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Myanmar and Korea have many similarities and are complementary relationship. Therefore, we believe that research exchange will expand mutual understanding between Myanmar and Korea, and will be the cornerstone for mutual development.

KOMYRA and YUE have co-published The Myanmar Journal since August 2014. So far, many scholars have published numerous papers through the journal, and We are sure that this journal has helped many people understand Myanmar and Korea more clearly and closely.

The Myanmar Journal covers various issues in Myanmar and Korea. It covers various topics that can promote bilateral development and mutual understanding, not limited to specific topics such as economy, industry, society, education, welfare, culture, energy, engineering, healthcare, and agriculture.

We hope that this journal will continue to promote understanding of the current status and potential capabilities of Myanmar and South Korea and promote in-depth international exchange and cooperation.

We would like to express our deepest gratitude to the editorial board and YUE and KOMYRA for their valuable support in The Myanmar Journal publication.

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Youngjun Choi *yj choi*

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It will cover all general academic and industrial issues, and share ideas, problems and solution for development of Myanmar.

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Factors Affecting the Development of Small and Medium Enterprises in Monywa Industrial Zone, Sagaing Region : A Case Study on Food and Beverage Enterprises

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ABSTRACT : Small and medium enterprises (SMEs) are important for national economic development and the promotion of growth. SMEs in Myanmar are confronted many barriers. SMEs in Monywa industrial zone are also facing many challenges such as finance, technology, market, infrastructure etc. to their growth. Food and beverages enterprises are not obviously developed in Monywa industrial zone. Examining the important factors for their development and hampering factors for their development are needed. The study intended to examine the determinants of food and beverages enterprises development in Monywa industrial zone. Sample size was determined with 100 enterprises from 127 enterprises by using simple random sampling method. Primary data are collected by interviewing owners/managers. Multiple regression model and descriptive method are used in the study. The finding revealed that access to finance, access to market, and technology adoption are significantly affected the development of the surveyed enterprises and are positively related with these firms' development. Access to finance is a most influencing factor. The study also explored that the insufficient investment is the biggest challenge for the business expansion. The study suggested that SMEs should be helped with local and international training for knowledge transfer and sharing technical knowhow and improving management skills, and more providing technology transfer programme by government. SMEs should build a network with other partners in order to get financial support, financial capacity skills and knowledge. SMEs must be transparent with regard to financial statement and financial skills to get loans from the banks or business financial support agencies. Firms should focus diversifying and innovating the new products. They also should make more attention for product quality to compete at the market.

Key words : *SMEs, food and beverages enterprises, Sagaing Region, Monywa industrial zone, access to finance, access to market, technology adoption, factor of development*

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I. Introduction

Small and medium enterprises (SMEs) are important drivers in the economy because of increasing the economic growth, increasing productivity, creating innovation, promoting entrepreneurship and reducing unemployment rate. SMEs are vital as the backbone of emerging economies and key source of income for most people in urban and rural communities. SMEs in Myanmar are also important for national economic development and the promotion of growth. SMEs mainly contribute for import substitution, local employment, provision of market requirement and reducing poverty in Myanmar (Lwin, 2017). SMEs are also major instruments for Myanmar's economic reforms. The performance and development level of the economy depends on the creation of good environment for SMEs.

However, SMEs in Myanmar are confronted many barriers. An inadequately educated workforce, political instability, access to finance, electricity and access to lands are major constraints for Myanmar SMEs. An inadequately educated workforce and political instability are the major constraints. Access to finance also ranks highly, particularly among smaller and slower-growing SMEs (World Bank, 2016). SMEs in Monywa industrial zone are also confronted the same challenges. Food and beverages enterprises in this region is slowly growing although SMEs, especially food and beverages enterprises are largest share in the sector. Examining the important factors for SMEs development and hampering factors for their development are needed. Thus, the study examined the affecting factors on development of the food and beverages enterprises in Monywa industrial zone.

II. Rationale of the Study

The country's economic, social and political development can be determined by the SMEs condition since SMEs create a lot of job opportunities and contribute to income generation, resource utilization, promotion of investment. SMEs estimated as representing 96% of all economic activities and about 90% of manufacturing industries in Myanmar (Mon, 2015). There are 51667 registered enterprises in Myanmar at 2019 (Ministry of Industry, 2019). Food and beverages enterprises are 29272 (56.66%) at the first place among the (13) commodity groups producing enterprises (Ministry of Industry, 2019).

According to Directorate of Industrial Supervision and Inspection (DISI), there are 780 industrial enterprises, including 600 SMEs in Sagaing Region at 2019. There are four industrial zones in Sagaing region; Monywa industrial zone, Shwebo industrial

zone, Kalay industrial zone and Sagaing industrial zone. Majority of SMEs are located in Monywa industrial zone. Active operating SMEs are 393 (87.14%), including 127 food and beverages enterprises in Monywa industrial zone. SMEs in this zone are facing many challenges related finance, technology, market, infrastructure etc. to their growth. Food and beverages enterprises are not obvious growth in their income, investment, profit. Since food and beverage enterprises are largest share in the industry, their development is important. Thus, the study explored the important factors for development of food and beverages enterprises in Monywa industrial zone in the Sagaing region and challenges facing these firms.

1. Objective of the Study

The objective of the study is to examine the determinants of food and beverages enterprises development in Monywa industrial zone.

2. Materials and Methods

The study used descriptive method to achieve overall aim of the study. There are 127 numbers of food and beverage enterprises in Monywa industrial zone. Sample size was determined with 100 enterprises from 127 enterprises by using simple random sampling method. Primary data were collected by face-to-face interviewing to owners/managers, using structured questionnaire. Secondary data were collected from journals, articles, documents, internet sources and related departments. Multiple regression model was used to examine the determining factors of SMEs development.

This study only focused on determining factors for the development of the food and beverage enterprises among (13) commodity groups produced enterprises. Although micro enterprises and large enterprises are also operated in Monywa industrial zone, small and medium enterprises were special emphasized for this study. This study couldn't capture all SMEs in Monywa industrial zone as well as all zones in Sagaing Region. The study was restricted only the registered food and beverage enterprises in Monywa industrial zone.

III. Literature Review

This section describes definitions of SMEs, factors affecting the SMEs' development, measuring growth and development of SMEs and conceptual framework

of the study.

1. Definitions of SMEs

Every economies and organization have its own definition of what constitute a small and medium enterprises (SMEs). The definitions of SMEs change depending on the size of the economy and level of economic development of the country. The most common definitions used by researchers are the number of employees, sales and/or loan size. The number of employees which is a simple indicator to decide what is SMEs. Table 1 can be found using different criteria in defining SMEs by different organization.

Table 1. Definitions of SMEs by International Organizations

Sr.No	Organizations	Measure
1	United Nations Industrial Development Organization (UNIDO)	The number of employees in an enterprise
2	Asian Development Bank (ADB)	None (No definition)
3	The European Union	The number of employees, annual turnover and annual balance sheet

Source: Creation Based on Literature

Table 2 can be seen the evolving in classifying the SMEs in Myanmar.

Table 2. Definitions of SMEs in Myanmar

Sr.No	Law	Measure	Remark
1	1990 Private Industries Enterprises Law	Horse power The number of employees The amount of capital invested The production value per annum	Industrial sector only
2	2011 Private Industrial Law	Horse power The number of employees The amount of capital invested The production value per annum	Change on : Horse power determination and number of employees determination
3	2012 SMEs Revised	The number of employees	Considering various types of

	Law	The amount of capital invested	business
4	July 2012 SMEs Revised Law	The number of workers The amount of capital investment	Change on : Number of employees and Amount of capital investment
5	Pyidaungsu Hluttaw Law No. 23/2015	Number of Employees Types of Activity The amount of capital investment Level of turnover	Considering other types of business

Source: Creation Based on Literature

In Myanmar, the official definition of SMEs was defined at 1990. The private industrial enterprises law considered four SMEs criteria to classify enterprises; namely horse power, number of employees, amount of capital investment and annual production. In 2011, SME's criteria change on horse power and number of employed workers. In 2012, SMEs are defined by using only two criteria: number of employees and amount of capital investment. According to 2015 Pyidaungsu Hluttaw law which is latest law, SMEs are classified based on number of employees, types of activity, amount of capital investment and level of turnover.

2. Factors Affecting the SMEs' Development

The study intended to explore the factors that influence the development of SMEs, enabling and/or constraining development through previous studies. This research explored the effects of specific three factors; access to finance, access to market and technology adoption on the studying firms' growth, and major challenging factors for the firms' growth.

1) Access to Finance

Access to finance is an important factor for the development of dynamic and productive SMEs in an increasingly globalized and digitalized world (OECD, 2018). Financial accessing contributes SMEs' promoting productive investment, expanding their business and acquiring the latest technologies (Beck et al., 2006). A number of studies have recommended that there is a strongly relationship between firm growth and access to finance.

2) Access to Market

Market access is one of the major barriers hindering SMEs growth and development, particularly in developing countries. Access to market and marketing information are the major barriers to develop SMEs and competitiveness in Kenya (Kiveu & Ofaa, 2013). Access to market has also impact on the performance of SMEs growth and development was confirmed by various studies.

3) Technology Adoption

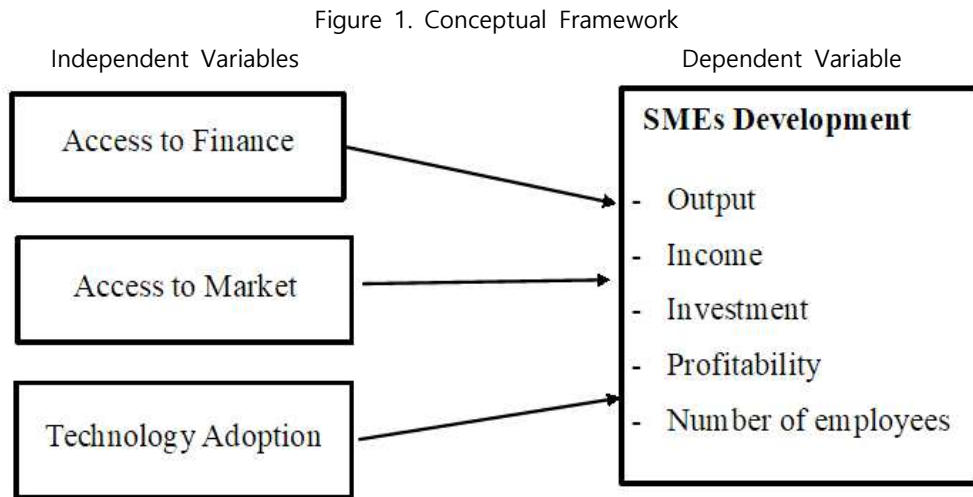
Adoption means a decision of full use of an innovation by rejecting a decision not to adopt an innovation (Jolly,2011). The technological effect changes SMEs' performance and level of productivity of the business. Especially, small businesses are difficult to compete and grow without technology. (Morse et al., 2007) explored that technological capabilities benefit SMEs by enhancing SMEs efficiency, reducing costs, and broadening market, both locally and globally. According to previous studies, SMEs' development has strongly depended on the adaption technology in the business.

3. Measuring Growth and Development of SMEs

Various indicators are used to measure the growth and development of enterprises since there is no general measurement for firm growth. (Ahmad & Seet, 2009) outlined the goal approach to measure of SME performance. The goal approach states that performance is measured using financial and non-financial measure. The financial measurements are return on assets, return on equity, the sales growth and profitability growth. Non-financial measures include market share, customer satisfaction, employee growth and purchase orders. (Munizu,2010) measured the performance of SMEs in terms of sales growth, profit growth, employment growth, market growth, and capital growth. (Amaradiwakara & Gunatilake, 2016) used the indicators; asset value, market share, sales, profits and output for measuring the development of SMEs. Small businesses around the world do not have similar characteristics and measuring their growth is complex, it is quite difficult to use certain factors for measuring growth and development. Thus, many theoretical perspectives are used for measuring enterprises' growth and development. In this research, profitability, number of employees, output, investment and income are used as the growth measures.

4. Conceptual Framework

The conceptual framework postulates that the factors affecting the development of SMEs need to be improved in order to develop SMEs. Figure 1 describes the relationship between factors affecting SMEs development and the development of SMEs.



Source : Creation Based on Literature

In the study, the independent variables are access to finance, access to market and technology adoption. The dependent variable is SMEs development, and SMEs development was described in term of profitability, output, investment, number of employees and income.

IV. Historical Background of The Study

This section focuses current situation of SMEs in Myanmar, SMEs development policy in Myanmar, challenges for SMEs development in Myanmar, conditions of SMEs in Sagaing Region, and the conditions of SMEs in Monywa Industrial zone.

1. Current Situation of SMEs in Myanmar

According to the SMEs Development Law ,2015, SMEs in Myanmar must register to bring benefits such as possibilities for submitting complaint, access to business

knowledge and information, training courses, applying for loans. The total number of registered private industrial enterprises were 44,439 at 2015 and the total number of registered enterprises were 51,661 at 2019. Thus, number of private industrial enterprises are increased 16.3%. According to commodity group, food and beverage industries contribute the largest share of all sectors of the country, with 29,72 (56.66%) (Ministry of Industry,2019).

2. SMEs Development Policy in Myanmar

This policy is important in shaping the development of Myanmar. SMEs development policy was formulated by government to support the development of SMEs in Myanmar at 2015. The policy is: encouraging the enterprises that can create the linkage the domestic and foreign market, carrying out the transfer of technology and knowledge and investment promotion in cooperation with local and international organizations, formulating the development of human resource and employment opportunities, encouraging the development of entrepreneurial businesses, promoting of information and research activities that make easy by eliminating the obstacles, undertaking the development of business services, enabling the participation of entrepreneurs and SMEs in regional business activities, enabling the economic development pattern that creates the sustainability and the capacity of SMEs, focusing the shift from import substitution to export oriented system (SMEs Development Policy, 2015).

3. Challenges for SMEs Development in Myanmar

SMEs in Myanmar are facing numerous difficulties; lack of capital, poor infrastructure, unfavorable business environment, power shortage, rising fuel prices, high cost of inputs, higher rental prices (Kyaw, 2008). The development of SME is constrained by various factors such as lack of sufficient finance, lack of managerial capability, lack of skilled manpower, low level of technology, lack of subcontracting facilities, insufficient market intelligence and marketing skill, lack of modern machinery and equipment, difficulty in procurement of raw materials, insufficient infrastructure facilities including logistics problems, environmental problem, administrative procedures, rule and regulation, energy and utilities shortages (Thone, 2019). These barriers are hindering SMEs to attain their goals and various benefits for socioeconomic development of people.

4. Conditions of SMEs in Sagaing Region

Sagaing Region is the second largest region in Myanmar. Directorate of investment and company administration (DICA) in Sagaing Region is inviting foreign investment or joint venture investment with a citizen-owned enterprise for manufacturing industries. At 2016, number of small business were 3078 (71.61%), number of medium enterprises were 898 (20.90%), number of large enterprises were 322 (7.47%) and totally 4298 enterprises. At 2019, number of small business increased to 3345(66.65%), number of medium enterprises increased to 1234 (24.54%), number of large enterprises increased to 448 (8.75%) and totally 5019 enterprises. At 2019, according to commodity group, food and beverages industries were 3303 (65.80%) with the largest contribution among sectors (DISI, Monywa,2019).

5. Current Situations of SMEs in Monywa Industrial Zone

Myanmar has 19 industrial zones and there are four industrial zones in Sagaing region, namely Monywa, Shwebo, Kalay and Sagaing. At 2016, small enterprises were 250, medium enterprises were 148, large enterprises were 52, totally 450 in Moneywa industrial zone. At 2019, small enterprises were 244, medium enterprises were 149, large enterprises were 58, totally 451 enterprises. Both large and medium enterprises is not obviously increased although the number of small enterprises was obviously increased during four years. The number of SMEs in Monywa industrial zone is the largest among four industrial zones. At 2019, food and beverage enterprises were 166, including 39 small enterprises,88 medium enterprises and 39 large enterprises. Thus, the total number of SMEs were 127 in food and beverages industry. The contribution percentage of food and beverage enterprises was largest share in the sector (DISI, Monywa,2019).

V. Data Analysis

This section describes the survey results. Business characteristics, owner/managers' characteristics, reliability, challenge factors and regression analysis are presented.

1. Demographic Characteristics of Surveyed SMEs

The following table presents started year of business, investment pattern, legal structure, keeping accounting records, keeping accounting procedures and keeping

business plan among business characteristics.

Table 3. Demographic Characteristics of Surveyed SMEs

Particulars		Frequency	Percent
Operated years of business	Less than 3	2	2.0
	3 - 5	3	3.0
	5 - 10	19	19.0
	10 - 15	29	29.0
	Over 15	47	47.0
Total		100	100.0
Investment Pattern	Own	84	84.0
	Own +Private Bank	8	8.0
	Own+ Government Bank	8	8.0
Total		100	100.0
Legal Structure of Business	Sole proprietorship	100	100.0
	Partnership	0	0.0
	Others	0	0.0
Total		100	100.0
Keeping Financial Accounting Records	No	8	8.0
	Yes	92	92.0
Total		100	100.0
Keeping Accounting Procedure for Finance	No	8	8.0
	Yes	92	92.0
Total		100	100.0
Keeping Investment Plan for Business Expansion	No	9	9.0
	Yes	91	91.0
Total		100	100.0

Sources: Survey Data, 2021

According to table (3), (2%) of surveyed firms were started their business since less than 3 years ago, (47%) were started over 15 years ago. (84%) were operated their business with their own capital, (8%) were operated with both owned capital and loans from private banks and remaining (8%) were operated with both owned capital and loans from government banks. All of enterprises are types of sole proprietorship. (92%) of all firms are keeping financial accounting records and accounting procedure for finance, and (91%) are keeping investment plan for business expansion.

2. Demographic Characteristics of Respondents

The following table describes the demographic factors of owners/managers from surveyed firms.

Table 4. Demographic Characteristics of Respondents

Particulars		Frequency	Percent
Age groups (years)	18-29	7	7.0
	30-39	10	10.0
	40-49	43	43.0
	50-59	39	39.0
	Above 60	1	1.0
Total		100	100.0
Gender	Female	19	19.0
	Male	81	81.0
Total		100	100.0
Marital Status	Married	98	98.0
	Single	2	2.0
Total		100	100.0
Level of Education	High School	19	19.0
	Primary	7	7.0
	Secondary	1	1.0
	Graduate	72	72.0
	Post Graduate	1	1.0
Total		100	100.0

Sources: Survey Data, 2021

According to table (4), (7%) of owners are between 18 years old and 29 years old. Owners who aged between 40 years and 49 years old can be seen as the biggest share with 43%. Owner who aged above 60 years old is only one person. (81%) of owners/managers are male and (19%) are female. (98%) are married and (2%) are single. In the studying their educational level, most of owners are graduate, one person has secondary education level and the remaining one has post graduate education level.

3. Reliability Statistics

Cronbach's alpha is a coefficient of reliability. It is commonly used as a measure of internal consistency or reliability. In this study, Cronbach's alpha is used to measure the reliability of items. A commonly accepted value of Cronbach's alpha is 0.6 as the minimum and it is more desirable if it is higher than 0.6.

Table 5. Reliability Statistics for the Development of SMEs

Particulars	Cronbach's Alpha	No. Items
Challenge Factors	0.756	13
Access to Finance	0.678	6
Access to Market	0.649	7

Technology Adoption	0.777	10
Development Factors	0.900	5

Sources: Survey Data, 2021

According to the table (5), the values of Cronbach's alpha are is 0.756 for challenge factors, 0.678 for access to finance, 0.649 for access to market, 0.777 for technology adoption and 0.900 for development factors. Since all of Cronbach's alpha value are more than 0.6, the result revealed that internal consistency of items to concepts.

4. Challenges of Development of Business

There are many challenges that must be addressed for the SMEs development. The study explored the challenges in the specific area: land and workspace, management system, government tax, finance, market, electricity, infrastructure, skilled labor and technology.

Table 6. Challenge Factors for Business Development

Particulars	N	Minimum	Maximum	Mean	Std. Deviation
Difficulties to expand workplace	100	1	7	5.68	1.651
Lack of specific work plan and management system	100	1	7	5.84	1.529
Government Tax	100	1	7	4.27	2.187
Lack of own technology and innovative idea	100	1	7	6.11	1.413
Land for expansion	100	1	7	5.64	1.750
Insufficient investment	100	1	7	6.37	1.098
Difficult to get skilled labour and technician in work place	100	1	7	6.14	1.457
Not enough government loan	100	1	7	5.30	1.784
Difficult to market penetration	100	1	7	6.14	1.400
Insufficient electricity	100	2	7	5.95	1.466
Poor infrastructure	100	2	7	5.79	1.438
Inability to produce products with changing technology	100	1	7	6.21	1.452
Difficulties access to bank loan	100	1	7	5.55	1.806

Sources: Survey Data, 2021

According to the table (6), insufficient investment is the biggest challenge for the business expansion since mean value for insufficient investment is highest value with 6.37.

5. Regression Analysis

Multiple regression analysis was applied to examine determinants of development of food and beverages enterprises. In this research, three independent variables; access to finance, access to market and technology adoption were used. Dependent variable is the development of SMEs in terms of profitability, output, investment, number of employees and income.

The estimated multiple regression model is

$$Y_i = b_0 + b_1X_{1i} + b_2X_{2i} + b_3X_{3i}$$

In constructing the model, the variables are noted as:

Y_i = Development of SMEs

X_{1i} = Access to Finance

X_{2i} = Access to Market

X_{3i} = Technology Adoption

Table 7. Results of Multiple Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.	VIF
	B	Std. Error				
(Constant)	- 0.083	0.380		-0.218	0.828	-
Access to Finance	0.145***	0.054	0.266	2.679	0.009	1.256
Access to Market	0.209**	0.089	0.288	2.346	0.021	1.914
Technology Adoption	0.204**	0.081	0.316	2.520	0.013	1.993
Adjusted R2	0.221					

***denotes significant at (1%) level and ** denotes significant at (5%) level.

Sources: Survey Data, 2021

According to the table 7, the multiple regression results indicate that all three factors are obviously affected to SMEs development. Access to finance is statistically significant at 1 % level, access to market and technology adoption are statistically significant at 5% level. Thus, access to finance is the most important determining factor to develop food and beverages enterprises in Monywa Region. There can be seen the positive relationship between dependent variables and independent variables. This means that increasing financial access, better market access and increasing technology adoption will increase profit, investment, output, number of employees and income of the firms. Since the regression coefficient for access to finance was positive and the coefficient value is 0.145, every 1 unit increases in access to finance

will increase the growth of food and beverages enterprises by 0.145 units. Since coefficient for access to market was positive and the coefficient value is 0.209, every 1 unit increases in access to market expected to increase the growth of food and beverages enterprises by 0.209 units. Coefficient for technology adoption was positive and the coefficient value is predicted that every 1 unit will increase in technology adoption increases growth of food and beverages enterprises by 0.204 units.

The explanatory variables are not significantly suspected to multi-collinearity problem since all of the VIF values are less than (5). Adjust R² =0.221 shows that 22% of the SMEs development can be explained by access to finance, access to market and technology adoption.

VI. Finding and Discussion

This section presents findings, suggestion and recommendation based on the analysis.

1. Findings

All of SMEs in Myanmar are confronted same many barriers such as poor infrastructure, inadequate access to finance, limited market access, outdated technology, low skills and productivity, insufficient power and lack of business development service. These factors are hindering SMEs to attain their goals. This study explored that the importance factors for the development food and beverages enterprises in Monywa industrial zone. This study also explored the biggest challenge facing SMEs.

According to the finding results, most of firms are prolonged in the industry. Most of farms are operating their business with owned capital. All of firms are sole proprietorship. Almost all of firms are keeping financial accounting records, financial accounting procedures and making business plan for their business expansion. Owner who aged above 60 years is only one person and owners who aged between 40 and 49 can be seen the hugest share. Most of firm owners are male. Most of owners are graduate persons with (72%). Food and beverages enterprises are facing insufficient investment problem as the biggest obstacle to expand their business.

Access to finance, access to market and technology adoption are affected to SMEs development. Thus, access to finance, access to market and technology adoption are the determinants of food and beverages enterprises development in Monywa industrial zone. Among the significant factors, access to finance is most

significantly influenced the development of SMEs. There is a positive relationship between dependent variables and independent variable. Increase in development factors is the development of SMEs. Profit, investment, output, income and number of employees will increase through increasing the finance accessing, market access and technology adoption. Finally, food and beverages enterprises may be developed by supporting finance, broadening and accessing markets, and improving technology adoption.

2. Suggestions and Recommendations

SMEs should be helped with local and international training for knowledge transfer and sharing technical knowhow by government. It is also necessary to provide training in order to identify and adopt appropriate technology based on the market needs, promote human resource skills. SMEs need to take financial management, business management and human resource management trainings for knowledges relating to accounts, bookkeeping procedures, inventory system, business plan development, staff selection and staff appointment. SMEs should examine their yearly financial statements in order to reduce overcharges. SMEs can also explore undesirable high asset costs and reduce costs by examining balance sheet since their balance sheet describe the value of assets and liabilities. SMEs also need to select and appoint skilled labour in related field. SMEs should build a network with other business partners in order to get financial support, financial capacity skills and knowledge. SMEs owner/managers must be transparent with regard to financial statement, financial skills and how their financial records helping them to get loans from the banks or business financial support agencies. Firms should focus diversifying and innovating the new products to compete at market. They also should make attention for the product quality that can compete at domestic and foreign market. Government should provide widely technology transfer programme. It should also be made creating business plan competition, introducing the products at domestic and international expo, through cooperating relevant stakeholders. Finally, both government and firms must necessarily consider the most reasonable ways to solve the problems hindering the SMEs to develop.

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