

An Insight into Factors Enhancing SMEs' Export in Myanmar

SMEs in Myanmar

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1. In Myanmar, the role of Small and Medium Enterprises is crucial as SMEs comprise approximately 94 percent of all registered enterprises and 52–97% of labor forces. SMEs in Myanmar can be generally classified into five categories–

- (a) Import substitution in industrialization
- (b) Export-oriented SMEs
- (c) Rural-located SMEs
- (d) Local and traditional SMEs
- (e) International subcontracting SMEs

2. Myanmar is heavily dependent upon imported products even on daily necessities. This heavy dependence on imports can be fixed only with promoting import-substituting SME businesses. Some SMEs in Myanmar are engaged in export, but it is needed to promote more varieties of exported goods. Hence, it is essential to encourage SMEs that produce processed export products, using local raw resources. Some business sectors which have high propensity to export include agricultural processing, food processing, woodworking, metalworking, and the processing of marine products, among others. The registered number of SMEs in line with the list issued by SME development center in 2023 is approximately 46,014. SME registration rates are the highest in Yangon region and Shan State.

SME Development Law and Policies in Myanmar

3. During the time when the State Law and Order Restoration Council was in power, the official law for small and medium-sized enterprises (SMEs) was enacted in the year 1990. Then, the 2011 Private Industrial Law was enacted and gave definitions of SMEs based upon four criteria (i) horsepower used (ii) number of employees (iii) capital investment (iv) annual production. The most recent SME-related law is the SME Development Law (2015), which gives the

definitions of SMEs based upon business sectors namely manufacturing, wholesale, retail, service and others. Then, SME development rules was enacted in 2017 and in 2018, the term Small and Medium Enterprises was renamed MSMEs which stands for Micro, Small and Medium Enterprises by the Central Committee for Development of Micro, Small and Medium Enterprises.

SMEs' export

4. A great deal of previous literature provide factors enhancing SMEs' export. Concerning factors enhancing export, there are two widely-used approach listed as resource-based approach and the contingency paradigm. The resource-based approach focuses on the firm's internal variables whereas the second method focuses on the external aspects. Internal determinants include management qualities such as age, education, innovativeness, foreign exposure and export dedication as well as export marketing techniques such as product, pricing, promotion, distribution, service and networking tactics. The external factors are the characteristics of the foreign market such as legal, political, and economic system, cultural similarities, market dynamics, consumer and competitor behavior and the characteristics of the domestic government, which include government tax rates, government export support, government policies and the domestic business environment.

5. Compared to other ASEAN countries, SMEs in Myanmar are less likely to export, reporting that only 4.2 % of medium-sized firms and 0.8 % of small enterprises export directly or indirectly at least 1% of their sales (World Bank's Enterprise Survey, 2014). Export destinations of Myanmar SMEs differ across firm size. Large firms have much more export propensity than SMEs and large firms have the capacity to export to high-income markets such as the EU and US. But, SMEs opt for regional markets such as China, Malaysia and Thailand whose target customers are less-demanding. According to World Bank Enterprise Survey, on the bright side, only 27% of medium-sized firms and 13% of small

enterprises in Myanmar use material inputs of foreign origin. In Myanmar, SMEs from 4 states, 7 divisions and Union Territory, Nay Pyi Taw are engaged in export. ASEAN is an important market for Myanmar' exports and Myanmar SMEs mainly export to China and Japan. Most of the exported products are agricultural products, marine products and wood and wood-related products. Agricultural products mainly include rice, different types of beans, white yam powder, coffee seed and coffee powder, Myanmar Tea, tamarind, jaguar, coconut, groundnut oil, sesame oil, ginger oil, oil palm, rubber, sugar, bees, lemon and honey. Marine products consist of fish, frozen fist stake, shrimps, soft shell crab, squid and lobster. Wood and wood-related products are wood, teak, value-added wood products, rattan products and bamboo place mate.

Government Export Assistance Programs

6. In accordance with notification (64/2023), which was issued by Ministry of Planning and Finance, the government provides exemption of commercial tax on 27 kinds of goods listed as different kinds of corn, fresh fish and shrimps, soil bean, milk and dairy products, yogurt, animals and animal products, fertilizer, various kinds of pesticide and weed killer that are used in agriculture, animal, fish and prawn medicines, veterinary preventative medicines, raw and finished materials for animal, fish and prawn feed (not included animal food that used for pets), pure seeds and seedlings of crops, raw materials for cotton, agricultural products, coconut oil, state flag, stationeries, X-ray, absorbent cotton wool, gauze, bandages, hospital sundries to take medicines, surgical mask (once used), cap, surgical glove, masks that used to prevent flu infection, household pharmaceutical and other medicines and traditional medicines, fire engine and hearse, raw materials used in making soap, battery electric vehicles and goods purchased by donated fund. The government offers tax incentives such as offering SMEs exemption from income tax for 3 consecutive years in accordance with Union Taxation Law. The government strives to adjust their tax rates with

the enactment of Union Taxation Law each year as a way of rehabilitating economy when the economy slows down. Furthermore, SME loans are offered through different loan programmes. Now, it has been recently announced that Small and Medium businessmen can get loans from 15 private banks as well as state-owned Myanmar Economic Bank (MEB) and Myanmar Agricultural Development Bank (MADB).

7. In conclusion, the Central Committee for Development of Micro, Small and Medium Enterprises has been planning MSMEs products' exhibition to encourage SMEs. I happened to visit one of those exhibitions and witnessed a lot of local SMEs' products, which are displayed well. I gladly realized most SMEs just made use of local raw material. Some SMEs' products are not well-recognized in the local market, but these products are value for money. These potential SMEs need some assistance in making their quality products well-recognized in the market. Some SMEs do not have enough capital to make mass production and these quality products disappear in the market sadly. Some of these local products equal other imported products. I believe that if these local products are well-promoted with special support from all responsible government organizations, it would be a great thing. If SMEs' requirements and government's export assistance programs coincide, these products can survive in the domestic market as well as foreign market.

References

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