

**The 2016 Korea - Myanmar Connectivity Forum**  
In Search of Promoting the Relations of Myanmar and Korea

To update and share useful information on the relationship of Myanmar and Korea;

To facilitate networks and projects promoting the relationship;

To extend more engagement among different levels for a firmer platform of goodwill and friendship;

To promote the political, economic and socio-cultural exchanges between Korea and Myanmar.

# The 2016 Korea - Myanmar Connectivity Forum

In Search of Promoting the Relations of  
Myanmar and Korea

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DATE / 29 September 2016

VENUE / Multi - purpose Hall, National Museum, Yangon



CO - ORGANIZED BY



CKPSEAS - ISEAS, Busan University of Foreign Studies(BUFS), Korea



Ministry of Religious Affairs and Culture(MORAC), Myanmar

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Myanmar  
Connectivity Forum Myanmar Connectivity Forum





## PROGRAM

- 08 : 30 ~ 09 : 00 — Registration
- 09 : 00 ~ 09 : 30 — Opening Ceremony  
M.C. Ms. Khin Hpone Oo(MORAC)  
Ms. Hkawn Mai Aung(MORAC)
- Opening Remarks  
H.E. Thura Aung Ko(Union Minister, MORAC)
- Welcoming Remarks  
Dr. PARK Jang Sik(Professor and Director, BUFS)
- Congratulatory Remarks  
H.E. YOO Jae Kyung(Korean Ambassador to Myanmar)
- Photo Session
- 10 : 00 ~ 10 : 20 — [ KEYNOTE SPEECH ]  
Enhancing Korea-Myanmar Connectivity for Shared Prosperity :  
Toward a Lasting Partnership
- MODERATOR Dr. Kyaw Win  
(Secretary, Myanmar Historical Commission)
- PRESENTER H.E. KIM Young - sun  
(Secretary General, ASEAN - Korea Centre)
- 10 : 20 ~ 10 : 30 — Coffee / Tea Break
- 10 : 30 ~ 12 : 30 — [ SESSION ONE ]  
RECIPROCAL POLITICAL AND ECONOMIC PARTNERSHIP
- MODERATOR U Tun Aung Chein(Member, MHC)
- 1-1. Leadership Scarcity in Myanmar History  
Presenter : Dr. Toe Hla(Member, MHC)
- 1-2. The Role of Myanmar in Building ASEAN Connectivity and  
Its Implications for Korea - Myanmar  
Presenter : Dr. KIM Hyung Jong(Professor, Yonsei University, ROK)
- 1-3. Economic Relations between Korea and Myanmar  
Presenter : Dr. Thida Kyu(Professor, Yangon University of Economics)
- 1-4. Prospect and Challenges for the 2016 National Economic Policy  
Presenter : Dr. SHIN Jae Hyeok(Professor, Korea University, ROK)
- Open Discussion
- 12 : 30 ~ 14 : 00 — Lunch(Catering Service)
- 14 : 00 ~ 15 : 40 — [ SESSION TWO ]  
ECONOMICAL AND SOCIO - CULTURAL COOPERATION  
AND EXCHANGES
- MODERATOR Dr. Nanda Hmun  
(Permanent Secretary, MORAC)
- 2-1. Developing Entrepreneurship and SMEs in Myanmar :  
Lessons Learned from the Experience of Korea  
Presenter : Dr. Nu Nu Lwin  
(Professor, Department of Management Studies,  
Monywa University of Economics)
- 2-2. Development Cooperation between Korea and Myanmar  
Presenter : Dr. JEONG Yeon Sik  
(Professor, Changwon National University, ROK)
- 2-3. Korea - Myanmar Connectivity through Agriculture Cooperation  
Presenter : Dr. Tin Htut  
(Permanent Secretary, Ministry of Agriculture, Livestock and Irrigation)
- Open Discussion
- 15 : 40 ~ 16 : 00 — Coffee / Tea Break
- 16 : 00 ~ 17 : 00 — [ SESSION TWO ] TO BE CONTINUED
- 2-4. Socio - Cultural Exchanges between Korea and Myanmar  
Presenter : Dr. PARK Jang Sik(Professor, BUFS, ROK)
- 2-5. Promoting Cultural Cooperation between ROK and Myanmar  
Presenter : Daw Khin Kyi Pyar  
(Rector, National University of Arts and Culture, Mandalay)
- Open Discussion
- 17 : 00 ~ 17 : 20 — Coffee / Tea Break
- 17 : 20 ~ 17 : 40 — Closing Ceremony  
CLOSING REMARKS Dr. Nanda Hmun(Permanent Secretary, MORAC)
- 17 : 40 ~ 18 : 00 — Moving for Dinner(Taw Win Centre)
- 18 : 00 ~ 21 : 00 — Dinner(Only guests to be invited)  
Venue : SU Chinese Restaurant, Taw Win Garden Hotel, 45 Pyay Road,  
Dagon Township, Yangon

# **The 2016 Korea-Myanmar Connectivity Forum:**

## **In Search of Promoting the Relations of Myanmar and Korea**

### **1. OBJECTIVES**

- To update and share useful information on the relationship of Myanmar and Korea;
- To facilitate networks and projects promoting the relationship;
- To extend more engagement among different levels for a firmer platform of goodwill and friendship;
- To promote the political, economic and socio-cultural exchanges between Korea and Myanmar.

### **2. ORGANIZATION**

- Date: 29 September 2016
- Venue: Multi-purpose Hall, National Museum, Yangon
- Co-organized by CKPSEAS/ISEAS, Busan University of Foreign Studies(BUFS), Korea and the Ministry of Religious Affairs and Culture(MORAC), Myanmar
- Sponsored by Myanmar Connectivity Forum

### **3. PROGRAM**

#### **08:30-09:00 Registration**

#### **09:00-09:30 Opening Ceremony**

M.C.: Ms. Khin Hpone Oo (MORAC)  
Ms. Hkawn Mai Aung (MORAC)

#### ***Opening Remarks***

H.E. Thura Aung Ko (Union Minister, MORAC)

#### ***Welcoming Remarks***

Dr. PARK Jang Sik (Professor and Director, BUFS)

#### ***Congratulatory Remarks***

H.E. YOO Jae Kyung (Korean Ambassador to Myanmar)

#### ***Photo Session***

#### **10:00-10:20 [KEYNOTE SPEECH] Enhancing Korea-Myanmar Connectivity for Shared Prosperity: Toward a Lasting Partnership**

Moderator: Dr. Kyaw Win (Secretary, Myanmar Historical Commission)  
Presenter: H.E. KIM Young-sun (Secretary General, ASEAN-Korea Centre)

#### **10:20-10:30 Coffee/Tea Break**

#### **10:30-12:30 [SESSION ONE] RECIPROCAL POLITICAL AND ECONOMIC PARTNERSHIP**

Moderator: U Tun Aung Chein (Member, MHC)

1-1. Leadership Scarcity in Myanmar History  
Presenter: Dr. Toe Hla (Member, MHC)

1-2. The Role of Myanmar in Building ASEAN Connectivity and Its Implications for Korea-Myanmar  
Presenter: Dr. KIM Hyung Jong (Professor, Yonsei University, ROK)

1-3. Economic Relations between Korea and Myanmar  
Presenter: Dr. Thida Kyu (Professor, Yangon University of Economics)

- 1-4. Prospect and Challenges for the 2016 National Economic Policy  
Presenter: Dr. SHIN Jae Hyeok (Professor, Korea University, ROK)

**Open Discussion**

**12:30-14:00 Lunch**(Catering Service)

**14:00-15:40 [SESSION TWO]ECONOMICAL AND SOCIO-CULTURAL COOPERATION AND EXCHANGES**

Moderator: Dr. Nanda Hmun (Permanent Secretary, MORAC)

- 2-1. Developing Entrepreneurship and SMEs in Myanmar: Lessons Learned from the Experience of Korea  
Presenter: Dr. Nu Nu Lwin (Professor, Department of Management Studies, Monywa University of Economics)
- 2-2. Development Cooperation between Korea and Myanmar  
Presenter: Dr. JEONG Yeon Sik (Professor, Changwon National University, ROK)
- 2-3. Korea-Myanmar Connectivity through Agriculture Cooperation  
Presenter: Dr. Tin Htut (Permanent Secretary, Ministry of Agriculture, Livestock and Irrigation)

**Open Discussion**

**15:40-16:00 Coffee/Tea Break**

**16:00-17:00 [SESSION TWO] TO BE CONTINUED**

- 2-4. Socio-Cultural Exchanges between Korea and Myanmar  
Presenter: Dr. PARK Jang Sik (Professor, BUFS, ROK)
- 2-5. Promoting Cultural Cooperation between ROK and Myanmar  
Presenter: Daw Khin Kyi Pyar (Rector, National University of Arts and Culture, Mandalay)

**Open Discussion**

**17:00-17:20 Coffee/Tea Break**

**17:20-17:40 Closing Ceremony**

***Closing Remarks***

Dr. Nanda Hmun (Permanent Secretary, MORAC)

**17:40-18:00 Moving for Dinner** (Taw Win Centre)

**18:00-21:00 Dinner** (Only guests to be invited)

Venue: SU Chinese Restaurant, Taw Win Garden Hotel, 45 Pyay Road, Dagon Township, Yangon

**DEVELOPING ENTREPRENEURSHIP AND SMES IN MYANMAR:  
LESSONS LEARNED FROM THE EXPERIENCE OF KOREA**

Dr. Nu Nu Lwin

Professor, Department of Management Studies

Monywa university of Economics

September, 2016

## **ABSTRACTS**

Small and Medium Enterprises (SMEs) are major contributors to country's economy and serve as a backbone of economic growth especially for developing countries like Myanmar. The government endeavors to promote the SMEs through a series of economic and political reforms in its transition to market-oriented economy. However, SMEs in Myanmar are still facing several challenges to achieve economies of scale and competitiveness to penetrate regional and international market. This paper aims to assess the current situation of entrepreneurship and SMEs in Myanmar and to explore the ways to promote entrepreneurship and SMEs development with the references to experience of Korea. To realize this end, the influencing factors on entrepreneurial activities and the challenges and issues facing by Myanmar SMEs have been analyzed. At the same time, institutional setup and policy environment that lead to significant increases of entrepreneurship and development of SMEs in Korea were also explored in order to find out the ways to improve policy measures and to create conducive environment for entrepreneurship and SMEs development in Myanmar. According to the survey, the challenges faced by Myanmar SMEs can be summarized as limited sources of finance and technology, insufficient facilitation for accessing international market, weak institutional and legal environment, and inadequate supporting services for new set-ups, in order of importance. This paper proposed policy recommendations based on survey results of Myanmar SMEs and policy and institutional environment of Korea's SMEs sector. These policy measures are expected to create conducive and business-friendly environment and thereby, lead to development of entrepreneurship and SMEs and eventually, the growth of Myanmar economy.

Key words: Entrepreneurship, SMEs development, entrepreneurial activities, Korean's experience, institutional environment

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## I. INTRODUCTION

Nowadays, the entrepreneurship and small and medium enterprises (SMEs) are increasingly recognized as important drivers of economic growth, productivity, innovation and employment, and widely accepted as a key aspect of economic dynamism. Especially, they play a crucial role in furthering growth, innovation and prosperity of developing countries. For development of SMEs, the promotion of entrepreneurship is imperative since entrepreneurship and good small business management go hand-in-hand in every economy. In fact, developing entrepreneurship and SMEs need properly conducive business environment that allows them to access financing, human capital, networks, technology, innovation and international markets.

In Myanmar, recently, there has been a proliferation of entrepreneurship and SMEs attributed by transformation of government policy favorable to private sectors. Moreover, the liberalization of rules and regulations under economic and political reforms and regional integration measures are seen to have substantial impacts on entrepreneurship and SMEs in Myanmar. In this context, there are several problems which have to be urgently tackled for the development of entrepreneurship and SMEs including finance, technology, infrastructures, and institutional environment including tax and regulatory authorities. Hence, it is essential to analyze on such supporting factors and to identify the challenges and issues facing by the business sector in order to promote SMEs as a development engine of the economy.

Korea has witnessed a great upsurge of entrepreneurship and proliferation of SMEs since late 1980s. This is a significant development given the fact that large conglomerate enterprises (chaebol) have historically dominated the Korean economy. Nowadays, the new ventures and SMEs account for a bigger share of the economy and contribute the country's economic development. For this reason, it is worthwhile to study what factors including institutional setup and policy environment lead to significant increases and to learn how important these factors to upsurge of entrepreneurship and SMEs in Korea.

Thus, this study is conducted with the aim to explore a contextually relevant policy agendas for development of entrepreneurship and SMEs in Myanmar at the time of its transition to market economy with the references to experiences of Korea in its SME development.

## II. ENTREPRENEURSHIP AND SMEs IN MYANMAR

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 gross domestic product (GDP) by agriculture, livestock and fisheries, and forestry accounted for 27.9%, while the processing and manufacturing sector constituted 34.4% and service sector made up 37.7% of GDP in 2014.<sup>1</sup>

During the period of 2011-2015, Myanmar reported impressive average GDP growth rate of 7.4 percent while inflation has risen up from a single digit to 11 percent in 2015 and fiscal deficit

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<sup>1</sup> Asian Development Bank (2016), Key Indicators for Asia and the Pacific 2015



is about 4.5 percent of GDP. ADB forecasts that Myanmar's GDP is likely to grow by about 8.4 percent in 2016 (ADB 2016). If Myanmar keep up its pace on reform measures, the country could grow at 7–8 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.<sup>2</sup>

Since 2011, 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. Accordingly, 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, 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, still there are 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, which indicates the urgent need to set up an institutional framework that creates an environment conducive to entrepreneurship and other private initiatives.

## **2.1 Role of SMEs in Myanmar**

SMEs represent a major share of Myanmar economy and 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 88 percent of manufacturing industries.

In Myanmar, recent statistics on SME sectors are solely based on the Revised Industry Law 1990 and Private Industrial Enterprise Law 2011. 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.

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 over 43,000 in 2013 (Table – 2). In fact, almost all of the SMIs are in the private sector and about 62 percent of them are concentrated in food processing industry mainly target to domestic market.

Due to the weaknesses of former definition of SMIs such as self-contradictory dimensions and no distinction in size for enterprises under the manufacturing and service sectors, new

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

definition of SMEs is set up based on three dimensions: employee, capital investment, and annual turnover, under SME development Law enacted on April 2015.

**Table - 1: Definition of SMIs**  
(Private Industrial Enterprises Law, 1990)

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)

**Table – 2: Sector Distribution of SMIs**  
(Registered by Private Industrial Enterprises Law, 1990)

(As of March 2013)

Sub-sector	Large	Medium	Small	Total	Industry Share %	SME Share
Food & Beverages	2,529	4,268	20,200	26,997	62.42	90.63
Clothing & Wearing Apparel	419	496	987	1,902	4.4	77.97
Construction Materials	661	815	2,171	3,647	8.43	81.88
Personal Goods	478	397	343	1,218	2.82	60.76
Consumer Produce	147	78	75	300	0.69	51.00
Literature & Art	45	143	156	344	0.8	86.92
Raw Good Production	168	197	162	527	1.22	68.12
Metal & Mineral	302	423	1,294	2,019	4.67	85.04
Agriculture Machinery	12	19	36	67	0.15	82.09
Industrial Tools & Equipment	18	49	47	114	0.26	84.21
Automobile Production	146	40	16	202	0.47	27.72
Electrical Equipment	38	18	28	84	0.19	54.76
General Industries	220	763	4,846	5,829	13.48	96.23
<b>Total</b>	<b>5,183</b>	<b>7,706</b>	<b>30,361</b>	<b>43,250</b>	<b>100.00</b>	<b>88.02</b>
<b>Content % of Total</b>	<b>11.98</b>	<b>17.82</b>	<b>70.20</b>	<b>100</b>		

Source: Directorate of Industrial Supervision & Inspection, Ministry of Industry on Oct. 31, 2013

**Table - 3: 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 Law (2015)

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.<sup>3</sup> 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.

## 2.2 Entrepreneurship in Myanmar

Entrepreneurship 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.

<sup>3</sup> Nay Pyi Taw News (2013). U Thein Sein delivers an address at Small and Medium Enterprises Development Central Committee meeting at Presidential Palace. 14 January 2013. Nay Pyi Taw, Myanmar

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.

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 - 4. 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.

**Table - 4: 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	<b>Total</b>	<b>136</b>	<b>100%</b>

Source: Survey Data (March, 2014)

***a. Profile of Selected 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. Regarding gender, 64% of respondents were male while the remaining were female indicating the nature of Myanmar business environment. In 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. Concerning education background of entrepreneurs, 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.

***b. 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. Among (136) entrepreneurs, 82% responded that they had role model before starting their business. Among them, the role model of majority respondents are parent (30%) while superiors are regarded as role model by second largest group of respondents (20%). 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. The motivating factors of Myanmar entrepreneur to start a business are identified as creating wealth, stable life, independence, challenge, need for achievement, no choice and all reasons mentioned above. Among them, the main motivating factors of Myanmar entrepreneur to start a business are found to have independent life (28%), to create wealth (21%), and to have stable life (18%).

**Table - 5: Profile of Selected Entrepreneurs**

<b>Sr. No.</b>	<b>Variables</b>		<b>Percentage (Total Respondents = 136)</b>
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)

Since working experience is the most important factor for acquiring entrepreneurial and managerial skills and successfully starting a business. This study found that more than fourth-fifth of respondents had previous jobs while remaining 12% had no prior-work experience before starting their business. 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. 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 - 6: Entrepreneurial Characteristics**

Sr. No.	Entrepreneur Characteristics	Percentage (Total Respondents = 136)
1	<b>Having Role Models</b> Yes a. Parent b. Relatives c. Teachers d. Superiors e. Peers f. Subordinates g. Others No	82% 30% 11% 15% 20% 4% 1% 1% 18%
2	<b>Motivating Factors</b> Creating wealth Stable Life Independence Challenge Need for achievement No choice All above	21% 18% 28% 15% 10% 4% 4%
3	<b>Prior-work Experience</b> Yes a. Government Staff b. Company Staff c. Apprentice d. Own Business e. Student f. Others No	88% 22% 20% 12% 24% 8% 2% 12%
4	<b>Availability of Financial Resources</b> Poor Moderate Enough Rich	6% 48% 38% 8%
5	<b>Financing Methods</b> Equity Financing Debt Financing Both	36% - 64%

Sr. No.	Entrepreneur Characteristics	Percentage (Total Respondents = 136)
6	<b>Entrepreneurial Tactics</b> Starting from Scratch Inherited Purchasing existing firms	58% 34% 8%

Source: Survey Data (March, 2014)

For the start-up capital, most respondents used both debt and equity financing while the remaining realized the capital through only equity financing. 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. Another factor to be considered in starting a business is whether it is started from the scratch, inherited, or purchasing existing ones. The majority of respondents (58%) started their business from the scratch while 34% of them inherited the business form their parents and relatives. Thus, most of Myanmar entrepreneurs prefer to start their business from the scratch by their own way.

### 2.3 Analysis on SMEs in Myanmar

To identify the current status of Myanmar SMEs and to explore their constraints and issues, this study applies following seven analytical dimensions which are adapted based on the ASEAN SME Policy Index.

- a. Institutional framework;
- b. Access to finance;
- c. Access to technology
- d. Access to supporting services;
- e. Market penetration & expansion
- f. Entrepreneurial education
- g. Representation of SMEs' interests

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.

#### *a. Institutional Framework*

SDC is mainly responsible for SME policy formulation by coordinating with relating organization, agencies, and departments. 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 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.

### ***b. Access to Supporting Service***

For SME supporting services, SDC, SME Development Committee under RUMFCCI, and Myanmar Engineering Society (MES) take the responsibility under the guideline of Central Committee and Working Committee for SME Development. 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.

There is no one-stop shop business development centres for SMEs in Myanmar. Although the online portals for SMEs, Central Department of Small and Medium Enterprises Development <<http://www.smedevelopmentcenter.gov.mm/>>, and Myanmar Industry Portal <<http://www.industry.gov.mm/en/>> are set up recently, they cannot be fully utilized yet.

### ***c. Access to Finance***

For SME 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. Regarding credit guarantee, 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.

The hindrance in SMEs' access to finance are 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.

### ***d. Access to Technology***

Accessing technology and technology transfer has become a critical activity for promoting SMEs. There is no strategic innovation policy in Myanmar and even yet to prepare till recently. There is neither coordinated approach nor annual budget allotted for innovation activities and programs. There are no coordinated and coherent policy frameworks to support technology developments in universities, R&D centers, laboratories and incubators.

There is also no public grant to support innovative and R&D activities in commercial orientation of SMEs till now. The major constraints for accessing technology of SMEs are weak in innovative activities, no strategic innovation policy, inadequate support, encouragement and incentive, insufficient capital to invest in R&D, and lack of grants/incentives and annual budget for innovative and R&D activities.

### ***e. International Market Expansion***

Nowadays, custom clearance takes only 2 or 3 days for exporting per forty feet container with estimated custom clearance costs of US\$ 100. For accessing international market, SDC, Ministry of Commerce, and RUMFCCI take the responsibility of the export promotion programs separately. For financial facilities to 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.

#### ***f. Entrepreneur Learning***

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.

As non-formal Education, Ministry of Industry and Ministry of Labor establish and operate Industrial Training Centers around the country for the promotion of vocational training and skill development. RUMFCCI and MES offer several courses supporting for entrepreneurial learning and SME management although these programs can be offered at the limited location especially in main cities.

#### ***g. Representation of SMEs Interest & Networking***

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. Recently, SDC 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.

### **III EXPERIENCE OF KOREA: PROMOTING ENTREPRENEURSHIP & SMEs**

The Republic of Korea is a developed country that ranks 11<sup>th</sup> in the world by nominal Gross Domestic Product (GDP) and 13<sup>th</sup> in GDP (PPP) in 2015. Korea has been one of the world's fastest growing economies since 1960s and is a member of the OECD and the G-20 major economies. Korea's economic growth rate was 2.6% in 2015 with major economic output being the technology products exports. Korea's per capita GDP (PPP) was US\$36,528 with 50 million population in 2015. Korea adapted an export-oriented economic strategy to fuel its economy since early 1960s. In 2015, Korea was the sixth largest exporter and twelfth largest importer in the world.

#### **3.1 Role of SMEs in Korea**

The role of small and medium enterprises (SMEs) in Korea changed as much over time as it has gone through at distinct phases. Traditionally, the chaebol has been a major force in the Korean economy till Asian Economic crisis, and then about one-half have gone bankrupt or been seriously weakened due to the liquidity crisis and poor competitiveness. They have lost their economic rationale and impetus to a significant degree due to their inability to deal effectively with new economic environment. In their pale, SMEs have begun to be recognized as a major source of economic growth and employment as new business startups have increased rapidly since early

2000s.

The onset of 2000s coincided with the rapid spread of the Internet and the new venture boom that accompanied it. In addition, the government provided several measures to promote venture start-ups and developed an institutional framework for venture capital and other financing schemes for new business. The significant increase in the number of SMEs in Korea could mean that the traditional business model in Korea is replaced by a new model where new ventures and SMEs account for a bigger share of the economy and contribute more to the country's economic growth. Since then, SMEs have become indispensable part of the Korean economy and continue to be the backbone of national economy.

**Table - 7 Definition of Korean SMEs**

Sector	SMEs		Small Business	Micro Enterprise
	No. of workers	Capital or Sales	No. of workers	
Manufacturing	Fewer than 300	Capital worth 8 billion won or less	Less than 50	Less than 10
Mining, Construction and Transportation	Fewer than 300	Capital worth 3 billion won or less	Less than 50	Less than 10
Publication, Information and Communication, Administrative and Support Service Activities, Human health and social work activities, Professional scientific and technical activities	Fewer than 300	Sales worth 30 billion won or less	Less than 10	Less than 5
Agriculture, forestry and fishery, Electricity, gas, steam and water-work business, Wholesale and retail trade, Accommodation and food service activities, Financial and insurance activities, Arts, entertainment and recreation	Fewer than 200	Sales worth 20 billion won or less	Less than 10	Less than 5
Sewerage, waste management and remediation activities, Education, Repair and other services	Fewer than 100	Sales worth 10 billion won or less	Less than 10	Less than 5
Real estate, rental and leasing activities	Fewer than 50	Sales worth 5 billion won or less	Less than 10	Less than 5

**Source:** National Statistical Office, 2013

**Note:** \* For micro-enterprises, Article 2 of the Act of Special Measures on Assisting Small Business and Micro-enterprises shall apply.

In 2010, SMEs sector contributed 49.4% of country GDP and constituted a share of 31% of total exports (Park and Kim 2011). In 2011, total number of SMEs is about 3.23 million accounted for 99.9% of total enterprises and they employed 12.63 millions of employees that take up 86.9% of total employment in Korea. In Korea, SMEs is defined by the Framework Act on SMEs and Enforcement Decree of Act. The number of employees is a general criterion while other indicators like total assets and sale volumes are also used to define SMEs. (Table – 7)

### **3.2 Entrepreneurship in Korea**

To explore the factors influencing the entrepreneurs' activities, the survey results of Baek and Ra (2002) are mainly referred in this paper. In their study, 130 sample firms are selected which composed of 100 firms with 15 to 300 employees and 30 firms with 1 to 10 employees. Among them, firms with 16-50 employees represented the majority, accounting for 56.1 percent of total. Regarding location, the majority of sample firms were located in metropolitan areas (67.7%), compared to small towns (32.3%). In terms of industrial sector, the sample firms were equally distributed between the knowledge and conventional sectors as a whole. The majority of the sample firms had been established between 3 to 10 years ago (78.3%), had less than US\$500,000 of initial investment (85.8%), did little exporting (no exports for 71.2%), and had no partners (42.3%) or one partner (16.2%). As far as the characteristics of the entrepreneurs is concerned, the majority were male (96.9%), 36 years or older (68.2%), held bachelor's degree (53%) or postgraduate degrees (20.1%), and possessed work experience as employees in SMEs (50.8%) or in large firms (30%).

The factors that are considered to be important before starting the own business are the motivation to become an entrepreneur, the identification and/or creation of business opportunities, the main factors affecting the final decision to form a new venture, and ways of acquiring relevant information for the firm start-up.

Regarding the motivating factors to become an entrepreneur in Korea, the desire to contribute to society and for self-realization were prime motivators, followed by other factors such as improving income and a higher social status. Economic factors were apparently less important on the whole than non-economic ones among Korean entrepreneurs.

The entrepreneurs acquired business competencies for entrepreneurial activities from many sources. In Korea, work experience was the most important source for most business competencies in areas such as marketing, administration, and technical knowledge while universities were ranked as the second most important source of business competencies. Indeed, schools generally provide students with fundamental and basic knowledge of work, rather than practical learning which is directly applicable to entrepreneurial activities.

The age when an entrepreneur begins to think about, or actually starts, his/her first business depends on a variety of factors such as length of school education, the timing of motivation, and the macroeconomic conditions of the country. In Korea, entrepreneurs' average age at the time of start-up was 36.1 years, and the motivation to become an entrepreneur typically developed only after their mid-20s. The relatively late age of starting business can be attributed to the factors such as the requirement of fulfilling two and a half years of mandatory military service and 75% of the

entrepreneurs are under or post graduates.

Sources of business opportunities include individual consumer clients and/or corporate clients, i.e. companies. In Korea, most entrepreneurs acquired new business opportunities from companies with which they has a past relationship. In other word, the personal networks with already established firms in starting up a new business was very important in Korea.

In acquiring information on business opportunities, prior work experience was most important, followed by interactions with other people, i.e. personal networks, the Internet, and visiting trade fairs. The three most important persons for identification and realizing business opportunities were the entrepreneurs' colleagues, friends, and the person who were commercially related.

As factors influencing the final start-up decision, economic factors were more important than non-economic ones. As an economic factor, the availability of finance was not so vital. Rather, the size and growth of the market was most important, followed by the desire to have better income and the expected growth of the national economy. In non-monetary factors, self-realization, the desire to continually challenge oneself, and the motivation to contribute to society were mostly cited by entrepreneurs.

For accessing required resources, work experience represented the most important factor obtaining key technology and other resources needed to start a business. In particular, work experience in related sectors was quite effective in fostering entrepreneurial capacity. Professional education especially at the undergraduate level, was also a relevant factor, but to less extent, relative to work experience.

The main sources of initial equity for starting up the ventures were internal resources, such as the personal savings of founding partners. Loans from banks were cited as the next source, while relatives or friends were third most relied source. The accessibility of specific financial sources appeared to significantly differ between the knowledge industry and the conventional industry. In particular, external sources such as private investors and venture capital firms seemed to be more frequently utilized by the entrepreneurs in knowledge-based industries in comparison to those in conventional industries.

### ***Factors Promoting Entrepreneurship in Korea***

The increases of entrepreneurship activity can be explained by five major determinants. They are business opportunities, business resources, institutional factors cultural factors, and government policy.

***Business Opportunities:*** One important factor realizing business opportunity is advanced infrastructures in Internet communications, and the Korean people have shown a willingness to quickly adopt new devices and technologies such as mobile phones and the Internet. Another factor is venture registration system through which certain incentives are provided to those firms registered as “ventures”. Next opportunity factor may be new consumer spending and the growth of the service industry. The relative share of personal consumption in Korea's GDP increased during this period and there has been a large increase in the number of service industry firms.



***Business Resources:*** The effect of large number of layoffs during financial crisis creates the business opportunity with readily available resources: human, financial and knowledge for new ventures. These resources are the most important variable in determining the entrepreneurial activity of a society.

***Institutional Factors:*** The institutional factor refers to government regulation, incentives to new business creation and other financial and business infrastructure elements that support SMEs. The venture registration systems with tax incentives and preferential treatment by the government create the opportunities for new business start-ups.

***Cultural Factors:*** Changing value system on money and business, development of democracy and the market economy, changing role of women and young people in the society, and entry of a large number of foreign firms in Korea bring the benefits for entrepreneurship and thereby, Korean economy.

***Government Policy:*** The Korean government has implemented a myriad of policy measures to help SME including credit guarantee system, incentive system for new ventures, designation of certain industries as off-limits to big business, low level of social safety net, and robust performance of the Korean economy, all of which somehow promote the entrepreneurship in Korea.

### **3.3 SMEs Support Policies & Institutions**

Since 1990s, the emphasis of SMEs policies gradually shifted to structural reforms as well as to the improvement of the competencies of SMEs, combined with economic liberalization, localization and market opening policies. Thus, more policy emphasis was directed towards factory automation, information networking, provincial enterprises, and venture enterprises. In order to achieve such policy goals, relevant laws were promulgated.

#### ***a. Institutional Framework***

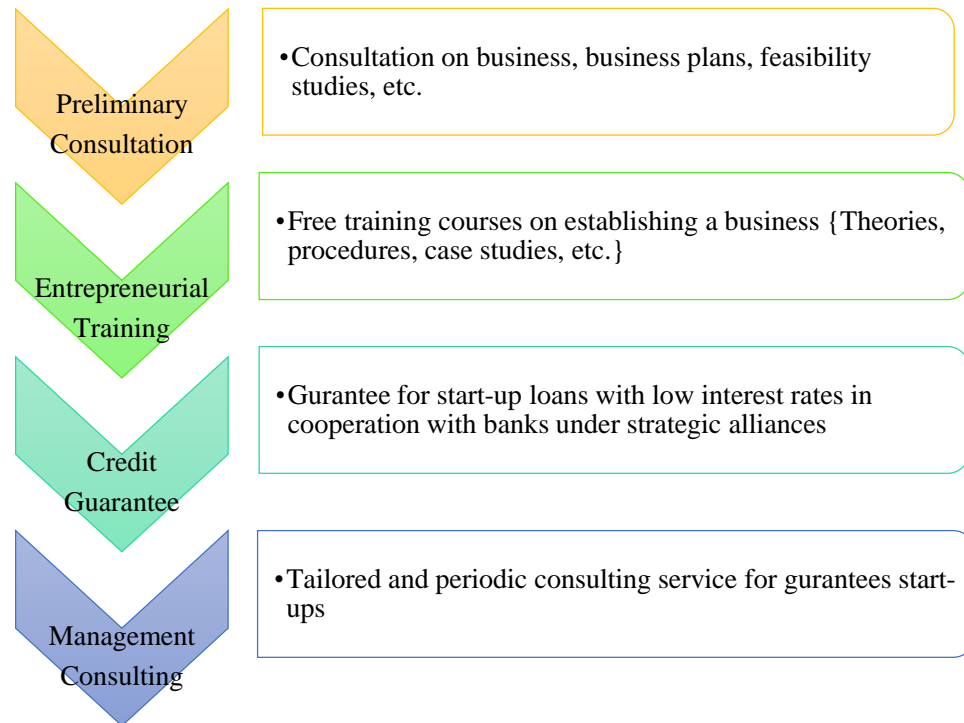
With the aims of mobilization of SMEs, supporting institutions like a new capital market for small and venture businesses, i.e. the Korean Securities Dealers Automated Quotations (KOSDAQ), as well as information networks, and additional education and training systems are built up for the enhancement of the potential growth power of SMEs.

#### ***b. Supporting for SME Start-ups & Venture Business Creation***

According to new laws, environments conducive to business establishments were created, and infrastructure for start-ups and venture enterprises was greatly broadened. Since March 2008, Korea Credit Guarantee Fund (KODIT) has implemented the Comprehensive Support System for Startups to boost job creation by facilitating the establishment of startup businesses (Figure - 1). Through the system, KODIT provides tailored services to new entrepreneurs in their early stages so that they can start their businesses more easily and with less time and effort. The startup support services include three distinct programs (1) guarantees for young entrepreneurs, (2) guarantees for startups in business for less than three years, and (3) guarantees for companies in business for less than five years.

**Figure - 1: Consolidated Support System for Startups**

Source: KODIT, 2012

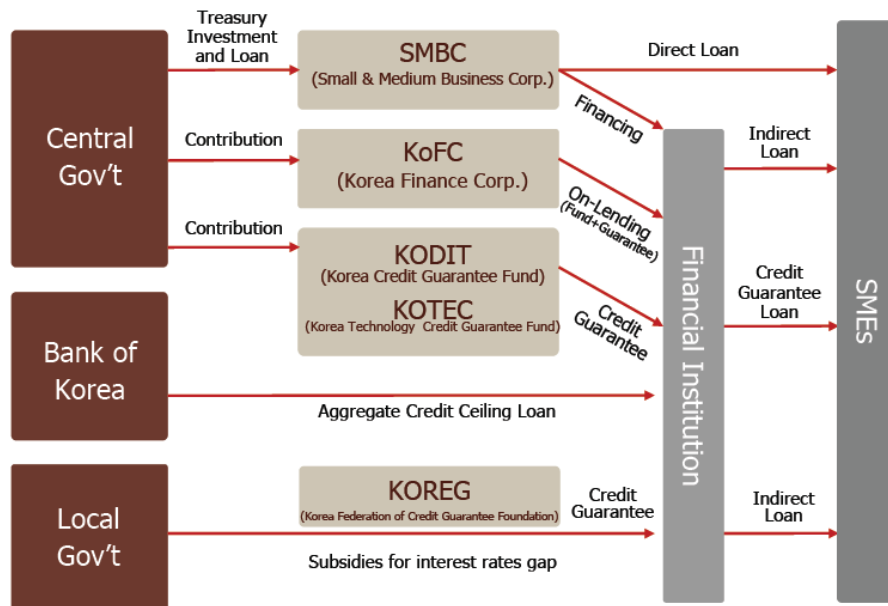


### ***c. Access to Finance***

In Korea, the major forms of policy financing are capital loans, credit guarantees, on-lending, and aggregate ceiling lending, which are designed to provide financial assistance to SMEs. The key players in the SMEs financing support system are Small and Medium Business Corporation (SBC), which primarily facilitates investment and loans from start-up and promotion funds as well as credit guarantees, the Bank of Korea (BOK), which implements the aggregate credit ceiling system, and the Korea Finance Corporation (KoFC), which oversees the on-lending program. (Figure – 2) The role of SBC is to contribute to SMEs’ stable capital management and reduction of capital expenses as well as to supply funding for SMEs in a timely manner and, minimize damage to SMEs when shocks occur due to non-economic factors such as natural disasters or sharp international raw material price hikes. SBC supplies long-term (3-8 years) funds at low interest rates compared with banking institutions. The policy fund interest rate in the second quarter of 2010 was 4.03% ~ 4.40% while normal loan interest rate is 5.68%. The areas supported by the fund include initial period of start-up, long-term facility investment, and micro-business, among others.

A second program to facilitate SMEs’ access to financing is the credit guarantee support system, which provides guarantees for SMEs that are experiencing difficulties in obtaining loans from private banks due to a lack of collateral. The implementing agencies for this program are Korea Credit Guarantee Fund (KODIT), Korea Technology Credit Guarantee Fund (KOTEC) and the Korea Federation of Regional Credit Guarantee Funds (KERCGF). (Figure - 3)

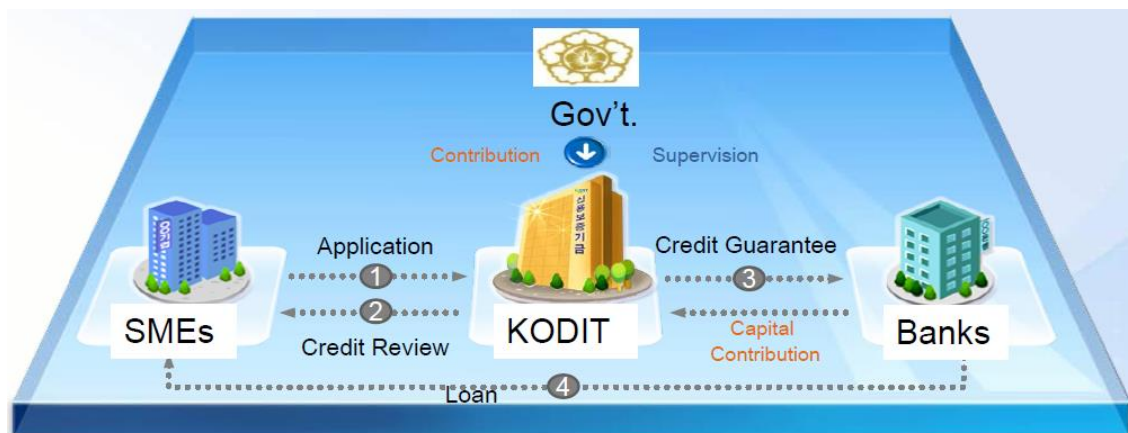
**Figure - 2: Financial Support System for SMEs**



Source: Kim & Chang, 2012

KODIT offers eleven types of general guarantees including (1) Guarantee for Bank Loans, (2) Guarantee for Payment Warrant of Banks, (3) Guarantee for Corporate Bonds, (4) Guarantee for Tax and Duty, (5) Guarantee for Commercial Bills, (6) Guarantee for Loans from Non-banking Financial Institutions, (7) Guarantee for Leases, (8) Guarantee for Execution of Contract, (9) Guarantee for Transaction Liabilities, (10) Guarantee for Acceptance of Trade Bills, and (11) Guarantee for Secured Loans.

**Figure - 3: Framework of Credit Guarantee System**



Source: KODIT, 2013

In Table - 8, the share of each financial source in SME financing are summarized for the period of 2004 to 2011. As shown in table, the share of bank loans is the largest source in SME financing and shows increasing trend up to almost 70% in 2011 while the share of non-banks

source has gradually declined to less than 20% of the total SME loans. The share of bonds and equities is the minimal even with the government's endeavor to development of KOSDAQ. The share of credit guarantee and venture investment has remained unchanged during that period with around 11-12% and 1%, respectively.

**Table - 8: Sources of SME Financing in Korea**

(Percentage of the Total)

Year	Banks	Non-Banks	Bonds & Equities	Venture Investment	Credit Guarantees	Others	Total
2004	61.1	22.7	0.6	1.2	13.6	0.8	100.0
2006	64.0	22.7	0.8	0.8	11.0	0.7	100.0
2008	68.0	21.0	0.8	0.7	8.9	0.6	100.0
2009	64.7	21.0	1.0	0.7	11.7	1.0	100.0
2010	64.5	20.7	0.7	0.8	12.3	1.1	100.0
2011	67.8	17.2	0.5	0.9	12.3	1.4	100.0

Source: Sohn and Kim, 2013

#### ***d. Access to Technology***

SMEs engaged in subcontracting with large firms is a way of acquisition of raw materials, product design, management practices, financial support, and more importantly technology. To promote technology and to facilitate SME research and development efforts, Korea Technology Credit Guarantee Fund (1989), New Product and New technology Certification System (1997), and Technology and Development Fund (2000) were established. Since January 2014, SMEs have been allowed a 50 percent tax exemption from income earned by technology transfer. Moreover, if a company takes over or merges with a venture firm, or technology innovation firm, which invests more than 5 percent of its sales in R&D, the former is allowed to enjoy corporate tax exemption amounting to 10 percent of the value of technology concerned. Furthermore, businesses involving intellectual property service and R&D assistance are also eligible for special tax credit for SMEs.

#### ***e. International Market Expansion***

To promote export, in 1962, Korea Trade Promotion Corporation, changed to Korea Trade-Investment Promotion Agency (KOTRA) in 1995, was established. Since 1975, small business export credit is provided by the Export-Import Bank of Korea (Korea Exim Bank) to SMEs that manufacture exporting goods or supply materials to assist SMEs' efforts to heighten exports. Export promotion Centers are set up in the regional offices of SMBA across the country. Furthermore, the major functions of KOTRA are rearranged to specifically support the trade activities of SMEs. Recent years, SMEs in Korea are relying more on the domestic market for growth than on the global market as domestic sales of SMEs increased by more than four percentage points over the past decade, while their exports shrank by the same margin. However, the portion of consumer spending in the nation's GDP has decreased by five-percentage-points as of the end of 2013, which indicates the limited growth of SMEs in the long-run if they continue to



rely on the domestic market. It highlights that more concerted efforts are needed to support SMEs in order to tap into the global market.

#### ***f. Entrepreneur Learning***

The public entrepreneurship education system are initiated since 1982 with SME Training Institute. Education. Several entrepreneurial learning programs led by the central government, has been developed with specific purposes, ranging from the youth BizCool program (2002) graduate schools of entrepreneurship (2004), startup education for college students (2005), and Technology Startup Academy. Among others, universities are the most active in providing courses and internship opportunities.

#### ***g. Representation of SMEs Interest and Networking***

Contributing factors in the steady growth of Korean SMES is the expansion of sub-contracting transactions between large-scale assemblers and SMEs suppliers since it is a mutually beneficial partnership through efficiency enhancement. Clustering, cooperation, and integration among SMEs lead to shared information and knowledge, and gained the collective bargaining power with big businesses. Moreover, co-branding or sharing one brand name with several companies is also an alternative strategy for market penetration and cost saving. In year 2000, the International Network of Korean Entrepreneurs (INKE) was organized to allow companies to cooperate for their mutual interest. SMEs can also receive assistance for various educational programs to introduce advanced information systems to SMEs.

## **IV. CONCLUSION**

### **4.1 Summary**

SMEs are major contributors to country's economy and serve as a backbone of the economic growth especially for developing 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, 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. These factors highlight the urgent needs to remedy and improve the hindrance of SME sector in Myanmar with the support of strong policy measures and effective implementation by respective agencies and organizations in order to create a conducive environment for the development of entrepreneurship and SMEs in Myanmar.

The study on the experiences of Korea in entrepreneurship and SME development has some useful implications for Myanmar SME sector. Even though Korean economy was traditionally dominated by large conglomerate firms, later on, government policy changed to concentration of industry and interest in promoting SMEs. The policies more emphasized on establishing complementarities between SMEs and large enterprises through the promotion of subcontracting

and other linkages between two parties. In recent years, however, government policy has been increasingly oriented toward assuring SMEs of access to finance, markets, and technology independent of large enterprises.

With the rapid growth of physical and human capital in the Korean economy, SMEs needed to upgrade their technology, which was partly supported by government financial institutions and to a lesser extent from technological centers. Moreover, government channeled these supports primarily to those firms that could prove their competitiveness by exporting. This measure led SMEs to increase their marketing expertise and to find ways of penetrating international markets.

It can be argued that an important reason for vigorous entrepreneurship in Korea is due to the variable resources, i.e. financial, human and knowledge resources from the large firms can be flexibly applied in the start-up of new businesses in restructuring process of the economy after 1997 Asian economic crisis. Thus, it can be inferred that developing human resources to be flexible is much more beneficial than prioritizing job security in the labor market.

Another factor stimulating creativity and entrepreneurial energy seems to be the economic and political system. Democratic political system, liberalized market economy and open-door policy lead to the development of individualism, creative thinking, risk-taking behavior, and innovativeness. It can be seen that political democracy, economic liberalization, and an open-door policy of Korea; all have contributed to the development of individualism, creative thinking and new business model, all of which craft the entrepreneur spirit which is reinforced with profits and prosperity. These factors highlight that specific government policy instruments as well as the overall business climate are equivalently important in promoting new ventures and entrepreneurship.

## **6.2 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 mechanism 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 that can disseminate the information and support the business functions of SMEs in cooperation with the SME service centers and relevant stakeholders;

#### ***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 develop an environment that nurture alternative ways of financing including microfinance scheme, leasing and factoring market, venture capital and angels fund;
5. 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 arrange business matching programs between foreign investors and local enterprises, and in particular SMEs, with emphasis on backward linkages in regional and global supply chains;
4. To provide trade finance through the banking sector for improving access to export and import finance.

#### ***Entrepreneurial Learning***

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 establish modernized laboratory with testing facilities, quarantine centers and certification bodies;
3. 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;
4. 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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