

**YANGON UNIVERSITY OF ECONOMICS
DEPARTMENT OF COMMERCE
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**THE EFFECTIVENESS OF CREDIT FINANCING ON
THE GROWTH OF SMEs
(A CASE OF SELECTED SMEs IN MONYWA INDUSTRIAL ZONE)**

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THE EFFECTIVENESS OF CREDIT FINANCING ON THE GROWTH OF SMEs

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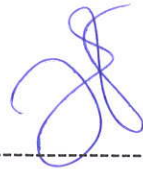
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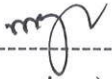
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ABSTRACT

This study was conducted to find out the relationship between credit financing and the growth of Small and Medium Enterprises in Monywa Industrial Zone. The study was set to address the following specific objectives: to examine the nature of credit financing facilities offered to the small and medium enterprises at Monywa Industrial Zone, to determine the level of growth of small and medium enterprises at Monywa Industrial Zone , to determine the relationship between credit financing facilities and growth of small and medium enterprises. The researcher used a descriptive and analytical research design to establish a relationship between the two variables and to exhaust all areas in the research. A sample size of 100 Small and Medium Enterprises from Monywa Industrial Zone was used and sampled. The findings indicated that 75% respondents were in agreement that credit financing is very important for the growth of their businesses. The overall evaluation of the study found out a positive relationship between credit financing and growth of Small and Medium Enterprises in Monywa Industrial Zone. The have a look at concludes that credit financing facilities are very paramount for the increase of Small and Medium Enterprises. The study recommended that among other things, there is need to revise the lending policies, terms and conditions for loans, so that they favor the Small and Medium Enterprises. In addition, the interest fees on loans need to be reduced.

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CHAPTER 1

INTRODUCTION

SMEs are the premise for numerous Nations' financial development and advancement. SMEs make contributions to employment creation, growth in gross home product and growth in export earnings. Therefore, developing robust strategies that could enhance SMEs performance is imperative, especially in an external business environment that is characterized by the rapid market, technological and competitive changes. These days, the significance of SMEs has been recognized around the world and their monstrous inclusion to financial development, community organization, work, catalysts of development, advancement and abilities and advancement.

Small and Medium Endeavors (SMEs) involve a put of pride in for all intents and purposes each nation or state. Because of their significant roles in the development and growth of various economies, they have been referred to as the engine of growth and the vehicle for socio- economic change of any country. Another benefit of SMEs consists of get admission to to the infrastructural facilities made to be had by using the very existence on these enterprises. Also the spur of economic activities through supplies of items produced, distribution process stemming from rural to urban centre, enhances the standard of living of the employees and their families as well as those who straightforwardly and by implication related with them **(Onuorah, 2010)**.

Small and Medium enterprises (SMEs) represent 90% of businesses in Myanmar. SMEs are considered as an crucial element inside the countrywide economics. SMEs play a large role inside the country's economic, social and political development and additionally creating a variety of job opportunities for the neighborhood population. The sustainable development of the SMEs development will make contributions to employment creation, resource utilization, profits era and promotion of investment both from micro- and macro-economic points of view. At the same time, SMEs has comparative advantage in their adaptability and dynamism in terms of reaction to the changing financial and social environment.

Despite of all the significant efforts made by the stakeholders for its effective growth and development this sector is facing many challenges including improper

infrastructure, regulatory requirements difficulties, shortage of skilled HR, noncompetitive products, lack of entrepreneurial expertise, shortage /irregular availability of financing facilities, inability to meet financing formalities /credit conditions, lengthy documentation procedure, small scope of business and risk of default. There was also a shortage of spare parts and raw materials, low level of technology, insufficient machines and equipment, lack of capital, and shortage of foreign currency. In the event that Myanmar is genuine about developing its economy, it is basic that liberalizing the economy and advancing private undertaking and speculation require critical addressing. Access to credit is one of the significant issues that are looking by this division, while directing the exploration it was discovered that financing choices for SMEs are various but get to the accounts is troublesome in spite of different government activities.

Most of the SMEs are facing insufficient get right of entry to to finance due to the necessities of economic establishments for gratifying stressful documentation as it's miles a known fact that SMEs are not able of keeping up monetary explanations and close managing an account teach it is the essential archive for having credit office, so due to the nonappearance of such archive financing demands are declined by the banks in majority of the cases. This fact has been pointed out by **Kousar, Durrani, Hussain & Hassan (2012)** that financial documents are imperative for SMEs to have access to finance from banks and other financial institutions. Such factors are hindering of socioeconomic development to its people. In this ponder will investigate the effectiveness of credit financing on development of SMEs in Monywa Mechanical Zone.

1.1 Rationale of the Study

Credit Financing directly affects the growth of small and medium enterprises (**Padey, 2000**). Appropriate administration of obligations lead to development and smooth operation of businesses and destitute administration of obligations will not as it were cripple the capacity of commercial banks and other loaning institutions to offer credit facilities to small and medium enterprises but threatens their profitability and survival.

Growth of small and medium enterprises SMEs involves increased level of output, increased number of employee performance, increased level of creativity and innovation, industrial restructuring and wealth generation in both developing and

developed economies Uganda Investment Report UIA (2008). According to **Mataly and Westhead (2005)**, healthy and growing SMEs are perceived to be crucial for sustainable competitive and economic development at local, regional and national levels.

Small and medium endeavors are businesses which are freely possessed and operated by a couple of people. They can be characterized in terms of sales volume and number of representatives within the trade shown by structural advancement, benefit and business levels. Banks are the main source of external financing for small and medium enterprises (SMEs) in Myanmar. Since the transition process started in 2011, the Government of Myanmar has commenced to implement wide-ranging reforms with the intention of decreasing poverty and increasing monetary growth. A key part has been allotted to the private sector, which is nearly only composed of little and medium-sized endeavors (SMEs). Despite the truth that a part of endeavors have been put in providing dealers with bank advances and exchange credit as a frame of credit financing to advance their development, this has not been the case as majority need collateral security, numerous are advertised little credit sizes with tall intrigued rates, brief credit periods, the quickly developing inflation rate and tall insufficiency. This disheartens the budgetary teach to offer them credit administrations in this way undermining their productivity survival and capacity to develop. As a failure to perform their operations, many buyers have misplaced their businesses since they can't be sustained with their personal equity. It is likely that the cause of moo development of little and medium ventures can be due to lacking subsidizing, planning, limited credit financing. The bear in mind in this manner looked for to take a look at the impact of credit financing on the improvement of small and medium enterprises.

1.2 Objectives of the Study

The objectives of the study are:

- (1) To identify the sources of Credit Financing from Various Sources at Monywa Industrial Zone.
- (2) To analyze the effect of Credit Financing on Growth of SMEs at Monywa Industrial Zone.

1.3 Scope and Method of the Study

The study was covered during the period December 2018 to December 2019 and was carried out from Monywa Industrial Zone, upper Myanmar. There are about 505 SMEs Operating in Monywa Industrial Zone. Among them only 100 SMEs are selected by random sampling method for conducting this survey. The study covered the concept of credit facilities as independent variable and the dependent variable was growth of Small and Medium Enterprises (SME's). It inspected credit financing components which were conceptualized as; bank credits, exchange credits and bank overdrafts. The dependent variable which was the growth of small and medium enterprises was conceptualized through indicators like profitability, sales volume increase, increased product range and expansion of small and medium enterprises.

The method of study is descriptive, based on the available information from secondary data collected by two sources, one source is Monywa Industry Zone and another data, it is studied on Management of Consumer Credit and Financial Accounting (2016-2018, MBF course) and is also collected from various published sources such as journals, articles, and reports and mainly used from Two-Step Advance Venture for Little and Medium Undertakings Advancement within the Republic of the Union of Myanmar.

1.4 Organization of the Study

This study is divided into Five Chapters. Chapter (1) consists of introduction covering rationale of the study, objectives of the study, scope and method of the study and organization of the study. Chapter (2) briefly explains on credit financing and the growth of SMEs. Chapter (3) describes the overview of SMEs in Myanmar and Profile of SMEs in Monywa Industrial Zone. Chapter (4) presents survey design, demographic profile of the respondents and describes the analysis of financing on SMEs in Monywa Industrial Zone. Chapter (5) provides the conclusion of findings, suggestions and recommendations.

CHAPTER 2

THEORETICAL BACKGROUND OF THE STUDY

This chapter focuses on the theoretical and practical relationship between credit financing and growth of small and medium enterprises was looked at as studied by different authors. Area such as description bank loan, bank overdraft, sales volume increase, increased profitability.

2.1 Small and Medium Enterprises in Myanmar

SMEs are widely defined in phrases of their characteristics, which include the size of the capital investment, the wide variety of employees, the turnover, the management style, the region and the market share. SMEs are the basis for many Nations' financial increase and development. SMEs contribute to employment creation, increase in gross domestic product and increase in export earnings. Therefore, growing robust strategies that should enhance SMEs overall performance is imperative, in particular in an exterior commercial enterprise environment that is characterized through the speedy market, technological and competitive changes.

SMEs are regarded necessary to the national economy. Myanmar has a populace of 53.72 million people, 70% of the populace lives in rural areas. The GDP (nominal) of Myanmar in 2014 was once EUR 4.08 billions (World Bank Data 2015). In 2014, GDP per capital was once EUR 1,040 and, with a poverty price of 37.5% in 2010, Myanmar is one of the poorest countries in Southeast Asia (World Bank 2014). They create a lot of job opportunities for the populace and contribute to employment and profits generation, useful resource utilization, and promoting of investment. Myanmar has a vision to advance SMEs, based totally on the policy to create locally progressive and competitive SMEs throughout all sectors, to stimulate earnings generation, and make a contribution to socio-economic development. Various studies estimate that SMEs in Myanmar account for 50-95%.

According to the Small and Medium-Sized Enterprises (SME) Development Bill (SME Bill), which was launched in January 2014, "small enterprises" are described as those with K50 to K500 million in capital, or with 30-300 employees. "Medium-size" organizations are defined as people with K50 million to K 1 billion in

capital, or with 60-600 employees. As a result, 99.4 percent of commercial enterprise in Myanmar are about classified as SMEs and there are now 50,694 SMEs altogether in the regions and states on Union territory. As some ninety nine percentage of companies in Myanmar are classified as small- and medium-sized businesses (SMEs), whatever that can be accomplished to help these companies can solely boost Myanmar's economy.

2.2 Concept of Credit Financing

Stierwald, (2009) noted that financing is an imperative component for profitability of a commercial enterprise employer irrespective of its size or industry where it operates. Financing enables the important monetary functions of production and distribution. Financing ensures that a company is liquid enough to meet working capital needs. Debt and Equity are the formal sources of finance for investment. Informal financing for entrepreneurs involves gaining access to their own savings and those of family, friends, and even neighbors. Entrepreneurs are seeking informal 'angel' traders who supply financial capital as properly as business know-how for walking a firm. Since debt and equity have very extraordinary characteristics, every has a specific influence on earnings, cash flow, balance sheet presentation and taxes. Each also has a one of a kind effect on a Company's leverage, dilution, and a host of other metrics by using which businesses are measured. Each financing option brings a distinctive type of relationship with the respective financing source.

Wesis (1981) referred to that deposit financing boosts a firm's capital base enabling it undertake possibilities that occur in its running environment. Size of an association has been mentioned as a determinant to get entry to of savings amenities via an enterprise. For start-ups, which are considered as informational opaque, frequently acquire a smaller fraction of lending establishments finance as they are regarded riskier than extra set up companies (Franck & Huyghebaert, 2009). This leaves SMEs with a shortfall in funding. One of the measures that savings lending establishments undertake to mitigate in opposition to hazard of default is acquiring collateral that acts as a security on the credit facilities.

Small and Medium Enterprises (SMEs) are in many instances believed to have constrained get admission to deposits, deposit amenities and different financial help offerings supplied through Formal Financial Institutions. This is because most SMEs cannot furnish the crucial collateral security demanded by means of these formal

lending institutions. Further, stringent necessities and bureaucratic lending techniques via the formal lending institutions compel most SMEs to resort to casual lenders such as ordinary cash lenders, pals and relatives. In addition to this, the associated dangers involved in lending to SMEs make it unattractive to the banks to deal with Small organizations (World Bank, 1994). Statistically, small agencies are suggested to have high failure prices making it difficult for lenders to examine accurately the viability of their enterprises, the capabilities of the entrepreneur, and the likelihood of repayment.

Romer (1986) mentioned that microfinance establishments (MFIs) have emerged to provide deposit solutions to SMEs. MFIs, as part of their core business, grant deposit to SMEs. In addition to these economic services, MFIs additionally furnish non-financial services like enterprise training, monetary and commercial enterprise administration to assist enhance the capability of their consumers in managing the mortgage resources granted them. Finance has a distinguished function in the endogenous growth theory, thru its superb impact on the ranges of capital accumulation and savings.

2.3 Theories Background

The researcher based on a methodological evaluation of scholarly studies, solely on company determinants of growth specifically focusing on financial sources that provide the particular theories used to determine small business growth.

2.3.1 Financial Resources and the Resource-Based View Theory

Financial useful resource is an organizational asset used to offset liabilities and at the same time accumulate different property that the firm must have in abundance to attain goal growth (Stacey,2011). Nonetheless, the resource-based view principle considers finance as the oil for growth. It is certainly the existence blood of the firm. The economic device is the vessel that includes this life blood through the economic system, therefore misguided vessels forestall the existence blood from achieving necessary parts of the economic gadget (Sowah,2003). Similarly, the economic assets RBV theory complements strategic management through concentrating association efforts on assets accumulation (Degrauel,2012). Referring to the RBV, greater finance is an indication of availability of financial resources for growth. According to Gill & Biter (2012), adequate finance has a good sized effective impact on the survival and growth of small enterprise and except which the small

enterprise would find it hard to succeed. Two In line with this, Yallapragada and Buoyant (2011) studied the critical key factors in the fulfillment of SME and concluded that the factors that decided SMEs success consist of sufficient monetary resources. Again, the usage of a survey questionnaire of SME proprietors Chong (2012) examines the elements that have an effect on the success of small and mediumsized businesses (SMEs) growth as perceived by the commercial enterprise proprietors and managers. Interestingly, it was once found out that economic sources are critical to the survival of SMEs. Nevertheless, lack of monetary resources is stated through entrepreneurs as the most considerable constraint to commercial enterprise growth and growth (Byrd et al., 2013). Likewise, Brinckmann et al. (2011) proven that small businesses encountered challenge in the acquisition of monetary resources in pursuance of their boom prospect.

However, the situation is between proprietors groups and the exterior stakeholders particularly banks which originates from statistics asymmetry. Notably, lack of monetary assets is one of the largest obstacles that could lead to the early death of a small business. Likewise, it has additionally been identified as the general impediment inside the literature (Raeesi,2013&Chong,2012). Conversely, investigating into the consequences of business failure on enterprise owners, it was once strongly argued that business failure is suitable for the society and the financial system as whole. The purpose being that failure discharges know-how and assets from non-operational agencies to operational corporations (Ucbasaran *et al.*, 2013). Furthermore, Ucbasaran, Shepherd, Lockett, and Lyon (2013), recommend that enterprise failure ought to diminish price for surviving groups with the aid of vicarious learning. It is important to notice that there is the want to discover strategies via commercial enterprise proprietors to finance their corporations because lack of economic sources is a key component in the excessive failure rate of small commercial enterprise growth (Nofsinger and Weicheng, 2011).

2.3.2 Social Capital Theory

This idea used to be propounded in 1995 through Putman, which explains social capital as the complete resources each true and virtual that accrue to an individual proprietors and Organizations by way of advantage of having mutual relationship, acquaintance and attention to a social community (Bourdieu & Wacquant, 1992). The benefits collected through social networks define the social

capital of enterprises. This is tons imperative in the financing context of SMEs due to the fact there may want to be mutual benefits between the parties when inter and intra-social network of SMEs are formed. It denotes the functionality of the gamers to derive sizable and immeasurable benefits from their social networks, non-public relationships and the first-rate of association (Portes, 1998). The social capital principle puts up an argument that persons and corporations most regularly take part in social networks in order to make income (Lin, 1999). The principle has its power primarily based on three assumptions namely (i) the greater the networking, the larger the social capital, (ii) the higher the social capital, the higher the precedence of the norm of equality (iii) the higher the social capital, the simpler to mobilize help for hassle solutions.

As indicated by using Schmid & Robison (1995), the thinking of social capital is made up of: expectations, tasks and statistics channels, trustworthiness of structures, norms, and nice sanctions. All these have a superb have an impact on on SMEs growth. According to Davidsson & Honig (2003) SMEs are more probably to increase dollars to finance their commercial enterprise increase higher when they increase and preserve robust association to social networks. This is further clarified by means of Coleman et al. (2013) that social capital should be one of the crucial sources which can decorate inner organizational believe thru the bonding of actors, as properly as by using bridging external networks in order to supply beneficial financial resources. Evidence from previous studies performed have come to a consensus that the using pressure in social community theory is trust and fulfilment of obligation which go with sanctions (Coleman et al. 213; Knack & two two Keefer; 1997; Lin, 1999). One giant splendor component of social capital idea as indicated by using Kasekende & Opondo (2003) is its capacity to provide proper consequences in the course of data sharing that overcome facts asymmetries problem, which is difficult to share data with achievable financiers like corporations irrespective of their size. Markets are created and maintained via the network, at the same time it identify business partners and viable buyers for SMEs growth.

When SMEs enhance and keep an exact social network, they stand to gain from social capital which will assist their effort to invulnerable finance for operations. This is made plausible due to the reality that social capital builds have confidence amongst SMEs and their network partners. The social network take the region of social insurance plan which translates into enterprise insurance plan and presents get

entry to pertinent statistics which SMEs need to embark on a variety of enterprise transactions (Spence, Schmidpeter & Habisch, 2003). This strategy has been beneficial for banks which establish social networks with SMEs (DeYoung, Guenon, Nigro, & Spong, 2012). It is prudent for SMEs to construct networks with non-rival companies to decorate their ability and chance to enter into, and examine contractual exchanges as nicely as criminal protection from unscrupulous practices with the aid of other firms (Spence, Schmidpeter & Habisch, 2003; Mensah, 2004).

SMEs need to leverage their community relationships, which can make bigger their accessibility to novel sources of statistics to control with turbulent environmental instances (Pinho, 2011). In a very clear and exclusive manner social network supplied by organisations, neighborhood and buddies and household are theorized to support the positive consequences of entrepreneur traits like journey schooling and financial capital thru trade-off. It is critical to follow this theory to become aware of and understand the how social community can support entrepreneurs in sourcing for finance to fund their business growth. Despite, the numerous relevance of social capital theory, like any other administration science theory, social capital has been strongly criticized. For occasion Bourdieu & Wacquant, (1992) accept as true with that social capital principle is an instrument used by means of the elite to segregate incapable and marginalized wrong humans from coming into the community group. This pinpoints to the reality that solely the contributors inside the community stand the risk to gain from the network. Whereas this may additionally be conceivable under man or woman networks level, strategic SMEs can equally fashioned a bright networks to produce social network. However, SMEs might also be obstructed by well-established large social networks of financial institutions which center of attention on larger organizations as their target.

More so, it is beneficial to notice that social capital network if it is not well crafted in its formation can bring to mild some negative significances such as criminal networks (Quillian & Redd, 2006). The idiosyncratic nature of social capital network generally comes along with fairness generation troubles (Perkins, Hughey & Speer, 2002). As SMEs strive to consist of all interested establishments and members to the community it turns into a imperative venture to become aware of and predict intentions and assurance behaviors. Also it may also be extraordinarily cumbersome for SME to get the desire advantages from the social community without persistence free drift of information concerning the commercial enterprise nature, strategic plans

and returns to funders considering the fact that records asymmetry is regarded as essential problem. However, regardless of the criticisms levelled against this theory, the utility of social community theory via its linkages, social capital and monetary capital can assist SMEs to generate ample capital to guide their growth.

2.4. Sources of Credit Financing

In Finance, the extension of money from a bank to another party with the agreement that the money will be repaid. About all bank credits are made at intrigued, meaning borrowers pay a certain rate of the vital sum to the loan specialist as recompense for borrowing. Most credits too have a development date, by which time the borrower must have reimbursed the credit. All bank loans are categorised into two awesome groupings; secured and unsecured loans.

2.4.1 Secured Loan

A secured loan is a mortgage in which the borrower pledges a few asset (e.g. an vehicle or property) as collateral for the advance, that at that time gets to be a secured obligation owed to the investor United Nations agency provides the advance. A loan loan is a very common kind of debt instrument, used by way of many folks to purchase housing. In this arrangement, the coins is used to shop for the property. The monetary institution, however, is given security, a lien on the title to the house, till the personal loan is paid off in full. If the borrower defaults on the loan, the bank would have the legal right to repossess the residence and promote it, to get better sums owing to it.

2.4.2 Unsecured Loan

An unsecured loan is a mortgage that is issued and supported only via the borrower's creditworthiness, as a substitute than by way of any type of collateral. Unsecured loans—sometimes referred to as signature loans or non-public loans are permitted except the use of property or different belongings as collateral. The activity costs applicable to these exceptional types might also range depending on the lender and the borrower. These may also or may additionally no longer be regulated by means of law. Interest fees on unsecured loans are almost constantly higher than for secured loans, due to the fact an unsecured lender's choices for recourse against the borrower in the event of default are severely limited. In indebtedness procedures,

secured banks customarily have need over unsecured loan specialists when a court isolates up the borrower's resources. Thus, a greater hobby price reflects the additional chance that in the event of insolvency, the debt may additionally be uncollectible.

2.5 Bank Overdraft facility

This is where proprietors of enterprise adventures are accepted to overdraw their records. For example if a company has something like 60 million shillings for its, an economic agency to which that businessperson is a consumer might also enable the man or woman in query to overdraw a limit of 20 million with the give up goal that at any one time, the company can have the option to tap a sum of 40 million from its record (Kakuru, 2001). An overdraft can likewise be characterized as an appreciation the place a client can purchase products on account (without paying money), paying the provider sometime in the now not too far away future. Generally when the merchandise are conveyed, an alternate savings is given for a precise measure of days for occasion 30, 60 or 90 days. Adornments businesses here and there stretch out credit to one hundred eighty days or more. Fundamentally, this is a credit score an company gives for any other for the acquisition of products and organizations. The measure of days for which a deposit is given is managed by way of the agency permitting the credit, and is settled upon through each the company enabling the credit score and the organization accepting it. With the augmentation of the installment date, the business enterprise accepting the credit score basically may want to sell the merchandise and make use of the internet continues to take care of the obligation. This type of savings is in some instances given to energize deals. Now and again, a issuer may additionally supply a rebate, if the customer pays inner a precise timeframe.

A financial institution overdraft facility is a credit agreement made with a bank that permits an account holder to use or withdraw extra money than what they have in their account up to the permitted limit. The sanctioned overdraft limit and the activity charged will fluctuate based totally on the nature of the asset supplied as collateral.

2.6 Growth of SMEs

Ronstadt (2000) defined two boom of SMEs as a company's make bigger in its product sales, market share, manufacturer recognition, purchaser loyalty, opening of new branches via expansions and acquisitions, an highest quality capital shape and accelerated profitability and return on investments. There are a number of methods which enterprise growth can be measured. There are exterior factors of course, like income and purchaser demand, however there are additionally some internal measures which can be evaluated, such as the variety of personnel or the increasing figures on your financial documents. The indicators of commercial enterprise increase encompass the following; increased income and revenues. Increasing income and revenues have to be skilled with the aid of the employer in the items or services such a business enterprise offers.

2.6.1 Sales volume increase

Sales quantity refers to the amount or range of gadgets that are sold of a unique product or service. Profits rely on growing income and managing costs, which consist of variable and constant costs. Variable costs depend on sales volumes due to the fact they involve direct uncooked substances and labor costs. Small and large groups incur fixed costs, even if they have no sales. Fixed charges are steady at sure degrees of production and sales. Outside of these levels, constant prices may also range with sales volumes. Sales are the lifeblood of any successful business . An extend in sales, all other things equal, normally translates into higher profitability (Byaruhanga, 2012). Sales volume refers to the wide variety or quantity of products offered and can be expressed in both shillings or share terms.

2.6.2 Increased profitability

A financially stable company applies ideal use of both debt and owner's equity and an organization which is no longer struggling with monetary problems as most companies do is considered to be placing off from its beginning toes to greater commercial enterprise horizons consequently regarded at as a developing company. Such an organization will never lack funding seeing that financial Institutions will start looking at it as a potential patron and they are geared up to lend it money as need may additionally be. On the different hand, if the organization does now not favor to hire so plenty debt in its business, it is convenient to sale off its shares and receives

the required capital or funds and achievable shareholders will come panting for the provide (Sekajja, 1997). Growth in profitability is additionally one of the indications of monetary activity.

Such increase ought to be reflected in worthwhile enterprises, and conversion into medium or large enterprises. In addition, SMEs boom can be measured in phrases of profits. Profit making enterprises seem at the fee of return on the resources of the firm (Pandey, 1996) If the stage of profits of the association is high, then the enterprise can continue some of the profits for reinvestment (Yaron et.al., 1996). These are referred to as retained income which are undistributed parts of the corporation that are regarded as a source of owned capital.

These profits are converted into reserves and used for the financing necessities of the company. This manner of re-investing a component of the income of the corporation is known as pouching back of profits or inner financing (Kakuru, 2001). Sandee (1999), Rural humans do not make ample profits that can be ploughed returned for reinvestment for this reason developing a barrier in financing their business.

2.7 Effectiveness of Credit Financing on the Growth of SMEs

Theoretical review propounds that credit financing performs a indispensable position on firm's growth. Economists view savings constraints and other credit score market imperfections as severely limiting the funding and operations of firms. Credit constraints limit the size of firms, as properly as their growth, profits, activations and liquidations; their scope of operations might also also be limited. Understanding the implications of credit score constraints is of first-order significance for the overall performance of aggregate economies, especially for creating economies, as capital market imperfections can therefore impair the aggregate accumulation of capital, the price of return of investments, improvements and accumulation (Alexander & Hall, 2003).

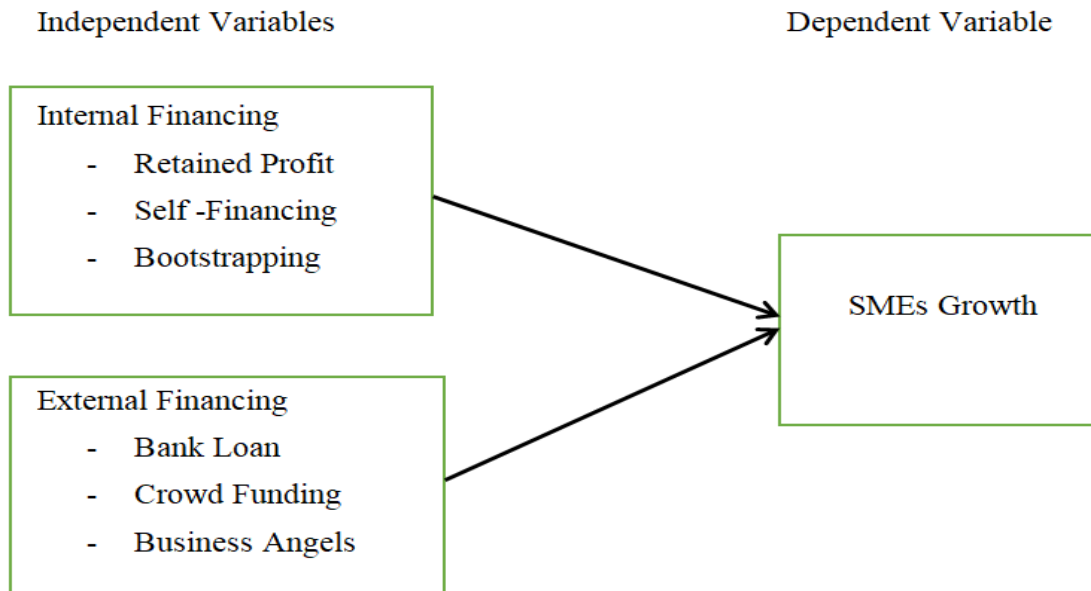
Access to finance is seen as crucial circumstance for SMEs success in their drive to build productive capacity, to compete and to make a contribution to poverty alleviation in creating countries. Without fund, SMEs can not one or the other take in modern innovations nor can they increment to compete in universal markets or indeed strike commercial venture linkages with bigger organizations (Idowu, 2010). Credit financing improves company overall performance commonly in the first few years

after start-up and monetary leverage has a high-quality impact on the firm's return on fairness supplied that the incomes powers of the firm's property exceeds the common activity value of debt to the association (Franck & Huyghebaert, 2009). Understanding the implications of deposit financing constraints on the boom of SMEs is of first-order significance for the performance of economies, specifically for creating countries, as capital market imperfections can impair aggregate accumulation of capital, fee of return on investments and improvements (Alexander & Hall, 2003).

2.8 Previous Studies of Credit Financing on the growth of SMEs

The idea to arrive at a system that can supply the satisfactory feasible clarification of the problem cited (Brown et.al., 1995). As stated in the literature both inner and external sources of finance are identified as the most influential determinants of SMEs growth (Rauch & Rijkskik, 2013). As financing wishes rely generally on the accessibility from both internal and external sources and different traits of company and entrepreneur, it turns into indispensable to diagram a framework that can supply tips for the identification and evaluation of the financing preferences of SMEs to determine growth. The framework is beneficial in guiding future research on financing SMEs increase from get right of entry to financing sources factor of view. However, the extent of the research perceive the entrepreneur economic schooling which strengthens the proprietor manager's participation in the monetary market which has subsequent fine relationship to SME increase (Lusardiet al., 2013). The conceptual framework of the previous learn about is proven in Figure (2.1).

Figure (2.1) The Conceptual Framework for Determining SMEs Growth Focusing on Financing Sources

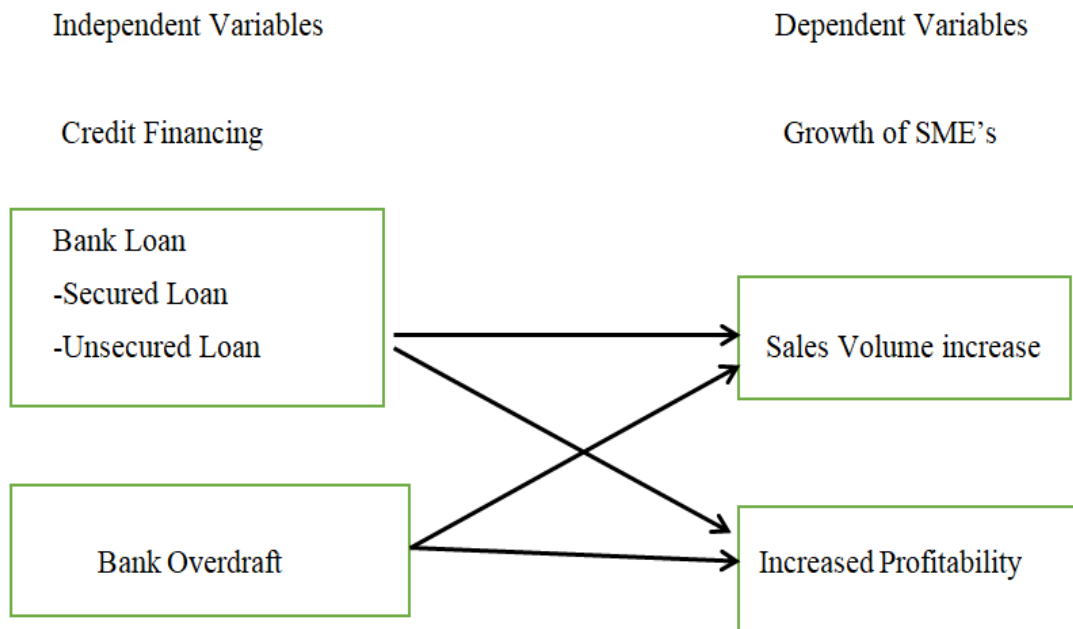


Source: Brown, Renwick, & Raphael, (1995)

In their study, Brown, Renwick and Raphael (1995) investigated financial determinants of SMEs growth among SMEs. Two independent variables known as internal and external financings were focused in this study. It is found that both internal and external factors strongly significantly on the growth of SMEs.

2.9 The Conceptual Framework of the Study

The conceptual framework of the study is based on the review of the areas like description of Credit Financing with bank loans and bank overdraft that leads to growth of SMEs with measures sales volume increase and increased profitability.



Source: Adopted from Brown, Renwick and Raphael (1995)

The above conceptual framework of the learn about is developed based totally on the above literature evaluation and preceding find out about of Brown, Renwick and Raphael (1995). According to the above conceptual framework, unbiased variable credit financing consists of financial institution loan and financial institution overdraft. Primary statistics is amassed from a hundred SMEs in Monywa Industry Zone as the sample population. The based variable increase of SMEs is measured by income extent amplify and elevated profitability. Regression model is used in order to discover out the relationship between impartial variable and dependent variable.

CHAPTER 3

PROFILE OF SMEs IN MYANMAR

This chapter includes the overview of SMEs sector in Myanmar, SMEs finance in Myanmar, Industrial Zone in Myanmar, Profile of SMEs in Monywa Industrial Zone and Major Financial Institution and Finance Options for SMEs in Monywa Industrial Zone.

3.1 Overview of SMEs Sector in Myanmar

Myanmar has adopted the market – oriented economic device in 1988. Appropriate measures has been undertaken, the underlying component in doing so are decentralizing the vital control, encouraging private zone development, allowing foreign direct investment, beginning institutional changes and selling external change by using streamlining export and import producers. According, laws, orders, rules, guidelines and notifications which had prohibited or confined the personal quarter from attractive in financial activities had been replaced and plenty of legal guidelines and regulations were amended to be in line with the change of time and circumstances. The official definition of small and medium enterprises (SMEs) in Myanmar issued since 1990. Four measures or standards for classification, particularly variety of employees, capital investment, production extent and electrical usages are applied to distinguish exclusive sizes of Myanmar non-public firms. According to the definition of SMEs defined by the Private Industrial Enterprise Law 1990, the definition of SMEs (2012 Revised Law) in Myanmar can be described as follow:

Table (3.1) The Definition of SMEs

No.	Category	Small and Medium Enterprises
1	Number of workers	
	(a)Manufacturing Industry	10 to 150
	(b)Servicing Industry	10 to 100
2	Capital investment(million kyats)	
	(a)Manufacturing Industry	Below1000
	(b)Servicing Industry	Below 500

Source: Ministry of Industry (2), 2012.

Over 90 per cent of all commercial enterprise in Myanmar is assessed as Small and Medium Sized Enterprises, and the government has diagnosed that SMEs are most important driving force for the country's destiny national financial development. The subject matter SME stakeholders cowl farmers, growers, producers, wholesalers, retailers, folks that shipping those produce and products and those who deliver services regarding these, for the products to reach consumers in their respective sectors along with "Supply Chain." 126,237 or approximately 99.4% of all businesses in Myanmar are classified as Small and medium enterprises (SMEs). On average, Small and medium enterprises (SMEs) in Myanmar account for 50-95% of employment and contribute 30-53% of GDP in ASEAN member states.

The Government recognizes that Small and medium enterprises (SMEs) entrepreneurship will define the country's future national economic development. Special attention has been paid by the Government of Myanmar to protect domestic Small and medium enterprises (SMEs) as a key player for industrialization, income generation and economic development.

According to the WBES, of Myanmar's estimated 13,053 formal businesses, 10% are micro (less than 5 employees), 69% small (5 to 19 employees), 16% medium (20 to 99 employees) and 5% large (100+ employees). Myanmar has 4,772 micro, small and medium businesses with revenue growth greater than 10%. These growing enterprises employ 53,100 full-time workers and have 6,518 billion kyat (US \$4.15 billion) turnover. Segmentation of WBES shows that almost half of SMEs in Myanmar are small, low growth firms. (Source: EMC analysis based on Enterprise).

3.2 SMEs Finance in Myanmar

In Myanmar, a few 99 percent of agencies are labeled as small- and medium-sized enterprises (SMEs), something that can be completed to help these agencies can best improve Myanmar's economy. Among the maximum immediate issues SMEs in Myanmar face is get right of entry to to funding. According to the Myanmar Micro, Small and Medium Enterprise Survey 2017 dispensed with the aid of the Ministry of Planning and Finance, agencies in Myanmar depend on self-financing for nearly 80pc of beginning capital while monetary aid from banks is simply 8pc.

In the meantime, SMEs are searching somewhere else for financial guide. In 2016, the Japan International Cooperation Agency (JICA) signed an settlement with Myanmar beneath which coins might be lent to community banks which would then

provide loans to SMEs in the so-referred to as two-step loan process. The JICA loans are supposed for companies in manufacturing, labour-intensive organizations, retail, wholesale, and services. The most that may be borrowed is K500 million, 80pc of which can be used for fixed assets and 20pc as operating capital. Interest is probably charged at 8.5pc a year for loan tenures between 3 and six years. In addition, credit guarantee coverage is additionally to be had for borrowers that do not have collateral.

Loans amounting to more than K60 billion had been provided to 292 SMEs till the end of 2017. SMEs within the manufacturing region are given priority for JICA's SME loans observed by way of the service industry. Most of the loans were presented to SMEs in Yangon and Mandalay, consistent with official records launched by using the Myanmar Economic Bank (MEB). Earlier this one year, MEB started extending loans to commercial organization from a wider variety of sectors at the side of production, trading, export, import substitution, recycling, energy and technology. Loans to the relevant companies may be capped at K300 million with hobby of 9pc a twelve months for tenures of three to five years. The government have moreover taken steps to transport away from the restrictive collateral-based lending machine to a cash-flow-based totally lending gadget, underneath which banks are able to lend to organizations based mostly on their credit score worthiness.

However, Myanmar FIs and SMEs face many demanding situations common of growing economies: lack of monetary carrier sophistication, quick mortgage tenors, tough collateral requirements, and obstacles to access. In Myanmar's specific case, interviews and reports do not forget the ones developmental challenges exacerbated through a regulatory regime that has limited investment and innovation in the zone. As a consequence, the United Nations Capital Development Fund (UNCDF) estimates that general demand for financing in Myanmar is nearly US \$1 billion, nearly four-times the to be had supply¹⁷, and SMEs in specific enjoy super troubles spherical get right of entry to credit. In assessment with Cambodia but much like Lao PDR and Vietnam, MFIs and banks play very distinct roles in the Myanmar economic system. There are 173 microfinance institutions (MFI) within the country – of which, the ones operated by using development organizations are the biggest, including Pact Global Microfinance Fund (PGMF), Vision Fund and Proximity. The largest domestic private area operators include Myanmar Finance International Ltd (MFIL), even as ACLEDA and Sathapana, are every subsidiaries of Cambodian MFIs with a large market share. Much smaller domestic companies and co-ops make up the principle bulk of licensed

provider providers. The banking zone contains 28 banks, of which half (14) are State-Owned Banks (4) or quasi government agencies (10). Private banks are ruled by manner of the top three – KBZ, CB and AYA – accounting for 58% of overall non-public financial group belongings, 64% of loans and 66% of deposits (March 2017).

The MFI zone has a total mortgage portfolio of around US \$500 million – in evaluation, Cambodia, a incredibly developed MFI market with one third the population, has a loan portfolio that is around 20 instances larger.¹⁹ The banking region is notably larger than the MFI region in terms of loan portfolio, but by means of nearby comparisons it stays small: home credit score to the private region in Myanmar is 23.5% of its GDP, far below other rising economies like Cambodia (86%), Lao PDR (47.5%) and Vietnam (130.7%). Both sectors are developing quickly. From 2016-2018, the kind of MFI clients almost doubled to 3 million, while the type of agencies fell through round 30% to 173 (March 2018) as smaller operators struggle to compete inside the growing marketplace because of lack of scale and excessive costs. Similarly, the banking region is growing quickly: the total assets held by using the use of the 3 biggest banks increased by means of 34% within the path of the 2016-2017 financial year, with combined loan portfolios growing via extra than 30% and deposits growing nearly 40%. However there have been concerns concerning banks' lending practices and portfolio quality, prompting the Central Bank of Myanmar (CBM) to trouble new 'prudential regulations' to modernize practices (7/2017 Directive²¹).

According to the SME Lending Analysis of WBES information illustrates that registered SMEs seem mainly fed up in credit score from FIs across all sub-segments. In general, SMEs aren't going to have a financial group loan or line of credit score, and now not going to have carried out for loan ultimate economic year. Women-managed SMEs are even much less probably to have a mortgage than SMEs in general. The largest reason cited for not making use of for a mortgage is 'no need' (mentioned on not unusual 62%), accompanied at far with the resource of process ('manner too complex', 18%) and product reasons ('price, collateral, length of loan and maturity', 6%). This attitude is regular with EMC studies of the Mandalay market, displaying many small corporations though prefer casual lenders because of more flexibility in tenors and redemption, much less documentary necessities and greater convenience. Small businesses can gather unsecured loans from MFIs pretty easily; however, they face a massive hole amongst the most loan to be had from MFIs

and the normal minimum loans to be had from banks. Regulation limits MFIs' maximum mortgage length to US \$5,000, whilst banks' regular loan sizes were spherical US \$50,000. Banks have been unwilling to make small loans as the maximum interest charge is capped at 13% and therefore they are now not keen to consist of the enormously excessive risk and high value of SME lending.

Table (3.2) Comparison of Typical Loan Terms

	MFI	BANKS
Loan Rate	Maximum 30% (regulated)	Maximum 13% (regulated)
Loan Term	6-12 months	12 months (typical)
Loan Size	Maximum US \$5,000 (regulated)	Minimum US \$50,000 (typical)
Loan Collateral	MFIs prohibited from taking physical collateral	Land, real estate

Smaller businesses may be less familiar with financial and business planning and owner managers may be time poor; consequently, they are particularly intolerant of bureaucratic costs of accessing bank credit. In Myanmar, this may be mainly burdensome: with a view to officially apply for a loan, SMEs require suggestions from the SME Development Department, Ministry of Industry and the Republic of Union of Myanmar Chamber of Commerce and Industries (UMFCCI). The high risk of doing business in Myanmar has also encouraged banks to lend on short tenors of one year, which limits credit as a useful source of investment capital; repayment of principle and interest on loan within one year is likely unaffordable for larger loans in capital equipment. According to WBES analysis, these are much more likely than any other sub-segment to cite product reasons for not applying for a loan last fiscal year: in particular, interest rate (19%) and loan size & maturity (10%). To moderate the credit chance, bank advances in Myanmar secure nearly all credits against collateral. Land and real estate remain the overwhelmingly most common form of security, even though there is no legal or regulatory requirement that stipulates this. Myanmar lacks strata titling, so is hard to obtain credit score against condominium real estate – the common shape of housing in Yangon. In lieu of collateral, SMEs may beautify their

credit worthiness by purchasing credit score guarantee insurance (CGI), despite the fact that CGI is handiest to be had from one state-owned provider, Myanmar Insurance. Larger corporations with strong growth potential – Gazelles or trading organizations in general – also want get right of entry to to more sophisticated and flexible credit lines that are responsive to growing or falling business volumes, such as trade finance, revolving credit lines, factoring and supply chain finance.

However, receivables-based financing is currently no longer to be had in Myanmar, and there's no secured transaction framework. It is very tough for banks to evaluate SME credit score risk, as few SMEs produce standard monetary money owed and there are few other data assets with enough information: Myanmar does no longer yet have a credit bureau and lots of SMEs aren't registered for tax or under report tax, and hence, their profitability. Within the occasion of default, upholding commercial contracts is highly-priced and erratic. This is pondered in Myanmar's very weak international ranking in 'implementing contracts', at 188 of a hundred ninety economies.

In addition to the above gaps in monetary services, the monetary area faces a whole lot of particular regulatory constraints, which limit growth and innovation inside the sector and because the SME section is generally regarded as more costly and volatile to serve, they may be mainly disadvantaged.

3.3 Industrial Zone in Myanmar

Mechanical movement in Myanmar has centered around two posts, Mandalay and Yangon. The industrial zones in these poles are significantly larger than non-polar zones and also tend to house larger firms. Although industrial zones encompass a substantial number of firms, a significant proportion of industrial activity in Myanmar occurs outside the zones. In addition, many registered businesses in the industrial zones are not active. This is primarily because of declines in key industries during the last few years. Land speculation has compounded this problem, where vacant land in the zones is bought but not necessarily put to productive use.

At display, the mechanical zones don't display an ideal trade environment. Foundation is destitute, both talented labor and credit are rare and unused advances demonstrate troublesome to purport. Corruption continues to keep the cost of operations high and the dearth of skilled labor also limits the use of more sophisticated industrial processes. Some businesses owners in the industrial zones

stated that they would be more competitive if they operate outside the zones due to more lax regulation, closer proximity to consumers and a cheaper supply of electricity. Many business owners within the industrial zones are also concerned about the future. The cost of labor will proceed to rise as will the cost of arrive in the event that hypothesis isn't overturned through the authorization of legitimate control. If the challenges mentioned above are not dealt with in the near term, domestic firms cannot hope to evolve and be competitive against foreign competitors. In this scenario, cheap imports flood the market, and domestic industries fold. In any case, “opening-up” offers critical benefits for Myanmar, especially the practical supply of cheaper, higher quality, imported merchandise.

Despite without even addressing trade policy, the competitiveness of Myanmar’s industrial businesses can be greatly improved if the government is truly committed to the following initiatives: improved infrastructure, more and cheaper credit, skills training, clearly defined and contextually appropriate industrial policy and the enforcement of anticorruption measures. Doing so will not only empower local businesses but it will also draw in much needed foreign direct investment; thereby truly promoting Myanmar’s further integration into the global economy. According to the definition of SMEs defined by the Private Industrial Enterprise Law 1990, the definition of SMEs is revised in 2012 in Myanmar.

3.4 Profile of SMEs in Monywa Industrial Zone

This study focuses on the SMEs from Monywa Town. Geographical distribution of Monywa Township is presented in Figure (3.1).

Figure (3.1) Geographical distribution of Monywa Township



Source: (IFC, 2013)

Monywa, which is located on the left bank of the Chindwin River, about 60 miles (ninety seven km) west of Mandalay. During World War II, the metropolis became a Japanese communications middle and become captured with the aid of the British in 1945. In October of 1952, the Triple Alliance Pact become signed near Monywa, demarcating zones in the course of Myanmar in which numerous ethnic and political groups, together with the Karen, Shan, Kachin, and communists, might have power. Sagaing Region, geographically Myanmar's second biggest kingdom after Shan State, positioned within the north-west of Myanmar. It stocks an international border with India's Naga land and Manipur States.

Monywa is situated in the dry sector above the confluence of the Mu and Chindwin rivers; paddy rice, sesame, millet, peas, wheat, and cotton are cultivated within the surrounding area. Monywa's manufactures consist of textiles and wood and bamboo products. Copper is mined near Monywa, and a copper refinery has operated in Salingyi considering 1976. The Key Facts covered that agriculture is the leader occupation. The main crop is rice, which occupies most of the arable ground. Sagaing is Myanmar's main producer of wheat, contributing more than 80% of the country's overall production. The Region has many rice mills, suitable for eating oil mills, noticed mills, cotton mills, and mechanized weaving factories. Local enterprise consists of earthen pots, silverware, bronze-wares, iron-wares and lacquerware.

Lack of get entry to to formal monetary sector because of the sizes of the enterprise in Monywa and tight requirements for packages has been foremost constraints for maximum of the SMEs commercial enterprise in Sittway. On the alternative hand, Financing constraints that save you SMEs from making an investment in innovative projects, seizing increase opportunities, or undertaking restructuring in case of misery negatively affect productivity, employment, innovation and earnings gaps.

Monywa, metropolis, valuable Myanmar (Burma). It is situated at the left bank of the Chindwin River, about 60 miles (97 km) west of Mandalay. During World War II, the city become a Japanese communications centre and turned into captured by using the British in 1945. In October of 1952, the Triple Alliance Pact was signed close to Monywa, demarcating zones at some point of Myanmar in which diverse ethnic and political groups, including the Karen, Shan, Kachin, and communists, would have power. Monywa is located within the dry area above the confluence of the Mu and Chindwin rivers; paddy rice, sesame, millet, peas, wheat, and cotton are cultivated in the surrounding area. Monywa's manufactures include textiles and wooden and bamboo products. Copper is mined close to Monywa, and a copper refinery has operated in Salingyi on account that 1976.

Funding gaps are frequently even extra stated and a number of the predominant barriers to small commercial enterprise formalization. Moreover, whilst a big proportion of small and medium enterprises (SMEs) do not have get admission to formal credit, long-term credit score to sustain funding and innovation is even scarcer, which critically limits growth opportunities (IFC, 2013).

CHAPTER 4

ANALYSIS OF FINANCING NEED OF SMEs

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

4.1 Research Design

Research configuration is an arrangement of the investigation is to be finished. A plan includes research method, population of the study, sampling method, research material and data collection, and method of analysis. Research method in this study is used analytical descriptive method. The target population is business owners who are leading in Monywa Industrial Zone to achieve the good performance of SMEs. The researcher to improve accuracy/efficiency of estimation, focus on important sub-populations, ignore the irrelevant ones. This study sampled at 100 SMEs from Monywa industrial zone, who are leading for credit financing in growth of SMEs. The sample is reasonable because strong awareness of credit financing. The researcher used structured questionnaires as the main method of collecting data. The questionnaires contain closed questions with Likert scale. It will have four sections: Section A is demographic profile data of participants, Section B focus on credit financing, and Section C focus on bank overdraft and Section D focus on growth of SMEs. In this study, the measurement of variables was done independent variable of Credit Financing while one dependent variable is growth of SMEs.

4.2 Demographic Profile of Respondents

Demographic information will be compared between sub-groups of respondents how vary the responses are. The study sampled 100 participants who are the owner and employee of SMEs in Monywa Industrial zone. Demographic profile includes five factors such as gender, age, position, education level, working experiences in industrial zone. Each characteristic has been analyzed in terms of

frequency and percentage. The summary of demographic profile data is presented as follows sections.

4.2.1 Gender of Respondent

The first analysis of the demographic profile of respondents is gender. It is classified into male and female. Table (4.1) shows the result of gender demographic profile data of the respondents.

Table (4.1) Gender of Respondents

No.	Gender	No. of respondents	Percentage (%)
1	Female	12	12.0
2	Male	88	88.0
	Total	100	100

Source: Survey Data, 2019

Table (4.1) represents the findings of respondent gender demographics. As shown in table, 88% of male respondents have a higher portion on our survey in compared to 12.0% in female respondents. Therefore, in this study, it can be seen that the difference between male and female using credit financing in Monywa Industrial Zone.

4.2.2 Age of Respondents

Age of the respondent determine, his/her knowledge with the focus of the study. Age is one of the demographic profile factor asked in the survey. In this study, age are grouping into four: 26-30 years old, 31-35 years old and above 35. Table (4.2) summarizes on the result of age of the respondent employees.

Table 4.2 Age of Respondents

No.	Age	No. of respondents	Percentage (%)
1	26-30	6	6.0
2	31-35	49	49.0
3	Above 35	45	45.0
	Total	100	100

Source: Survey Data, 2019

Table (4.2) represents the findings of respondent age demographics. As shown in table, 49.0% is the highest which is between 31-35 years and the second highest is

45% which is above 35 years. The third highest is 6% which is between 26 years and 30 years.

4.2.3 Education Level of Respondents

Education is one of the factor in demographic profile data which influence on the responses of the study. In the analysis of education level, there have been grouped into four: primary, secondary, diploma and university degree holder. Respondents are asking for their highest education level in this study. Table (4.3) summarized the results from the respondents as follows.

Table (4.3) Education Level of Respondents

No.	Education Level	No. of respondents	Percentage (%)
1	Secondary	8	8.0
2	Degree	92	92.0
	Total	100	100

Source: Survey Data, 2019

Table (4.3) indicates the educational level of the respondents. The highest percentage shown in figure is degree holders which is 92 %. The second highest percentage is secondary which is 8%. Therefore, most of the respondents in this study are bachelor degree holders.

4.2.5 Positions of Respondents

Education is one of factor in demographic profile data which influence on the responses of the study. In the analysis of employee and owner there have been grouped into two: employee and owner of the business. Respondents are asking for their highest the owner in this study. Table (4.4) summarized the results from the respondents as follows.

Table (4.4) Position of Respondents

No.	Position	No. of respondents	Percentage (%)
1	Employee	13	13.0
2	Owner	87	87.0
	Total	100	100

Source: Survey Data, 2019

Table (4.4) indicates the position of the respondents. The highest percentage shown in figure is owner which is 87.0% workers at the furniture. The second highest percentage is employee which is 13%.

4.2.6 Working Experience of Respondents

Asking for years of working experiences in their business focus on the relevant working experiences in their field and having understandable on the survey objectives. In the analysis of years of working experiences, it is grouped into three: 1-5 years, 5-7 years and above 7 years. Table (4.5) reports on the results of the analysis on the years of working experiences of the respondents as follows.

Table (4.5) Working Experiences of Respondents in the organization

No.	Working Experience	No. of respondents	Percentage (%)
1	5-7 years	28	28.00
2	Above 7 years	72	72.00
	Total	100	100

Source: Survey Data, 2019

4.3 Assessment of Reliability

Reliability evaluation is a test of Cronbach's alpha to make certain the measurements are loose from bias that allows you to obtain constant results (Sekaran, 2003). The test of Cronbach's alpha value is appropriate for multi- scaled items and is a perfectly adequate index of the inter-item consistency reliability (Cavana, Delahaye, & Sekaran, 2001). The coefficient alpha value is range from zero (0) to one (1) whereby value less than 0.60 indicate unsatisfactory internal consistency reliability (Hair et al., 2006; Malhotra, 2010). The rule of thumb for Cronbach's alpha coefficient value is shown in table (4.6).

Table (4.6) Reliability value of variable Cronbach's alpha coefficient value

Alpha Coefficient Range	Strength of Association
Less than 0.60	Poor
0.60 to less than 0.70	Moderate
0.70 to less than 0.80	Good
0.80 to less than 0.90	Very Good
0.90 and above	Excellent

Source: Hair, J. F et.al (2003).

If alpha value is high, then this suggests that all the items are reliable, and the entire test is internally consistent. If alpha is low, then at least one of items are unreliable and must be identified via item analysis procedure. However, as per DeVellis (2003), the Cronbach's alpha value should ideally be above 0.7.

4.4 Analysis on Credit Financing in Monywa Industry Zone

The analysis on credit financing in Monywa industrial zone has two main dimensions which are based on credit financing main pillars. They are bank loan, bank overdraft, sale volume increased and increased profitability. Those dimensions are measured by mean value and standard deviation. The findings are presented and discussed as follows.

4.4.1 Perception on Bank Loan

In this section, the bank loan of credit financing was analyzed by using 9 elements: secured loan and unsecured loan. The mean score of each element is shown in Table (4.7) as follows.

Table (4.7) Perception on Bank Loan

No.	Statement	Mean	Standard Deviation
1	The business use bank loans to supplement capital in operating the business delinquent clients	3.65	.892
2	The business can afford the terms and conditions given to the business by the bank	3.30	.461
3	The loan period for the business is reasonable.	3.32	.469
4	The credit officers have enough skills and experience to handle for the SMEs.	4.54	.610
5	The loan size the business get is adequate.	2.82	.386
6	The business is always briefed about the bank loan terms and conditions before the business get a loan.	3.32	.469
7	Credit facilities have assisted the business to expand.	3.45	.592
8	Credit financing requires the collateral	4.06	.851
9	Credit financing from the bank on SMEs lend without collateral.	2.97	.361
	Overall Mean Score	3.49	

Source: Survey Data, 2019

As a result of Table (4.7) shows that the lowest mean score 2.82 indicates that the loan amount the business get is fairly adequate while the highest mean score 4.54 defines that the respondents are satisfied with the credit officers who are knowledgeable and skillful to take care of the SMEs. According to the overall mean score 3.49, it is obvious that the respondents satisfy with the good credit financing in Monywa Industrial Zone.

4.4.2 Perception on Bank Overdraft

In this section, perception on bank overdraft for Monywa Industrial Zone were analyzed by using five elements, attachment of the terms and conditions on bank overdraft, the qualifications to be given a bank overdraft, bank overdraft for SMEs is very suitable, the credit term of bank overdraft is cost saving. The mean score of each element is shown in Table (4.8) as follows.

Table (4.8) Perception on Bank Overdraft

No.	Statement	Mean	Standard Deviation
	The Business use bank overdraft to finance for the business	3.46	.797
	The Business aware of the terms and conditions attached on bank overdraft	3.23	.423
	The business have all the qualifications to be given a bank overdraft	3.04	.400
	Bank overdraft for SMEs is very suitable	3.06	.239
	The credit term of bank overdraft is cost saving.	4.28	.473
	Overall Mean Score	3.41	

Source: Survey Data, 2019

As a result of Table (4.8) shows that the lowest mean score 3.04 indicates that the business have all the qualifications to be given a bank overdraft while the highest mean score 4.28 defines that the credit term of bank overdraft is cost saving. According to the overall mean score 3.41, the respondents well perceive with the bank overdraft in credit financing in Monywa Industrial Zone.

4.5 Effect of Credit Financing on Growth of SMEs

This section presents the effect of credit financing on growth of SMEs by identifying the sale volume of SMEs in Monywa Town by mean score and regression result.

4.5.1 Analysis on of Sale Volume Increased

In this section, sale volume was analyzed by using four elements the main score of each element is shown in Table (4.9) as follows.

Table (4.9) Sales Volume of SMEs

No	Statement	Mean	Standard Deviation
1	The business wants to continues to expand	4.96	0.197
2	Sales volumes of the business are always increasing.	3.79	0.686
3	The profit levels of the business are always increasing	4.25	0.435
4	There is always excess of income over expenditure.	3.84	0.368
	Overall Mean Score	4.21	

Source: Survey Data, 2019

As a result of Table (4.9) shows that the lowest mean score 3.79 signify that the respondents perceive that sales volumes of the business are always increasing. The the highest mean score 4.96 states that the business wants to continues to expand. According to the overall mean score 4.21, the respondents well perceive that the SMEs are willing to growth by the help of credit financing in Monywa Industrial Zone.

4.5.2 Effect of Sale Volume Increase of Growth of SMEs

In this section analyzes the effect of sale volume increase on growth of SMEs . The multiple linear regression model is applied to analyze the effect of sale volume on growth of SMEs. The primary data are collected from 100 SMEs and survey data are analyzed by using SPSS version 22. The output from generating multiple linear regression model is shown in Table (4.11).

Table (4.10) Effect of Credit Financing on Sale Volume Increased of Growth of SMEs

	Unstandardized Coefficient		Standardized Coefficient	t value	Sig
	B	Standard Error	Beta (β)		
Constant	2.379	.208	-	11.422	.000
Bank Loan of Credit Financing	.502***	.082	.574	6.154	.000
Bank Overdraft of Credit Financing	1.050	.087	1.123	12.038	.225
Adjusted R Square	.620				
F value	81.593				

Source: Survey Data, 2019

Notes: *** = Significant at 1% level, ** = Significant at 5% level, * = Significant at 10% level

According to Table (4.10) the overall significance of the model, F value, is highly significant at 1 percent level. This model can be said valid. The model can explain 62 percent about the variance of the independent variable and dependent variable because Adjusted R square is 0.620. The value of F test, the overall significance of the model, is highly significant at 1 percent level. This specified model can be said valid. Moreover, t-values in all factors are greater than 0 showing evidence against the null hypothesis that there is no significant difference.

Among two independent variables, Bank Loan of Credit Financing has the expected positive sign and is strongly significant at 1 percent level. According to the regression result, positive relationship means that the increase in Bank Loan of Credit Financing in customers leads to credit financing on sale volume increased of growth of SMEs. If there is an increase Bank Loan of Credit Financing of the customers by 1 unit, this will also raise credit financing on sale volume increased of growth of SMEs by .502 unit.

Bank Overdraft of Credit Financing of use has the expected positive sign and is strongly significant at 1 percent level. According to the regression result, positive relationship means that the increase in Bank Overdraft of Credit Financing in

customers leads to credit financing on sale volume increased of growth of SMEs. If there is an increase in Bank Overdraft of Credit Financing by 1 unit, this will also raise credit financing on sale volume increased of growth of SMEs by 1.050unit.

The standardized coefficient (Beta) of Bank Overdraft of Credit Financing has the largest value (1.123) among two explanatory variables indicating that risk has the greatest contribution to increase credit financing on sale volume increased of growth of SMEs when the variance explained by other variables is controlled for. The overall evaluation reveals that models explain the variation in credit financing on sale volume increased of growth of SMEs well because the estimation produced expected signs and significant coefficients for most variables. The increases in Bank Loan of Credit Financing and Bank Overdraft of Credit Financing the positive effects on credit financing on sale volume increased of growth of SMEs.

4.5.3 Analysis of Increase Profitability

In this section, increase profitability was analyzed by using four elements. The main score of each element is shown in Table (4.11) as follows.

Table (4.11) Increase Profitability of SMEs

No	Statement	Mean	Standard Deviation
1	The business have acquired more assets in business	3.64	.482
2	The business have added more working capital.	4.67	.473
3	Bank loans have helped the business to establish new branches.	4.32	.469
4	Bank overdrafts have assisted the business to increase the profitability of this business	4.69	.490
5	Bank loans are important in the business growth	4.41	.494
	Overall Mean Score	4.33	

Source: Survey Data, 2019

According to the Table (4.11), it is found that most of the SMEs could add more working capital since they get more profits and acquire more assets. In additions, bank overdrafts are other factors for this high performance. Thus, bank loans are essential for SMEs to improve their performance. According to the overall mean score, most of the SMEs get high profits because of financial assist for SMEs.

4.5.4 Effect of Increase Profitability of SMEs

In this section analyzes the effect of increase profitability on growth of SMEs. The multiple linear regression model is applied to analyze the effect of profitability on growth of SMEs. The output from generating multiple linear regression model is shown in Table (4.12).

Table (4.12) Effect of Credit Financing on Profitability of SMEs

	Unstandardized Coefficient		Standardized Coefficient	t value	Sig
		Standard Error	Beta (β)		
Constant	1.182	.124		9.509	.000
Bank Loan of Credit Financing	.369***	.049	.772	7.575	.000
Bank Overdraft of Credit Financing	-.019	.052	-.036	-.356	.722
Adjusted R Square	.620				
F value	60.554				

Source: Survey Data, 2019

Notes: *** = Significant at 1% level, ** = Significant at 5% level, * = Significant at 10% level

According to Table (4.12) the overall significance of the model, F value, is highly significant at 1 percent level. This model can be said valid. The model can explain 62 percent about the variance of the independent variable and dependent variable because Adjusted R square is 0.620. The value of F test, the overall significance of the model, is highly significant at 1 percent level. This specified model can be said valid.

Among two independent variables, Bank Loan of Credit Financing has the expected positive sign and is strongly significant at 1 percent level. According to the regression result, positive relationship means that the increase in Bank Loan of Credit Financing in customers leads to effect of increase profitability of growth of SMEs. If there is an increase Bank Loan of Credit Financing of the customers by 1 unit, this will also raise effect of increase profitability of growth of SMEs by .369 unit.

CHAPTER 5

CONCLUSIONS

The chapter summarizes the findings of the study from which conclusions and recommendations were made. This chapter presents the discussions from the data analyzed in chapter four. The chapter is structured into major findings, Suggestions and Recommendations in 100 small and medium enterprises (SMEs) of various types and presented for further study.

5.1 Finding

This study analyses the financing of Small and medium enterprises (SMEs) in Monywa. There are two main objectives in this study;

1. To identify how SMEs Owner / Manager can get Credit Financing from Various Sources at Monywa Industrial Zone and
2. Second objectives is to analyze the effect of Credit Financing on Growth of SMEs at Monywa Industrial Zone.

To meet these objectives of the study and to do analysis, the required data of the objectives are collected through sample survey. The total of 100 respondents from small and medium enterprises (SMEs) in Monywa were surveyed to represent the financing of small and medium enterprises (SMEs) and the effectiveness of credit financing on the growth of SMEs in Sittway. Almost all the enterprises surveyed in Monywa are micro-sized and small business representing (65 %). Most small and medium enterprises (SMEs) have been operating for 5 years or more. It can not be concluded from the findings that the transition process in Myanmar has, as yet, led to many more business start-ups.

Based on the responses acquired thru the questionnaires circulated. It became obvious that small and medium enterprises (SMEs) in Monywa like maximum small and medium enterprises (SMEs) are faced with fundamental challenges in accessing credit score and want for Long Term Financing. These challenges were revealed by the study to include, the inability of small and medium enterprises (SMEs) to provide collateral and other information needed by the study to include, the inability of small and medium enterprises (SMEs) to provide collateral and other information needed by banks such as audited financial statement coupled with the high cost of loan in term of high interest rates make it extremely difficult to access bank loans.

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

Because of these constraints, which relate to access to bank loans and the difficulties small and medium enterprises (SMEs) have in managing their receivables, mainly due to delays in receiving payment for goods and services rendered, small and medium enterprises (SMEs) in Monywa are not able to mobilize cash as quickly enough to grow and expand in a way that they are supposed to. They still stay Small without increasing their businesses to the alternative areas of the country, even though small and medium enterprises (SMEs) have expressed the desire to accomplish that when they have the economic help required.

They still remain Small without expanding their businesses to the other regions of the country, even though small and medium enterprises (SMEs) have expressed the desire to do so when they have the financial assistance required.

Finally SMEs in Myanmar face familiar challenges to other developing economies, compounded by a political and economic environment that is still in transition. This has also impacted the financial sector, and consequently SMEs' access to credit. A flourishing tech ecosystem speaks to its high potential, however as of yet, there have been few opportunities for SMEs with traditional business models.

5.2 Suggestions

Based on the above findings, the Monywa small and medium enterprises (SMEs) are left far behind; they have far to go in the business arena. In line with the study objective and the findings of this study, the researcher makes the recommendation that credit finance enhances growth by enabling SMEs to undertake profitable ventures that many a times need heavy capital investment. Financial lending institutions should consider establishing less stringent collateral requirements to make it easier for SMEs to access the same and be able to support their operations. Improving economic development interest charges on small and medium enterprises (SMEs) loan should be reduced. Most of respondents mention on difficulty of document requirement for taking loan from the bank. Therefore, the banking sector should be liberalized the requirement document for taking loan.

The small and medium enterprises (SMEs) in Monywa truly require a pressing backing from the government to revamp the small and medium enterprises (SMEs) segment of the economy so as to review the developing unemployment rate in the state, decrease corruption and poverty level and improve expectation for everyday life. It isn't just the administrative system that is significant for the monetary advancement of undertakings; so too are formal business structures, for example, business and division affiliations and other organizations such as the small and medium enterprises (SMEs) Development Centre.

Monywa industrial zone is situated in one of the commercial centers of Upper Myanmar and it has the potential to attract foreign investments if facilities within the industrial zone can be upgraded to a certain standard. The development of Monywa's inadequate and degraded infrastructure is a national issue, as is the modernization of the country's power and telecommunications industries. Progress is both welcome and ongoing. Also, it will take a long time for obsolete innovations to be supplanted and interest in neighborhood R&D to endure organic product.

As concluded, the situation may also change rapidly in the finance sector due to the anticipated growth of the Myanmar economy. More capital will be needed for the expansion of the manufacturing and trading sectors. At that point new money related models and monetary administrations will be of developing enthusiasm to organizations, particularly when joint endeavors with outside firms and fares become progressively pertinent. Money related division advancement, in any case, must not occur without remembering the necessities of the private area. A demand for financial

innovation must first be created and trust between banks and businesses needs to be established before firms start to increasingly request financial services for banks.

5.3 Needs for Future Study

As great important, the study focused on effectiveness of credit financing on the growth of SMEs in Monywa Industrial Zone only, Sagaing Division, Myanmar where SMEs are most crowded. So the results of research might not be represented to the other division of the country where are also operated many SMEs.

In addition, further study to be done specifically on the variables used as control variables and incorporate more variables which may also be accounting for changes in profitability. It can also be important to study big companies and find out if the effect of credit financing is the same just like for SMEs. Although this study some extend of explores the financing sources and the effectiveness of credit financing on the growth of SMEs , this study cannot thoroughly investigate of financing problems exist in the whole small and medium enterprises (SMEs) in Monywa Industrial Zone. If the future studies get the data from the banks, the study could inform the detail information on the credit provided to small and medium enterprises (SMEs), in position on the types of industry or products and consider on the soft terms and conditions to the small and medium enterprises (SMEs).

Finally, because of specific nature of the small and medium enterprises (SMEs), future studies should focus on the other types of small and medium enterprises (SMEs) which are operating in the service sectors that are facing the financing sources and problems to start and extend their business in line with the country and international business development.

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