

Myanmar Government Prioritizes the Development of SMEs

The Myanmar government is making efforts to transform the political, economic and social environment to be in line with global changes, and to promote sustainable economic growth. This includes promoting small and medium-sized enterprises (SMEs), which play a pivotal role in the economic development of both developing and developed countries.

Myanmar has a vision to develop SMEs, based on the policy to create regionally innovative and competitive SMEs across all sectors, to stimulate income generation, and contribute to socio-economic development. Various studies estimate that SMEs in Myanmar account for 50-95 percent of employment, and contribute 30-53 percent of the country's GDP. According to the Small and Medium-Sized Enterprises (SME) Development Bill (SME Bill), which was launched in January 2014, "small enterprises" are defined as those with K50 to K500 million in capital, or with 30-300 employees. "Medium-size" firms are defined as those with K50 million to K 1 billion in capital, or with 60-600 employees. As a result, 99.4 percent of business in Myanmar are approximately classified as SMEs, and there are now 50,694 SMEs altogether in the regions and states on Union territory.

In Myanmar, SMEs are considered important to the national economy. They create a lot of job opportunities for the population and contribute to employment and income generation, resource utilization, and promotion of investment. For this reason, the Myanmar government has given special attention to the development of SMEs, support for existing SMEs to become larger industries, and creating a conducive business environment for SMEs. The SME Development Central Committee's Joint Chairperson, State Counsellor Daw Aung San Suu Kyi, stated at one committee meeting that SMEs cannot be ignored, as they make up 99 percent of Myanmar's economic force.

With regard to SMEs, the government has prioritized human resource development, support for technical development and innovation, capital funding, better infrastructure, gaining a foothold in the marketplace, reasonable taxes and regulations, and the creation of suitable businesses. A new policy to promote the development of SMEs includes tax relief and tax exemptions, since SMEs in Myanmar suffer from arduous tax and monetary policies. They also suffer from lack of access to capital and protection of intellectual property, as well as high interest rates, and lack of close relations with Myanmar banks. However, on 1 August 2017, the State Counsellor met with the Chair of 22 Myanmar banks in Nay Pyi Taw, and urged them to cooperate with the government in promoting Myanmar's economic growth. SMEs and businessmen hope that this meeting will benefit SMEs and the business sector.

Financial Support for SMEs

The Myanmar government provides only non-financial assistance to business enterprises, due to limitations on the government budget. However, thanks to the Financial Support for SMEs policy, the Myanmar Economic Bank (MEB), Myanmar Investment & Commercial Bank (MICB) and Myanmar Industrial Development Bank (MIDB) have provided loans to SMEs since 2004. The state-owned Myanmar Agriculture Development Bank has also provided loans to

farmers throughout the country. At the same time, banks are trying to reduce the interest rate on loans in order to contribute to national economic development. They have proposed that interest rates be reduced from 17 percent to 15 percent. Banks and the Ministry of Agriculture are also working together to provide financial support towards the development of rural areas and rural livelihoods. For example, state-owned Myanmar Agriculture Development Bank has provided small loans to farmers, the fishery sector and rubber plantations.

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

SMEs Development

Myanmar's business environment is undergoing a lot of rapid changes. However, SMEs in Myanmar face many challenges during the period of political and economic transition. New trends have to be taken into account continuously, such as growing demand and customers' expectations on flawless products and services. Moreover, SMEs are facing increasing global competition, the emergence of new technologies and impact on integrated supply chain and production systems among ASEAN member states. In Myanmar, challenges to SMEs are varied and complex, depending on the sector and level of development. Common challenges include financial access, human resource development, R&D in technology, management, and marketing.

The Secretary of the Central Committee for the Development of SMEs, U Khin Maung Cho, explained that in order to promote the skills of employees in SMEs, annual courses, such as mobile vocational training courses, have been arranged and extended to rural areas. To narrow the development gap among regions and states, 53 branch offices to support SMEs development have been opened in 15 regions and states, including Nay Pyi Taw. In addition, Kasikorn Bank (KBank) of Thailand also signed a MoU with the Central Department of Small and Medium Enterprises Development (CDSMED) under the Ministry of Industry, to educate SMEs in financial management, with a focus on business plans and accounting, starting in 2017. The training seeks to strengthen SMEs in market competitiveness, technology, financial management, and market compliance on their products.

In conclusion, the development of SMEs is important for the country's economic development, as they are major contributors to the economy and job creation. However, SMEs are confronted with numerous challenges, including insufficient financial support, electric power supply and credit guarantee. Given that SMEs form the backbone of the country's economy, economists have called on the government to improve the banking sector, and encourage banks to provide more loans to SMEs at a reasonable interest rate. At the same time, capacity building in areas such as business management, accounting, taxation, marketing management, human

resource management, and capital management are in huge demand for SMEs to promote job opportunities and socio-economic development. Thus, the development of SMEs in Myanmar requires a concerted effort by government, banks, and private sector that can provide training, to help SMEs reach their full potential in contributing towards Myanmar's economic development.

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