and local innovative companies. There is no independent project evaluation scheme for the funding purpose as well as evaluating and monitoring process to assess the impact of such funding. There is also no public grant to support innovative and R&D activities in commercial orientation of SMEs till now and the plan to facilitate that kind of activities are not explicitly set up in current policy framework.

The major constraints for accessing technology of SMEs can be summarized as follows:

- Weak in innovative activities,
- No strategic innovation policy,
- Inadequate support, encouragement and incentive,
- Insufficient capital to invest in R&D,
- Yet to implement coordinated approach, and
- Lack of grants/incentives and annual budget for innovative and R&D activities.

International Market Expansion

In this section, international market expansion is measured by five indicators which consist of export promotion programs, providing advice and high value information regarding international market, export capacity building programs, financial facilities form SMEs export, and reducing costs of custom clearance for exports.

SDC, Ministry of Commerce, and RUMFCCI take the responsibility of the export

⁹ International Telecommunication Union (2012) Wireless broadband master plan for Myanmar (2012), Available at <[www.itu.int/ITU-D/tech/broad band/WBB_MasterPlan_Myanmar.pdf](http://www.itu.int/ITU-D/tech/broad%20band/WBB_MasterPlan_Myanmar.pdf)>

¹⁰ Han, T.H., ICT development in Myanmar, Swe Thu Han, Tokyo Institute of Technology, Available at <[www.ocw.titech. ac.jp/index.php?module=General...0...pdf](http://www.ocw.titech.ac.jp/index.php?module=General...0...pdf)>

promotion programs separately. Among them, SDC conducts several programs in collaboration with international organizations for SMEs. In 2013, it conducted national workshop on SME Cluster Development and Export Consortia Formation by cooperating with New Zealand Foreign Affairs and Trade Aid Programme and Mekong Institute with the aims to providing knowledge and skills to develop SME clusters and export consortia and to promote the entry into export markets. Ministry of Commerce also organizes several trade exhibitions both in domestic and abroad especially aims to market penetration of SMEs.

RUMFCCI also organize and participate in local and international trade fairs and exhibitions such as Myanmar International Textile and Garment Industry Trade Exhibition, China Industry Expo-Myanmar, Yangon Life Style Furniture Fairs, Myanmar Malaysia Machinery Fair. Moreover, RUMFCCI launched Smart Myanmar Project which is a step forward for Myanmar SMEs to improve performance, and production technologies of SMEs, to help them for penetrating foreign markets and boosting their international competitiveness. In addition to trade fair and exhibitions, RUMFCCI also arranges business matching, seminars and trainings for not only existing businesses but also new ventures. Training center of RUMFCCI also provides export/import procedures courses for SMEs.

For providing advice and high value information, SDC regularly disseminates the information on SMEs festivals and expositions held broad. Recently, it developed a website, <<http://www.smedevelopmentcenter.gov.mm/>> which provides market related information for SMEs. RUMFCCI take the responsibility for disseminating such information as legal requirements and procedures, relevant standards and specifications, international best practices, product features, prices, and buyers and distributors of the markets. RUMFCCI also offers supervision and coordination services for SMEs both in domestic and international markets. Ministry of Commerce also provides information and technical advices relating to international markets for SMEs.

SDC also closely cooperates with international organizations like Deutsche Gesellschaft fur International Zusammenarbeit (GIZ) and Friedrich Naumann Foundation (FNF) to encourage the creation of a market economy which allows SMEs to flourish, create employment and reduce poverty. Since 2012, they have conducted a number of workshops, seminars and a series of organizational development consultations to build a high degree of trust and cooperation. In these workshops, the role of government in supporting SMEs such as reducing entry barriers of market, decreasing bureaucratic procedures and developing an appropriate regulatory framework for SMEs were discussed in order to level playing fields and develop fair competition policies for the support of SMEs.

The export capacity building programs are also conducted with the supporting of government, foreign donors and local NGOs. For example, GIZ conducted the researches on Production of Value Added Products in Mon and Shan States for Export Orientation in collaboration with SDC. Moreover, it implemented Sustainable Marketplace Initiative Project which aims to support local entrepreneurs. Building Markets also provided training on general procurement to local private businesses in 2012.

SDC conducts several workshops and trainings for SMEs in collaboration with

international organizations including GIZ, FNF, and United Nations Industrial Development Organization (UNIDO). The list the Workshops and Trainings Conducted by SDC is presented in Appendix-2. Moreover, the workshops on SME Development in Myanmar were held in 2012 as the nation-wide to explore the potentials and opportunities of SMEs and the difficulties faced by SMEs in Myanmar. The list of workshops for the SME development conducted by SDC is presented in Appendix-3.

In addition to trade fair and exhibitions, RUMFCCI provides Certificates of Origin (C/O) for exporters and also conducts business matching, seminars and trainings not only for existing businesses but also new ventures. Training center of RUMFCCI provides export/import procedures courses for SMEs. Moreover, Ministry of Commerce provides technical trainings for export/import procedures, and training courses on entrepreneurs and SMEs management.

Regarding financial facilities for SMEs export, SME loans are provided for the firms especially for import substitution, and export oriented innovative products while there is no specific program supported by the government. For reducing costs for custom clearance, government lessened the steps and procedures on custom clearance to be more efficient. Recently, custom clearance takes only 2 or 3 days for exporting per forty feet container with estimated custom clearance costs of US\$ 100. The scores of International Market Expansion are presented in Table-18.

Table-18: Scores of International Market Expansion

No.	Sub-dimension	Score
6.1	Export promotion programmes	3.0
6.2	Providing advice and high value information of the international	3.0
6.3	Export capacity building programmes	3.0
6.4	Financial facilities for SMEs to export	2.0
6.5	Reducing costs of custom clearance for exports (per container)	5.5
	Overall Score	3.3

Source: Survey Data (March, 2014)

Entrepreneur Education and Human Recourses Development

While human resources development plays a critical role in development of SMEs, Myanmar is still facing several challenges in this regard. Weak linkage between education and industry sector, mismatch in demand and supply of labor market, limited improvement in skill and know-how of trainers and instructors in technical and vocational schools are main issues that to be tackled for human resources development of SMEs, in general, and entrepreneurial promotion, in particular, in Myanmar.

Although entrepreneurial learning (EL) is not exactly specified in national education policy, the government articulates EL policy in drafted SME policy, industrial policy and national economic development plan. Ministry of Science and Technology (MOST) is mainly responsible

for Technical and Vocational Education in the Public sector. It establishes (6) Centre of Excellence (COE), and (35) Government Technical Colleges (GTC).

EL teaching materials and curriculum has yet to offer in basic education. However, (36) Technical High Schools (THS) under MOST and (6) Industrial Training Centers under MOI are established to provide technical and vocational education for those who dropped-out from junior high school.¹¹

At higher education level, in Myanmar, three universities: Yangon University of Economics, Monywa University of Economics, and Meiktila University of Economics offer subjects on entrepreneurship and small business management in its undergraduate and post-graduate courses. Despite national EL networks of universities has yet to establish in Myanmar, all Universities of Economics annually review the courses including subjects on entrepreneurship at joint meeting of Board of Studies of these Institutes. These universities adapted their curriculum with the syllabus agreed under ASEAN University Network (AUN) for bachelor and master degree in Business Administration courses even though they cannot offer yet a degree in entrepreneurship.

Every Universities of Economics has the internship program that is compulsory for business-major students. These universities also regularly conduct seminars and workshops relating to SMEs in collaboration with private sector. In addition, private sectors including trade associations and private schools regularly held business plan competitions with the collaboration of Universities of Economics. They also provide customized training courses and offer awards and scholars for business major students in the universities.

Moreover, Myanmar-India Entrepreneurship Development Centre (MIEDC) has been established since 2008 at Yangon University of Economics with the collaboration of Entrepreneurship Development Institute of India (EDII) under Initiative for ASEAN Integration (IAI) program. MIEDC offers several short-courses to public relating to entrepreneurship including Entrepreneurship Development Course, New Enterprise Creation Course, and etc.

There are 20 registered technological incubators under MOST while there is no business incubator in Myanmar.¹² Now, two incubators from Yangon and Mandalay are being planned to upgrade as business incubators through collaboration of SDC and MOST with the support of GIZ.

Furthermore, Yangon University of Economics plans to establish a Business Skills Incubation Center at its campus in 2014, with the collaboration of PepsiCo Company and United Nations Educational Scientific and Cultural Organization (UNESCO). The incubation center is planned to establish with the aims to create employment opportunities for the young people, to improve their skill and knowledge, and to nurture skill workforce for private and public sectors.

As non-formal Education, Ministry of Industry operates six Industrial Training Centers around the country. Ministry of Labor also established the training schools with the aim for the promotion of vocational training and skill development. Moreover, RUMFCCI and MES offer several courses supporting for entrepreneurial learning and SME management although these

¹¹ http://www.smedevelopmentcenter.gov.mm/?q=en/hrd_eng

¹² http://www.smedevelopmentcenter.gov.mm/?q=en/incubation_center_eng

programs can be offered at the limited location especially in main cities.¹³ The score of Promotion of Entrepreneurial Education is summarized in Table-19.

Table-19: The Score of Promotion of Entrepreneurial Education

No.	Sub-dimension	Score
7.1	Entrepreneurial promotion policy	1.5
7.2	Support of EL in basic education	2.0
7.3	Support of EL in higher education	3.0
7.4	Business-academe collaboration	4.5
7.5	Non-formal education on EL and management of SMEs	3.0
Overall Score		2.8

Source: Survey Data (March, 2014)

Representation of SMEs interest

In this part, effective representation of SMEs Interests is studied based on two indicators: Role and Capacity of SME Association and Participation in Consultations on SME Policies. The scores of Representation of SMEs' Interests are summarized in Table-20.

Recently, SDC established in 2012 under the Ministry of Industry is a coordinating association for promoting SMEs' interest. Moreover, Central Committee and Working Committee for Development of SMEs have been also formed to formulate and promulgate laws, regulations and procedures for SME development.

Table-20: Scores of Representation of SMEs' Interests

No.	Sub-dimension	Score
1	Role and capacity of SME association	3.8
2	Participation in Consultations on SME Policies	4.5
Overall Score		4.15

Source: Survey Data (March, 2014)

In Myanmar, the responsible agencies and organizations for representing SMEs interest are SME Development Sub-Committee under the Myanmar Industrial Development Committee, Directorate of Industrial Supervision and Inspection under the Ministry of Industry, Ministry of Cooperative, Myanmar Small and Medium Enterprise Committee under Myanmar Engineering Society, Ministry of Science and Technology, Myanmar Industries Association and SMEs Promotion Committee under the RUMFCCI. As a member country of ASEAN, Myanmar actively participates in ASEAN Agencies Working Group (ASAWG) for cooperation and promotion of

¹³ http://www.umfcci.com.mm/index.php?__2MnJjaWc=__1dHJhaW5pbmc&http://www.umfcci.com.mm/index.php?2MnJjaWc=__1ZG9tJTVGYWN0

SMEs in ASEAN countries.

For promoting technical capacity of SMEs, SDC provides the various kinds of support such as database management, gathering and disseminating of SMEs contact information and providing training and seminars for capacity building. In additions, Ministry of Commerce and RUMFCCI also provide the training, workshops and seminars for entrepreneurs and managers. Myanmar Agro-based Food Processors and Exporter Association (MAFPEA) which is an affiliated organization of the RUMFCCI provides laboratory testing services and training for food quality management system with the aids of Japanese Government in lab equipment, technical assistance, and training for trainer programs.

Moreover, Ministry of Cooperative conducts several trainings for promoting entrepreneurs' skill, business survey and development analysis as well as providing assistance for technical know-how. Although most of the services provided by RUMFCCI, Ministry of Commerce and other supporting organizations are not directly mentioned under the heading of SME development, since about 90 percent of enterprises are SMEs in Myanmar, it can be said that these services certainly support the SME development in Myanmar.

Regarding the research capacity, although SDC does not have own R&D department, Ministry of Science and Technology, Ministry of Industry and RUMFCCI established research departments to provide information, data, and knowledge for SMEs. Especially Myanmar Science and Technological Research Department (MSTRD) under MOST conducts several researches for various industries and offers technical services such as testing standards, analyzing samples and issuing certificates. Furthermore, six R&D departments under Ministry of Industry provide designs, related advices, testing services and issuing certificates for welder workers.

Although RUMFCCI and Ministry of Industry conduct several researches, only a few of them are directly related to SME development in Myanmar. Recently, SDC plans to conduct the research on value chain process in Shan State in cooperation with GIZ.

For developing SME Policy, SDC coordinates with related organizations, agencies, departments, ministries and professionals. Representatives from SME committees, SDC, Ministry of Industry, and Ministry of Commerce regularly conduct consultation meetings and discussion for SME policies and relating issues such as opportunities and challenges, advantages disadvantages of SMEs, and major contributing factors and requirements for development of SMEs. Moreover, the representatives from private sectors, academicians, and professionals are also invited to offer their feedbacks, suggestions, comments and advices on drafted SME law and related policies.

Summary of Findings

SMEs are major contributors to country's economy and serve as a backbone of the economic growth especially for newly emerging countries like Myanmar. SMEs play a significant role in the country's economic, social and political development through employment creation, resource utilization, income generation, and promotion of investment from local and abroad. However, recently, SMEs in Myanmar are facing several challenges to achieve economies of scale and

competitiveness to penetrate regional and international market under liberalization measures on trade and investment. The challenges can be summarized as weak institutional and legal environment, inadequate supporting services for new set-ups, limited sources of finance and technology, insufficient facilitation for accessing international market, weak entrepreneurial and managerial skills, and poor infrastructures.

The most serious difficulty for Myanmar SMEs is access to finance mainly due to the rigorous system of collateral-based lending requirement. Such obstacles are difficult to overcome, especially for new set-ups and micro enterprises since most of the banks are reluctant to provide loans to such high-risk borrowers. Moreover, credit guarantee schemes, credit rating and comprehensive credit information, microfinance system, financing mechanism including capital and stock market, venture capital and angel funds and other financial instruments like factoring and leasing are still absent in Myanmar, thereby SMEs have to rely on informal sources for funding which charge high interest rates.

The second issue of SME sector in Myanmar is access to technology. Investment in R&D and innovation facilities in both private and public sectors is still low, resulting in low productivity and efficiency. Funds for the commercialization of R&D are still not forthcoming due to uncertainty over demand levels. Moreover, recognition and promotion of innovative SMEs is not widespread in Myanmar. Another obstacle for innovation is the lack of technological facilities like testing, quality assurance, and calibration centers. The linkage and cooperation between academic and industrial sector is also minimal leading to low productivity and weak innovativeness. In addition, there is still weak regulations and limited knowledge about the protection of intellectual property.

Another challenges for Myanmar SMEs is to achieve economies of scale and competitiveness to penetrate local and regional market under the liberalization measure of trade and investment. For accessing regional and international market, export promotion activities, financial facilities for SMEs' exports, market intelligence, and the e-channels and e-commerce mechanisms have not been adequately provided yet. Moreover, most Myanmar SMEs are lack of awareness on the benefits and implications of regional integration especially ASEAN Economic Community (AEC) by 2015. Moreover, the existence of non-tariff barriers also prohibits SMEs' access to international markets.

The main barriers in human resources development are skill mismatch between demand and supply of labor market, weak linkage between academic and SMEs sector for promotion of entrepreneurial learning and technical and vocational skill development, lack of unified skills standards and certification system, limited resources for business incubators and science parks for upgrading capability of entrepreneurs, lack of strategy for training need analysis, curriculum development and vocational training system.

In addition to above mentioned impediments, Myanmar SMEs still faces several constraints including absence of a user-friendly legal and regulatory environment, inadequate SMEs supporting services, underdeveloped infrastructure, obsolete technology, weak linkages with external markets, poor institutional networking, and lack of strategies and practices to face

regional integration.

These weaknesses are mainly related with government policy and government agencies and authorities concerns are mainly responsible to develop institutional and physical infrastructures and to create conducive environment for SMEs in order to overcome such challenges. On the other hand, based on the research findings, the encouraging situations for SME can be found out as effective representation of SME interest and supports for international market expansion. These issues are been mainly taking part by the institutions especially from private sector including RUMFCCI, MIA, & MES, which are actively participating in international market expansion and promotion of SMEs' interests. In fact, these organizations mainly represent the private sector and naturally, they are trying to promote their interests. It can be recognized as encouraging points of SME development in Myanmar.

Policy Recommendations

Based on the experiences of entrepreneurship and SMEs sector in Korea, this study proposes specific policy options for action to overcome the challenges and thereby, in order to promote entrepreneurship and SME sector in Myanmar. The most important agenda is to inaugurate an institutional framework including strong SME policy, strategies, effective and well-functioning implementing agencies. In addition, the cooperation and coordination between political, industrial and academic sectors is crucial for setting up and implementing SME related policies. The specific policy recommendations are summarized by issue and presented in turn below.

Institutional Framework

1. To formulate and adopt a clear mechanism to review the current status of SME related policies, and to set up and implement the concrete SME policy;
2. To set up applicable SME development strategy and to incorporate stakeholder organizations and agencies in strategy formulation;
3. To enforce established SDC with staffs, adequate budget, and a system of consultation and coordination with the related agencies for effective policy formulation;
4. To institute single implementation entity with systematic structure and specifically defined responsibility to be well functioning, adequate-funded and wide reaching entity;
5. To establish a sound transformation system with effective monitoring systems for formalization of SMEs.

Access to Supporting Services

1. To establish SME development agency responsible for developing and enforcing a fair and transparent legal and regulatory regime for SMEs;
2. To streamline and simplify the procedures of business registrations, licensing, permits and tax collection;
3. To set up one-stop shop to provide all investment-related information and services necessary to start and operate a business;

4. To establish technical and legal infrastructure for E-commerce and E-government services that is widely available for all business transactions;
5. To develop an online portal for SMEs and to upgrade ICT facility under the supervision of SDC in cooperation with the SME service centers.

Access to Finance

1. To set up effective credit guarantee schemes to encourage banks to assist SMEs;
2. To ease rules & regulations for accessing bank loans including collateral issues and also for protecting creditors' right;
3. To establish a SME development fund in collaboration with financial institutions and through which to provide SME development loans (long-term), SME safety net loans and unsecured and unguaranteed loans (short-term);
4. To set up a credit bureau to record SMEs' credit history for the banking sector's risk evaluation and loan appraisals;
5. To develop an environment that nurture alternative ways of financing including microfinance scheme, leasing and factoring market, venture capital and angels fund;
6. To implement the stock and capital market as soon as possible.

Access to Technology

1. To create an environment which encourage and grant innovativeness and R&D activities;
2. To set up a mechanism for subsidizing SMEs, as well as other key stakeholders, for R&D, technology transfer and technology commercialization;
3. To set up the linkage and network between academic institutions and business sectors for promoting innovativeness of SMEs;
4. To encourage industrial clustering & agglomeration among firms in the same or relating industries;
5. To develop R&D database and to enforce on IPR issues.

International Market Expansion

1. To establish coordination agency for facilitating integrated and comprehensive export promotion and export capacity building programs;
2. To provide SMEs with grants, subsidies, tax credits and/or low-interest commercial loans for their new product development and participation in international trade fairs and exhibitions;
3. To organize business matching services between foreign investors and local enterprises, and in particular SMEs, with emphasis on backward linkages in regional and global supply chains;
4. To establish laboratory testing facilities, quarantine centers and certification bodies;
5. To provide trade finance through the banking sector, including the Myanmar Foreign Trade Bank, improving access to export and import finance.

Entrepreneurial Education and Human Resources Development

1. To facilitate entrepreneurial learning in primary and secondary schools by equipping teachers with knowledge and skills and teaching material;
2. To promote entrepreneurial education by offering the degree in entrepreneurship at least in three Universities of Economics;
3. To facilitate the partnerships between academe and SME sector to remedy the skill mismatch in demand and supply of labor market;
4. To establish business incubators and science parks to upgrade and facilitate the capability of entrepreneurs and SMEs;
5. To establish a system of accreditation of training program providers.

Representation of SMEs Interests

1. To establish the R&D Centre in SDC;
2. To develop the modernized laboratory in SDC to ensure the product quality of SMEs;
3. To provide business matching programs between local SMEs and international business for creating business alliances and partnerships;
4. To conduct the researches on business environment, product and market development, and global value chains of selected products and to disseminate the results in comprehensive and applicable manner;
5. To facilitate the subcontracting relationship between SMEs and local and regional large enterprises.

By adopting and implementing above mentioned measures, SMEs can be expected to contribute the economic, social and political development of Myanmar through better employment opportunity, high tax revenue, and overall improvement in national technological capabilities. At the same time, SME sector will have better investment choices, accessible ways of financing, acquisition of new technology and innovation, and capable human resources and thus, are expected to be capable of facing the challenges and realizing the fruitful benefits in the foreseeable future.

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Appendix – 1

Republic of the Union of Myanmar President Office Notification No. 11/2013

Republic of the Union of Myanmar

President Office

Notification No. 11/2013

12th Waning of Nadaw, 1374 ME

(9 January, 2013)

Formation of Central Committee and Work Committee for Development of Small and Medium Enterprises

(1) Central Committee for Development of Small and Medium Enterprises

(a) President	Chairman
(b) Vice-President (1)	Vice-Chairman
(c) Vice-President (2)	Vice-Chairman
(d) Union Minister for Border Affairs	Member
(e) Union Minister for Information	Member
(f) Union Minister for Cooperatives	Member
(g) Union Minister for Agriculture and Irrigation	Member
(h) Union Minister for Livestock and Fisheries	Member
(i) Union Minister for Communications and Information Technology	Member
(j) Union Minister for Environmental Conservation and Forestry	Member
(k) Union Minister for Electric Power	Member
(l) Union Minister for Energy	Member
(m) Union Minister for Industry	Member
(n) Union Minister for Commerce	Member
(o) Union Minister for Education	Member
(p) Union Minister for Health	Member
(q) Union Minister for Mines	Member
(r) Union Minister for Finance and Revenue	Member
(s) Union Minister for National Planning and Economic Development	Member
(t) Union Minister for Science and Technology	Member
(u) Union Minister for Hotels and Tourism	Member
(v) Attorney-General of the Union Attorney-General of the Union Office	Member
(w) Auditor-General of the Union Auditor-General of the Union Office	Member

(x)	Region/State Chief Ministers	Member
(y)	President of the Republic of the Union of Myanmar Federation of Chambers of Commerce and Industry	Member
(z)	Union Minister at the President Office (3)	Secretary
(aa)	Union Minister at the President Office (5)	Joint-Secretary

(2) The duties and responsibilities of Central Committee for Development of Small and Medium Enterprises are as follows:-

- (a) To formulate and promulgate laws, regulations and procedures for SME development;
- (b) To encourage under Section 36 of the constitution development of small and medium enterprises which take the major portion in such economic forces as State-owned and local organizations, cooperative associations, joint ventures, and private businesses;
- (c) To ensure that government and private banks effectively provide financial capital required for SME development;
- (d) To establish a network with respective local and foreign organizations to meet technical requirements;
- (e) To encourage development of the markets of small and medium enterprises from rural to urban areas;
- (f) To make small and medium enterprises as supporting industries for local and foreign investments to help healthy development of market chain;
- (g) To plan for nurturing human resources required for SME development;
- (h) To set up committees and subcommittees and assign duties as necessary.

(3) Work Committee for Development of Small and Medium Enterprises

(a)	Vice-President (2)	Chairman
(b)	Union Minister at the President Office (5)	Member
(c)	Union Minister for Commerce	Member
(d)	Union Minister for Finance and Revenue	Member
(e)	Union Minister for Science and Technology	Member
(f)	Union Minister for Hotels and Tourism	Member
(g)	Deputy Minister for Agriculture and Irrigation	Member
(h)	Deputy Minister for Communications and Information Technology	Member
(i)	Deputy Minister for Electric Power	Member
(j)	Deputy Minister for Energy	Member
(k)	Deputy Minister for Education	Member
(l)	Deputy Minister for Health	Member

- | | | |
|-----|--|-----------------|
| (m) | Vice-President, Republic of the Union of Myanmar Federation of Chambers of Commerce and Industry | Member |
| (n) | Union Minister Ministry of Industry | Secretary |
| (o) | Deputy Minister
Ministry of National Planning and Economic Development | Joint-Secretary |

(4) The duties and responsibilities of SME Development Work Committee are as follows:

- (a) To draft laws, regulations and procedures for SME development and submit them to the central committee for their enactment
- (b) To collect, analyze and report data and information for encouraging small and medium enterprises;
- (c) To remove obstacles in works for small and medium enterprises development;
- (d) To place emphasis on market development to ensure wide market chain;
- (e) To nurture sufficient number of skilled workers and create job opportunities;
- (f) To make contact and coordinate with local and foreign organizations to be able to receive financial and technical assistance;
- (g) To ensure development of micro credit business through Small and Medium Enterprises Bank;
- (h) To set up subcommittees and groups for respective sectors of small and medium enterprises as necessary.

Sd/Their Sein

President

Republic of the Union of Myanmar

Appendix – 2

Workshops and Trainings Conducted by SME Development Centre

Sr. No.	Workshop/Trainings	Collaborated Organization	Period
1	Promotion Myanmar's SMEs	FNF, Myanmar Egress	2012
2	SME Development and Export Consortia	Mekong Institute	2012
3	Capacity Building on SME Development and Investment Promotion Policy in Myanmar	UNESCAP	2012
4	Strategic Planning Programme	FNF	2012
5	Capacity Strengthening for Private Sector Development	GIZ	2012
6	<i>Workshop on Mode and Roles of SME promotion</i>	GIZ	26 November, 2012
7	Seminar on SME Finance	GIZ	3 December, 2012
8	Workshop on policies in Support of Small and Medium –Sized Enterprises	FNF	3~4 December, 2012
9	Training of Trainers (TOT) for Start-Up Promotion in Cooperation	GIZ	31 May, 2013
10	Assessment Workshop for to providing assistance to SMEs entrepreneurs was held on	PUM Netherlands	8 July, 2013
11	SMEs Entrepreneurship Training Program (Batch 1 ~ 7)	FNF	July ~ October, 2013
12	CEFE TOT Training	GIZ	2~10 September, 2013
13	Foundry and Forging Technology Training	FNF	28-31 October, 2013
14	Capacity Building Training for Staff Members of Newly Extended SMEs	GIZ, FNF, UNIDO	3~7 February, 2014
15	Communication and Customer Service Training	Building Markets, UNIDO	18~19 February, 2014
16	Leadership Skill & Capacity Strengthening for the Leaders Training	GIZ, FNF, UNIDO	23~25 June, 2014

Notes: UNIDO - United Nations Industrial Development Organization
GIZ - German Agency for International Cooperation
FNF - Friedrich Naumann Foundation
Building Markets - Canada

Appendix – 3

List of Location of Workshop on SME Development in Myanmar in 2012

Sr. No.	Region/State	City	Date
1	Kayin	Hpa-an	8.9.2012
2	Ayeyarwaddy	Pathein	10.9.2012
3	Sagaing	Monywa	11.9.2012
4	Magway	Magway	17.9.2012
5	Kachin	Myitkyina	19.9.2012
6	Rakhine	Sittwe	21.9.2012
7	Mandalay	Mandalay Industrial Zone	26.9.2012
8	Shan	Taunggyi	28.9.2012
9	Kayar	Loikaw	3.10.2012
10	Yangon	Yangon	5.10.2012
11	Taninthari	Dawei	5.10.2012
12	Mon	Mawlamyine	6.10.2012
13	Bago	Bago	11.9.2012
14	Chin	Hakha	12.9.2012
15	Nay Pyi Taw	Nay Pyi Taw	23 ~ 24.10.2012

Source: SME Development Centre (2013)