THE IMPLEMENTATION OF SMALL AND MEDIUM-SIZED ENTERPRISE DEVELOPMENT IN THE RICE SECTOR OF MYANMAR: EMPIRICAL RESEARCH FINDINGS

Naylin Oo*

This study has three objectives in assessing the implementation of small and medium-sized enterprise (SME) development in the rice sector of Myanmar. This study attempted to (a) assess the current status of SME development in the rice sector; (b) identify the level of perceptions of the factors affecting the implementation of SME development in Myanmar; and (c) study the impact of policy implementation on different types of businesses in the rice sector of Myanmar.

The factors include policy implementation, market access, financing accessibility, technology acceptance, entrepreneurial capability and internationalization. The conceptual framework was prepared and a questionnaire was designed based on these factors. Thirteen hypotheses were proposed in order to ascertain the factors. The study used active agents of SMEs in three top rice-growing regions of Myanmar as the target population for the primary data. In addition, the representatives of government agencies and business associations as well as relevant experts were alternative sources of data.

All of the hypotheses were successfully tested and only 3 out of 13 were accepted. The findings revealed that the capability of implementers and local market access had a highly significant relationship with the income generation aspect of SME development, while financing accessibility and entrepreneurial capability exhibited strong significant influences on the employment generation aspect of SME development. The findings are applicable for policymakers, practitioners, implementers of SME development, and entrepreneurs in Myanmar and other developing countries.

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**I. INTRODUCTION**

Myanmar is currently going through a triple transition: “(1) from authoritarian military system to democratic governance; (2) from a centrally directed, closed economy to a market-oriented, open one; and (3) from 60 years of conflict to peace in the border areas” (World Bank, 2014). Emerging from half a century of isolation, Myanmar has been undertaking historic political and administrative reforms and has worked to open up its economy through trade and investment liberalization. Now Myanmar is in the process of instituting a series of policy and strategic reforms with the aim of achieving national development goals. Myanmar has instituted wide-ranging reforms as part of the ongoing economic, social and political transformations, including the introduction of new law for small and medium-sized enterprises (SME).

Myanmar is still an agriculture-oriented economy. While the government has done much to lay the building blocks for a market economy, particularly in the area of agricultural sector development, much more needs to be done, especially in the area of SME development in that sector to successfully complete the transition.

While their individual contributions to the economy may be small, the accumulated contribution of SMEs has tended to be quite significant for the entire economy. The contribution of SMEs to the creation of jobs, innovation and economic dynamism has been recognized by developing countries, including Myanmar (Abe and others, 2012). Prior studies documented that SMEs play a significant role in the economy of a country. Consequently, the effective implementation of SME development is closely associated with the economic development of the nation. “Promoting SME development is a very difficult task and complex. It depends not only on policy or external conditions, but also on SMEs’ characteristics and how SME perform” (Oum, 2013).

The success of SME development depends on various external factors (namely, policy and regulatory environment, infrastructure, corruption, access to finance, governance, bureaucratic hurdles, business development services, among others) and internal factors (namely, experience, capacity, organizational culture, technology, among others). From another point of view, the success of SMEs can be influenced by the following factors: political, economic, social and technological.
SMEs play an important role in the economic development of developing economies (Kayanula and Quartey, 2000). They are the growth drivers of Myanmar and account for more than 99.4 per cent of all enterprises, with approximately 130,000 registered and an estimated 620,000 unregistered (United Nations, 2013). In particular, agriculture remains the backbone of the economy, and the agricultural sector of Myanmar, from which 70 per cent of population derives its income, accounts for approximately 32 per cent of GDP, more than 60 per cent of employment and 20 per cent of exports (OECD, 2014b).

Myanmar used to be known as the “rice bowl of Asia” because it was the largest rice exporter in the 1950s, but during the central planning period, rice production and exports decreased owing to low quality and high consumption. This is partly due to the fact that the whole economy “went down”; Myanmar, once a country with a lot of potential, became one of the least developed countries after the dictatorial socialist governments in the period from the early 1960s to the late 1980s and the subsequent military governments from the late 1980s to 2010.

As a result, in general, private sector development, and more specifically SME development, stagnated for many years. International sanctions also put more pressure on market access, foreign direct investment (FDI), financing, and the transferring or updating of modern technology. There was a generation gap caused by a brain-drain of skilled workers and eventually a shortage of unskilled labourers due to mass migration to other countries that continues to affect Myanmar to this day. Thus, it is important to strengthen an enabling business environment. Otherwise, the growth of the SME sector could consequently be slow, which in turn would affect the socioeconomic development of Myanmar.

This study presents information on the real situations within which key policy implementation factors have to be adopted and their impact on effective SME development. This study also provides an understanding of how SME development policy should be effectively implemented, by looking at various factors affecting the implementation of SME development. Based on the findings, lessons and conclusions will be presented, and recommendations for policy formulation will be provided. The study aims to contribute to the existing literature on SME development, including that related to the Myanmar context, and to fill the gap that exists in the knowledge about SMEs in developing countries, particularly in Myanmar.

Research objectives

This study aims to ascertain the role of SME development in income generation and employment creation in the rice sector of Myanmar, including the important
factors affecting that development based on levels of perceptions. Thus, this study identified the following overall objectives:

- To assess the current status of SME development in the rice sector.
- To identify the level of perception of the factors affecting the implementation of SME development in Myanmar.
- To study the impact of policy implementation on different types of businesses in the rice sector of Myanmar.

This study focuses on the external factors affecting SME development in Myanmar as well as on one internal factor (namely, entrepreneurial capability). Given the various factors of policies and regulatory frameworks, economic and social conditions, technology and entrepreneurial capability, the study specifically explores the implementation aspects of policy processes that affect SME development in different types of businesses in the rice sector of Myanmar. In addition, this study explores the roles of SMEs in generating income and creating jobs. SMEs in the rice sector of Myanmar are the target population. In terms of limitations, due to some physical barriers, such as transportation, and administrative barriers, research was conducted at 32 locations in three main rice growing regions where the majority of SMEs in the rice sector are located.

While Myanmar has attracted substantial interest from the international community, there are still many gaps in the knowledge of and a lack of in-depth information about the conditions SMEs face and the perspectives of the private sector. This study provides two key dimensions for an effective SME development policy framework:

- Policymakers, practitioners and implementers – policymakers, practitioners (including business owners) and implementers understand key factors affecting the implementation of SME development and prioritize appropriate and practical implementation approaches.
- Theoretical contribution to academics – further study on other aspects of policy frameworks for SME development and on the effective policy implementation of other development programs through various policy analyses conducted.

The findings regarding a practical framework can provide policy options for policymakers to make strategic decisions to further strengthen the growth of the SME sector for income generation and employment creation.
II. LITERATURE REVIEW

To study the implementation of SME development in Myanmar, the literature on various studies of the current socioeconomic conditions in Myanmar, including its reform process, implementation theories on the promotion of SME development, and the roles of SMEs in income generation and job creation, were reviewed. The result, a comprehensive theoretical model of the implementation of SME development, was then tested and the relationships between the factors affecting the implementation of SME development in the rice sector of Myanmar were examined.

Myanmar’s strategic location between China and India and the Association of Southeast Asian Nations Economic Community (AEC) offers Myanmar and its businesses new opportunities to reach out to the more than 500 million people living in neighbouring countries and the closest provinces of China and India (Chhor and others, 2013). Myanmar has a young population which provides enormous potential for future growth and development.

Since the new government took power in March 2011, Myanmar has introduced several ambitious reform programmes to open up its economy in order to integrate with the international community and to improve its deteriorating economy, which is characterized by low levels of industrialization and employment and inefficiencies (International Crisis Group, 2012). The government has set up four-step reform programmes for political reforms, economic reforms, administrative reforms and private sector reforms. Although some progress has been made since the various reforms began, poverty remains the biggest challenge in Myanmar because it is a country with a low income mainly generated from agriculture. To some extent, international sanctions are still hampering the development even though there have been ambitious changes in the political and economic paradigm of the country.

Economy of Myanmar

Myanmar has very recently moved up to the category of low middle-income developing countries with a gross national income per capita of between $1,045 and $4,125, according to the World Bank (2015e). During the military regime, GDP of Myanmar had grown at an average rate of 2.9 per cent annually. However, real GDP growth has been rising; it was estimated at 5.9 per cent in 2011/12, 6.4 per cent in 2012/13, 7.8 per cent in 2013/14 and 8.5 per cent in 2014/15, according to the Asian Development Bank and International Monetary Fund.

The major economic sectors of Myanmar are agriculture, trade and services, industry and mining. Agro-based industries, wood-based industries, the textile industry and heavy industries are the major industries; and the major export products are
rice, teak, beans and pulses, rubber, coffee, minerals, gems and marine products. Myanmar is still an agriculture-oriented economy, although the share of agriculture in the GDP declined during the first decade of the 21st century. The composition of main sectors by GDP is as follows, based on 2012 estimates: agriculture (34.2 per cent), industry (27.5 per cent) and services (38.3 per cent). In these sectors, the official labour force is about 37.35 million. According to 2011 government estimates, 65 per cent of the labour forces is in the agriculture sector, 12 per cent in industry and 23 per cent in services, respectively (Nwe, 2013).

<table>
<thead>
<tr>
<th>Years</th>
<th>Agriculture</th>
<th>Industry</th>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002-2003</td>
<td>52.9</td>
<td>12.8</td>
<td>35.3</td>
</tr>
<tr>
<td>2003-2004</td>
<td>51.9</td>
<td>13.6</td>
<td>34.5</td>
</tr>
<tr>
<td>2004-2005</td>
<td>50.5</td>
<td>14.6</td>
<td>34.9</td>
</tr>
<tr>
<td>2007-2008</td>
<td>48.3</td>
<td>19.9</td>
<td>36.7</td>
</tr>
<tr>
<td>2010-2011</td>
<td>36.2</td>
<td>26.0</td>
<td>37.8</td>
</tr>
<tr>
<td>2011-2012</td>
<td>34.2</td>
<td>27.5</td>
<td>38.3</td>
</tr>
</tbody>
</table>

*Source: Hlaing (2014, table 2).*

Reforms in Myanmar

During the second wave (economic reform) and third wave (administrative reform) of the reform process, the Government sought a high economic growth rate, targeting a 1.7 fold rise in per capita GDP after the five-year plan. In 2012, the President announced a four-point economic policy: sustained industrial development to catch up with global economies while keeping up the momentum of agricultural reforms and attaining poverty alleviation and rural development; equitable sharing of resources, both budgetary and foreign aid, among regions and states while promoting foreign and local investments for regional development; effective implementation of people-centred development through community-driven, participatory approaches to improvements in education, health and living standards; and reliable and accurate gathering of statistical data and other information to better inform public policy decisions (Myanmar, 2012). Reform measures for economic development include fiscal policy reform (tax reforms), financial reform (foreign exchange market liberalization), trade policy reform (trade liberalization), investment policy reform (new FDI law), infrastructure reform (deep seaports and special economic zones) and institutional
reform (formation of the National Economic and Social Advisory Council and the Foreign Aid Management Central Committee).

The Government of Myanmar developed the Framework for Economic and Social Reforms in consultation with senior officials of various ministries and departments of the Government as well as the development partners of Myanmar. The Framework is an important tool for both short-term and long-term policy development in Myanmar. However, Myanmar still lacks transparency and proper implementation in its regulatory and legal environment. While the Government has implemented a number of reform measures and has introduced many new laws to increase the fairness and transparency of the regulatory environment, implementation has been slow, and little progress has been reported.

**Small and medium-sized enterprises**

Previous studies dealing with private sector development have focused on large enterprises rather than SMEs. However, in recent years studies have focused more on the promotion of SMEs because of “the perceived failure of large enterprises in creating adequate productive jobs to absorb a significant share of the rapidly growing labour force in many developing countries” (Huang, 2003). Entrepreneurs start businesses for various purposes. “Some start businesses driven by necessity ... while others are opportunity-driven” (Global Entrepreneurship Monitor Thailand, 2012). Regardless of the reasons for entrepreneurs to start businesses, the government needs to take positive steps and measures towards introducing regulatory measures, to help to cope with the new and changing environments and to address emerging challenges faced by SMEs so that their development will lead to the economic and social development of the country.

It is important to consider the definition of SMEs. SMEs are “smaller than big business in such terms as number of employees, asset base, annual revenue and ownership structure” (IBON International, 2014). Although the term “small and medium-sized enterprise” has various definitions across different economies, such definitions are generally based on the size of the economy and the level of economic development of the country. More than 90 per cent of enterprises (99 per cent for China (2003); 98 per cent for Thailand (2003); 99 per cent for Viet Nam (2002)) belong to the SME category. More than 60 per cent of private sector jobs (75 per cent for China (2003); 65 per cent for Thailand (2003); 77 per cent for Viet Nam (2002)) come from SMEs, which contribute about 20-30 per cent of the GDP (65 per cent of industrial output (China); 47 per cent of the GDP (Thailand) and 55 per cent of exports (Thailand); and 20 per cent of exports (Viet Nam (2003)) (Abe and others, 2012).
Table 2. SME contribution to the economy

(Percentage)

<table>
<thead>
<tr>
<th></th>
<th>Malaysia</th>
<th>Thailand</th>
<th>Republic of Korea</th>
<th>Japan</th>
<th>China</th>
<th>Indonesia</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>SME establishments</td>
<td>94</td>
<td>98</td>
<td>99</td>
<td>99</td>
<td>99</td>
<td>99</td>
<td>95</td>
</tr>
<tr>
<td>Employment</td>
<td>40</td>
<td>56</td>
<td>69</td>
<td>88</td>
<td>74</td>
<td>99</td>
<td>80</td>
</tr>
<tr>
<td>Value added</td>
<td>26</td>
<td>47</td>
<td>46</td>
<td>56</td>
<td>60</td>
<td>63</td>
<td>40</td>
</tr>
</tbody>
</table>

Source: Abe and others (2012).

SMEs are a very heterogeneous group of businesses usually operating in various sectors, “from traditional, small and family-owned enterprises to dynamic, innovative and growth-oriented enterprises” (Kyaw, 2008). In many developing countries, most SMEs have 10 employees or fewer and operate in an informal setting without legal status or registration and with limited or no access to proper regulation and insurance.

For much government policy research, as well as management and economics sources, SME development is measured in terms of increases in SME employment. Vice President U Nyan Tun said “SMEs are key to boosting the economy and creating job opportunities, stressing the need to enhance entrepreneurial skills through a strong policy that will guarantee continuous growth of the enterprises” (Myanmar, President Office, 2014). SMEs are a key source of employment as they invigorate local economies and stimulate competition.

SMEs hold enormous promise for the competitiveness of a country, particularly in terms of higher income growth, fuller employment of domestic resources, more gainful integration though global and regional trade and investment, and greater equity in access, distribution and development. However, SMEs are usually most interested in financial performance, which can be measured by the growth of sales or turnover growth and profitability, since this focuses on their earnings -- in other words, income generation. In many developing countries, the absolute values of these measurements are difficult to research and record over a specific period of time due to unreliable sources and non-standard data collection procedures.

Small and medium-sized enterprise development in Myanmar

It is difficult to research the background of enterprise development in Myanmar because of the scarcity of literature on the subject. Throughout their history, Myanmar enterprises have not had an opportunity to reach their fullest potential relatively except from 1948 to 1962 (Kyaw, 2008). Due to mismanagement of the economy under the socialist economic system from 1962 to 1988, only a few institutional reforms were
made. To boost private sector development, the Right of Private Enterprises Law was promulgated in September 1977. However, “private investments throughout the socialist period were confined to small-scale activities, concentrating on processing natural resources” (Kyaw, 2008). The military government declared the adoption of a market-oriented economic system in 1988, and the Private Industrial Enterprises Law of 1990 and the Promotion of Cottage Industrial Law of 1991 were promulgated. The Myanmar Citizen Investment Law was enacted in March 1994 to promote indigenous businesses. As a result, the number of private business establishments has drastically increased since 1988 (Kyaw, 2008).

According to the Ministry of National Planning and Economic Development, the number of enterprises in Myanmar in 1999 was 55,523. Of that number, SMEs made up 99.2 per cent. The total number of enterprises registered as private industrial enterprises has increased yearly, from 28,848 in fiscal year 1991 to 41,475 in fiscal year 2005 (Myint, 2006). From 2002 to 2003, 89.6 per cent were private enterprises, 8.6 per cent were state-owned and 1.6 per cent were cooperatives (Myint, 2006). According to information released by the Ministry of Information, the number of registered private industrial enterprises reached 43,374 by end of 2006 (Kyaw, 2008).

After the new Government took power in 2011, it immediately realized the importance of reliable data in order to address development challenges and to formulate appropriate national policies and strategies. The latest published information shows that SMEs make up 99.4 per cent of all enterprises, with approximately 130,000 registered and another estimated 620,000 unregistered (table 3).

<table>
<thead>
<tr>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal sector</td>
<td>126 958</td>
</tr>
<tr>
<td>Large enterprises</td>
<td>721</td>
</tr>
<tr>
<td>SMEs</td>
<td>126 237</td>
</tr>
<tr>
<td>Informal sector</td>
<td>620 000</td>
</tr>
</tbody>
</table>


An estimation shows that Myanmar has 2.6 SMEs per 1,000 people (Abe and Dutta, 2014). Table 4 compiles the data collected from various sources. It shows that a lack of proper statistics remains a major challenge for conducting research on trends and outlook on enterprise development in Myanmar. In other words, Myanmar had been in a position where the implementation of enterprise development, let alone SME development, was like “an elephant in the room”, meaning that there were
obvious problems that people did not want to talk about and try to solve. Now SME development in Myanmar is one of the top priorities for the Government. It is better late than never. However, many challenges remain.

Table 4. Number of enterprises in Myanmar

<table>
<thead>
<tr>
<th>Year</th>
<th>Enterprises</th>
<th>Percentage of SMEs</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>55,523</td>
<td>99.2</td>
<td>Ministry of National Planning and Economic Development</td>
</tr>
<tr>
<td>2006</td>
<td>43,374</td>
<td>-</td>
<td>Ministry of Information</td>
</tr>
<tr>
<td>2013</td>
<td>126,958</td>
<td>99.4</td>
<td>Ministry of Industry (U Thein Sein, 2013)</td>
</tr>
</tbody>
</table>

Definitions of small and medium-sized enterprises in Myanmar

One of the remaining challenges, in addition to the lack of reliable data, is the proper categorization of enterprises in Myanmar. During the course of this research, the Government undertook various measures to improve SME development in Myanmar. The new Small and Medium Enterprise Development Law, which was drafted and passed by the parliament in April 2015, classified enterprises in Myanmar in six broad categories based on the number of employees and the value of the enterprise’s capital investment (table 5).

Table 5. New SME definitions, 2015

<table>
<thead>
<tr>
<th>Category</th>
<th>Small</th>
<th>Medium</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Employees</td>
<td>Capital (millions, kyat)</td>
</tr>
<tr>
<td>1. Manufacturing, mining, construction</td>
<td>Up to 50</td>
<td>Up to 500</td>
</tr>
<tr>
<td>2. Labour intensive manufacturing</td>
<td>Up to 300</td>
<td>Up to 500</td>
</tr>
<tr>
<td>3. Wholesale business</td>
<td>Up to 30</td>
<td>Up to 100</td>
</tr>
<tr>
<td>4. Retail business</td>
<td>Up to 30</td>
<td>Up to 50</td>
</tr>
<tr>
<td>5. Service business</td>
<td>Up to 30</td>
<td>Up to 100</td>
</tr>
<tr>
<td>6. Others</td>
<td>Up to 30</td>
<td>Up to 50</td>
</tr>
</tbody>
</table>

Note: US$1 = 1,000 kyats approximately.
Historically, the criteria used to define SMEs in Myanmar have varied according to the country’s economic condition. According to the Private Industrial Enterprise Law of 1990, the classification of business enterprises in the private sector into small-, medium- and large-scale enterprises is based on four criteria; namely, power usage, number of workers employed, capital invested and annual production. A definition of SMEs can also be found in the Promotion of Cottage Industries Law of 1991, which classifies the size of cottage industries. The Ministry of Cooperatives is the focal point for cottage industry promotion.

Having different definitions for SMEs generates problems. For example, it is difficult to classify a business as to whether it is large or small if it employs 15 workers and uses less than 2.237 kw of electricity but invests more than five million kyat. It is also extremely difficult to obtain data based on the actual total number of employees in SMEs as well as the total value of capital investment. Consequently, the distribution of SMEs in different types of businesses or sectors cannot be determined according to the number of employees or the value of capital investment.

**Status of small and medium-sized enterprises in Myanmar**

SMEs share the biggest part of the Myanmar economy in terms of number, contribution to employment, output and investment. Economic growth in Myanmar is thus totally dependent on the development of SMEs. Recently, the President of Myanmar said that “Myanmar is giving priority to carrying out the task of SME development” (Qin, 2014). He encouraged the SME Development Working Committee to review relevant laws, rules and regulations to protect SMEs from challenges generated by Association of Southeast Asian Nations (ASEAN) free trade agreements and to build capacity for technology transfer, market development and human resource development, among others (U Thein Sein, 2013).

The Government is focusing on a comprehensive approach to SME development by increasing their access to capital, providing greater access to business services and improving their business enabling environment. The Government established an institutional and policy framework for SME development through the following main measures after 2010: establishment of the Central Department of SME Development (SME Development Centre) at the Ministry of Industry to coordinate and develop policy and strategies; drafting of an SME policy that includes SME access to credit, technology adoption and capacity development; and carrying out capacity development with SMEs through workshops and seminars (Myanmar, Ministry of Industry, 2013).

In Myanmar as in many developing countries, government policies and regulatory measures can have a strong influence on the ability of SMEs to grow. The new SME law has redefined SMEs and has created a range of new committees
and promotion mechanisms. The Government of Myanmar works through more than 30 ministries with sometimes overlapping responsibilities and poor inter-ministerial coordination (OECD, 2014b). This affects not only policy effectiveness but also the overall confidence of businesses and investors. Foreign investment approvals sometimes require approval by a number of ministries and departments. As stated, there are a number of parallel ministries that supposedly regulate the business sector, but coordination between these entities is insufficient (Abe and Dutta, 2014) even though the President is head of the SME Central Committee for their development, supported by two Vice-Presidents and 20 union ministers. The “weak coordination among agencies responsible for SME policy formulation and implementation, absence of SME development strategy and weak facilitation in formalizing SMEs remain as stumbling blocks in the development of SMEs in Myanmar” (ERIA, 2014).

In terms of financing, according to *Myanmar Investment Climate Assessment*, published by the World Bank (2015c), “merely 1 per cent of fixed-asset investment costs are financed by bank borrowing, while 92 per cent of firms rely on their own funds – a percentage higher than that of any other comparable country”. According to the 2014 survey of the United Nations Capital Development Fund, the “take-up of credit from either regulated or unregulated financial services providers is low for formal enterprises, with 74 per cent of formal enterprises reporting to not use any form of credit” (Chamberlain and others, 2014). Most SMEs rely mainly on personal savings and family and friends for financing owing to unfavourable financing conditions such as “tight collateral requirement (only real estate), limitation of loan amount based on appraised value of collateral property (up to 40 per cent), unavailability of long-term loans from the banks and lack of international funding agencies that provide financial assistance to SMEs” (Kyaw, 2008).

Due to international sanctions during the military regime, access to international markets has been a major obstacle for businesses in Myanmar. Consequently, most exports are natural resource-based products. As presented in table 6, the total export values of Myanmar have been relatively very low compared to other developing countries, for example, Thailand. Only in recent years there has been relaxation of international sanctions by major trading partners in North America and Europe, which opened up their markets to Myanmar products.

In terms of technology acceptance, SMEs in Myanmar tend to be technologically backward, and their productivity and quality standards are low. They use obsolete machines and equipment for production, some dating back to the colonial period, before 1948, which badly constrains productivity enhancement and quality upgrading. Much of the essential equipment and technology is made locally by small workshops with imported parts. A new Telecommunications Law was recently enacted. Its approval paved the way for the issuance of operating licenses to two foreign companies to
provide telecommunications services in Myanmar. According to recent reports, the telecommunications sector is booming and many opportunities opened up for businesses.

Table 6. Export figures for Myanmar (2007-2011)

<table>
<thead>
<tr>
<th>(US$ in millions)</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-natural-resource exports</td>
<td>1 734</td>
<td>1 900</td>
<td>2 293</td>
<td>2 409</td>
<td>3 351</td>
</tr>
<tr>
<td>Total exports of Myanmar</td>
<td>4 970</td>
<td>6 321</td>
<td>5 896</td>
<td>6 335</td>
<td>7 947</td>
</tr>
<tr>
<td>Total exports of Thailand</td>
<td>153 571</td>
<td>175 907</td>
<td>152 497</td>
<td>195 311</td>
<td>228 824</td>
</tr>
</tbody>
</table>

Source: Kubo (2014).

In terms of entrepreneurs’ capability, Myanmar already has a culture of entrepreneurship. Many people create their own start-up businesses (alone or with family support) rather than work in low-paying jobs in the public sector. However, “over 9 per cent of businesses in Myanmar cited inadequate workforce skills as the main obstacle to operations” although the level of skill required to run a business is not very high (World Bank, 2015d).

As mentioned earlier, in terms of internationalization, due to international sanctions and self-imposed isolation, Myanmar barely received official development assistance (ODA) or attracted FDI during the period of the military regime from 1988 to 2010 compared to other developing countries such as Cambodia and the Lao People’s Democratic Republic.

Factors in small and medium-sized enterprise development

The overall objectives of SME development are to (a) create jobs and generate income, (b) improve SME performance and competitiveness, and (c) increase their participation in and contribution to the national economy (Abe and others, 2012). There are several approaches that can generate jobs and increase income, including creation of business opportunity and promotion of entrepreneurial spirit, among others. These approaches are in fact in line with the priority areas or factors that are the foundation of SME development identified by international scholars. These are (a) the creation of an enabling business environment, (b) promotion of entrepreneurship, (c) financing, (d) promotion of business development services, (e) promotion of innovation and technology, and (f) creation of market access (Abe and others, 2012). Therefore, in this study, six main factors are considered as important in affecting the implementation of SME development: (1) enabling policy and regulatory environment, (2) market access,
(3) financing accessibility, (4) technology acceptance, (5) entrepreneurial capability, and (6) internationalization.

**Policy implementation**

Having a policy and institutional framework to tackle SME needs is an important pre-condition towards creating a favourable policy and regulatory environment in which SMEs can thrive. “The way the institutional framework is designed plays an important role in how effectively the policy is implemented” (OECD, 2014a). In addition, “efficient policy and regulatory directives, with adequate implementation and operation modalities, would result in building confidence among SME entrepreneurs and strengthen their capacity to improve linkages with other enterprises” (United Nations, 2011). Coordination and management in plan implementation are not only the responsibilities of certain ministries; they are also needed to direct cross-ministry cooperation and within-ministry operations. There must be effective coordination between central agencies and line ministries, between ministries, and within them. Capable and motivated staff and flexible institutions are then needed to implement plans because policy formulation is a complex undertaking that often lacks consistency and is subject to frequent changes over short periods of time.

**Market access**

The onset of regional economic integration in the context of realizing AEC by 2015 has further intensified the pressure for competition on SMEs in Myanmar in both domestic and international markets. Key success factors for market access include, but are not limited to, the ability to access market information, the capacity to join a business network and low non-tariff barriers. Within this context, market access can generally be of two types: local and international markets. Since domestic markets are limited, these SMEs need to join international markets by accessing global and regional value chains, which provide a wide range of value-added business activities in international trade. “The ability of SMEs to capture new markets beyond domestic ones is highly limited as they lack market information and intelligence. SMEs also find it difficult to network with other institutions beyond their home market” (Yao, 2014).

**Financing accessibility**

The opportunity to access small amounts of financing can be an important catalyst for SMEs to get access to the resources they need to gain a foothold in the market. Limited access to financing is a major obstacle for the creation and growth of SMEs (United Nations, 2014; Theingi and Mon, 2010). SMEs usually face serious challenges in securing financing, in particular at the beginning of forming their
businesses. Difficulty in financing accessibility has generally been attributed to “(a) misconception that SMEs are high-risk borrowers; (b) inadequate/poor financial records; (c) high administrative/transaction cost of lending; and (d) the failure of providing the right legal and regulatory infrastructure supports” (Hang, 2009). However, financial institutions need to be more responsive to their needs (ERIA, 2014). SMEs heavily rely on internal funds and funds from the informal sector. “Almost 60 per cent of Asia-Pacific exporting SMEs rely exclusively on internal financing, while only 40 per cent do so globally” (United Nations, 2014).

**Technology acceptance**

Technology is revolutionizing the way SMEs conduct business and compete in the international market. “Increased connectivity and greater, cheaper processing power are opening up new opportunities to acquire customers, transforming SME business models” (Yao, 2014). Rapid development in technology, in particular mobile technology, has far-reaching implications for SME development and the integration of SME activities in Myanmar. For SMEs, technology acceptance through inter-firm technology transfer to enhance their competitiveness and growth is critically important. Technology has contributed significantly to higher productivity and boosted the economic growth of many developing countries. SMEs are usually constrained by the small scale of their operations and cannot afford expensive new technology.

**Entrepreneurial capability**

According to Abdelgawad and others (2013), entrepreneurial capability refers to an entrepreneur’s “capacity to sense, select and shape opportunities and to synchronize their strategic moves and resources in pursuit of these opportunities”. There is a general perception that entrepreneurs in Myanmar are confident they have the necessary skills to start a business. However, the perception of true entrepreneurial capability may not match the reality in Myanmar. “The ‘fear of failure’ is not simply an internal mindset; it is influenced by the following socioeconomic and cultural factors: (a) negative peer pressures (e.g. parents, relatives and friends); (b) no respectable exit route without economic punishment; (c) social stigma; (d) lack of confidence due to inadequate skills and knowledge; (e) and low aspirations” (Abe and others, 2012).

**Internationalization**

It is hard to find a single definition of internationalization that suits well for this study. Scholars have defined internationalization in diverse ways. This research concerns outward internalization in relation to international measures, such as ODA, and international trade and investment, such as FDI. These two aspects have been affected by international sanctions imposed on Myanmar. Donor countries
are sometimes reluctant to give ODA to least developed countries like Myanmar because (a) Myanmar is viewed as not having the capacity and/or quality of policies and institutions to effectively use the assistance and (b) emerging market economies, and not least developed countries, are considered to be important markets for advanced donor countries. The net ODA received per capita in Myanmar was last measured at US$7.40 in 2010, according to the World Bank (2015f). The level of ODA for Myanmar had been on a downward trend following Cyclone Nargis in 2008 until the new Government was elected in 2011. “Foreign investment in Myanmar has continuously increased over the last four years, as foreign investors are permitted to lease state-owned land in addition to private property, to transfer ownership of businesses to foreigners under the guidance of the Myanmar Investment Commission and to transfer money with few restrictions” (Kyaw and Deboonme, 2015).

**Agricultural sector of Myanmar**

Myanmar is still an agriculture-oriented economy. However, one alarming phenomenon is that “the share of agriculture in the GDP declined during the first decade of the 21st century. Myanmar’s industrial sector has shown a rise in its share of the GDP for the last decade” (Kudo and Kumagai, 2013). Nevertheless, agriculture remains the backbone of the economy, with nearly 70 per cent of the population living in rural areas and with the sector accounting for approximately 38 per cent of the GDP and more than 70 per cent of employment (Abe and Dutta, 2014).

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>46.0</td>
<td>32.5</td>
<td>49.5</td>
<td>46.5</td>
<td>57.3</td>
<td>57.2</td>
<td>36.4</td>
</tr>
<tr>
<td>Manufacturing/industry</td>
<td>10.4</td>
<td>14.8</td>
<td>12.0</td>
<td>12.7</td>
<td>10.5</td>
<td>9.7</td>
<td>26.0</td>
</tr>
<tr>
<td>Others/services</td>
<td>43.6</td>
<td>52.7</td>
<td>19.9</td>
<td>38.5</td>
<td>32.2</td>
<td>33.1</td>
<td>37.6</td>
</tr>
</tbody>
</table>


The increase in the share of industry as emphasized in present industrial policy is still linked to the agricultural sector, as it focuses on the promotion of agro-based industries and agro-based raw material-oriented industries. As far as agricultural SMEs are concerned, the Government envisages that they can play the role of import substitution by shifting from a traditional approach to a modern and commercial production approach. The principal crops include rice, beans and pulses, oilseeds, vegetables and chilies, and other crops (ADB, 2013).
Why the rice sector?

As stated, Myanmar used to be the largest rice exporter in Asia, but during the central planning period, rice exports decreased over time because of their low quality, high consumption, and command and control policies regarding rice. Then, after the new rice policy of 2003, the Government stopped buying rice paddies directly from farmers at below the market price and the ban on private rice exports was lifted. Nevertheless, rice exports did not noticeably increase. Myanmar is now the world’s sixth-largest rice-producing country. According to the United States Department of Agriculture, it is estimated that “Myanmar will produce 18.98 million tons of paddy rice (around 12.15 million tons, milled basis) and export around 1.4 million tons of rice in fiscal year 2014/15” (Oryza, 2015a).

The Government of Myanmar is planning to increase export of rice, as part of its National Export Strategy, from approximately 2.5 million tons in fiscal year 2015/16 (April-March) to 3 million tons in the next few years, compared to an estimated 1.5 million tons in fiscal year 2014/15 and 1.2 million tons in fiscal year 2013/14 (Oryza, 2015b). In order to support the National Export Strategy, the Myanmar Rice Federation, which is an independent private sector organization, is implementing a market-based mechanism to ensure supply and price stability, to modernize and upgrade processing and storage facilities, to incentivize producers and stakeholders, and to ensure national food security (Myanmar Rice Federation, 2015).

Rice value chains

In the densely populated delta area, seasonal monsoon rains and easy access to water sources make rice production the major agricultural enterprise. The dry zone in the middle of Myanmar, however, lies in a rain shadow zone, so that productive agriculture is principally in river valleys, where a mix of rain-fed upland paddies and crops are produced. Regardless of geographical location, the current performance of the rice sector of Myanmar is relatively lower than that of rice-exporting countries such as Thailand and Viet Nam, as previously stated. The “underperformance of agriculture is a challenge, but it also presents an immense opportunity, since much of the underperformance has resulted from constraints that can be addressed with straightforward interventions” (ADB, 2014).

A value chain management approach to agriculture, which moves beyond a production-based approach, can provide a means for accelerating SME development in the sector. This approach would help to identify the supporting needs of SMEs operating along the value chains, such as input suppliers, foundries, mechanization service providers, collectors, processors, millers, packers, transporters, wholesalers and traders.
The rice value chain in Myanmar has two channels consisting of several functions, actors and activities. The first channel is mainly contract or salary-based farmers associated with large plantation-based businesses collecting and processing rice that is targeted primarily towards export. The farmers provide all or a large portion of their output to the collectors, millers and exporters, who provide the farmers with stable demand, credit for inputs and technical training in return. The second channel consists of a majority of farmers, which includes smallholders producing rice along with other crops. They sell rice mostly to wholesalers or directly to small-scale processors. Alternatively, they may process rice from paddies at home and then sell finished rice to retailers.

III. RESEARCH FRAMEWORKS AND METHODOLOGY

This section looks at the theoretical frameworks of previous studies and theories, the conceptual frameworks that were derived from the theoretical frameworks, the related hypotheses and the operationalization of variables. Based on the preceding section, this section draws on the key arguments from various examples in the literature and presents a theoretical framework prior to the construction of the conceptual framework. The conceptual framework was then refined to meet the objectives of the study.

Theoretical framework

SME development policies have been explored by several researchers and academics. The results are controversial despite the universally accepted belief that SME development leads to economic growth in terms of income generation and employment creation. Within this context, SME development policy does not automatically or effectively lead to the spread of SMEs, and thus economic growth; there are other intervening variables or factors such as policy, financing, coordination, technology, and types of SMEs, among others.

The implementation of SME development involves policy dimensions, socioeconomic conditions, technology and entrepreneurial capability. Therefore, the level of perception of the implementation of SME development depends on six factors: (1) effective policy implementation, (2) market access, (3) financing accessibility, (4) technology acceptance, (5) entrepreneurial capability and (6) internationalization.

According to the World Bank (2015a), there are 15 obstacles in the business environment of enterprises that can be grouped under the above-mentioned six factors: (1) access to finance, (2) competition from informal sectors, (3) electricity, (4) corruption, (5) crime, theft and disorder, (6) inadequately educated workforce, (7) labour regulations, (8) business licensing and permits, (9) political instability, (10) tax
administration, (11) tax rate, (12) transportation, (13) customs and trade regulations, (14) courts and (15) access to land.

Similarly, the *Myanmar Business Survey* conducted by the Economic and Social Commission for Asia and the Pacific and the Organization for Economic Cooperation and Development (OECD) also has six broadly-categorized groups: (1) access to markets, labour, supplies and technologies; (2) regulations and taxation; (3) conditions for international business; (4) access to financing; (5) infrastructure and utilities; and (6) corruption (ESCAP and OECD, 2014).

These six groups can further be divided into 34 obstacles businesses face in Myanmar. In no particular order, they are: (1) skilled labourers, (2) technology, (3) corruption, (4) access to space, (5) access to capital, (6) political instability, (7) administrative procedures, (8) inflation, (9) working capital, (10) electricity supply, (11) foreign competition, (12) sanctions, (13) labour regulations, (14) external finance access, (15) tax burden, (16) fees, (17) foreign exchange availability, (18) exchange rate, (19) export market information, (20) domestic competition, (21) tax collection, (22) property rights, (23) unskilled labourers, (24) domestic market information, (25) low demand, (26) interest rates, (27) foreign input supply, (28) relationships with authorities, (29) local input supply, (30) petroleum supply, (31) customs and trade regulations, (32) transport and logistics, (33) water supply and (34) telecommunications (ESCAP and OECD, 2014).

One set of rankings of the World Bank (2015b) also gives a different perspective on business or SME development. The rankings are based on 10 broad topics with multiple indicators for each topic. These topics include (1) starting a business, (2) dealing with construction permits, (3) getting electricity, (4) registering property, (5) getting credit, (6) protecting minority investors, (7) paying taxes, (8) trading across borders, (9) enforcing contracts and (10) resolving insolvency.

Extracting from the previous theoretical arguments and study findings, there are six major constructs regarding the implementation of SME development in the rice sector of Myanmar: (1) policy implementation, (2) market access, (3) financing accessibility, (4) technology acceptance, (5) entrepreneurial capability and (6) internationalization.

**Conceptual framework and research hypotheses**

This study specifically focuses on the implementation of SME development, measured by the income generated by SMEs and the number of labourers employed by SMEs, in relationship with various factors and policy implementation, in different types of businesses in the rice sector of Myanmar (figure 1).
The factors can be grouped into five areas: (1) the policy implementation factor, (2) socioeconomic factors (or conditions) comprising market access and access to finance, (3) the technology factor, (4) the entrepreneurial factor and (5) the internationalization factor.
Under policy implementation, the study focuses on four subfactors, namely: (1) clarity of policy goals and targets; (2) disposition of implementers; (3) effective communication (and coordination) among policymakers and policy implementers; and (4) the capability of implementers.

The technology factor will focus on the level of technology acceptance by SMEs. The entrepreneurial factor will focus on entrepreneurial capability. Internationalization, in terms of international measures and trade and investment, will be considered.

Demographic differences

There are generally five distinctive types of businesses among SMEs along the value chain of the rice sector: input supplier, production, collection, processing and trading (wholesale, retail and export). Although these SMEs belong to the rice sector, their primary business may not be within the rice sector or even under the umbrella of the agricultural sector. Thus, for the implementation of SME development in the rice sector of Myanmar under demographic differences, in terms of types of SME businesses, the study offers one hypothesis.

**Hypothesis 1**: There are differences in the implementation of SME development among different types of SME businesses.

Direct effects between factors and implementation of small and medium-sized enterprise development

Regarding the implementation of SME development under various factors, the study looked at twelve hypotheses. The first construct that affects the implementation of SME development is policy implementation. As shown in the figure above, policy implementation consists of clarity of goals and targets, disposition of implementers, communication and capability of implementers. Thus, the following four hypotheses are proposed:

**Hypothesis 2a**: The perceived clarity of policy goals and targets has a positive impact on the implementation of SME development.

**Hypothesis 2b**: The perceived disposition of implementers has a positive impact on the implementation of SME development.

---

1 “The study of implementation requires that goals and objectives be identified and measured since implementation cannot succeed or fail without a goal to judge it” (Pressman and Wildavsky, 1984).

2 Disposition “arises from the fact that human groups find [implementation] difficult to carry out effectively acts for which they have no underlying belief” (Petrick, 1968).
Hypothesis 2c: The perception of better communication has a positive impact on the implementation of SME development.

Hypothesis 2d: The perception of the capability of implementers has a positive impact on the implementation of SME development.

Socioeconomic conditions or factors can be divided into two factors: market access and financing accessibility. Market access can be further divided into local market access and international market access. Improved market access and financing accessibility improve the implementation of SME development. Thus, the following three hypotheses are introduced:

Hypothesis 3a: The perception of improvements to local market access has a positive impact on the implementation of SME development.

Hypothesis 3b: The perception of improvements to international market access has a positive impact on the implementation of SME development.

Hypothesis 3c: The perception of improvements to financing accessibility has a positive impact on the implementation of SME development.

Technology acceptance improves the implementation of SME development, particularly in terms of the usefulness of technology and the ease of use of technology for SMEs.

Hypothesis 4a: The perceived usefulness of technology has a positive impact on the implementation of SME development.

Hypothesis 4b: The perceived ease of use of technology has a positive impact on the implementation of SME development.

Strong capability of entrepreneurs improves the implementation of SME development.

Hypothesis 5: The perceived capability of entrepreneurs has a positive impact on the implementation of SME development.

Increased internationalization, which consists of international measures and trade and investment, improves the implementation of SME development.

Hypothesis 6a: The perception of an increase in positive international measures has a positive impact on the implementation of SME development.

Hypothesis 6b: The perception of an increase in trade and investment has a positive impact on the implementation of SME development.
Research methodology

This section offers the methodology used in testing the causal relationships between the independent variables and dependent variable of the implementation of SME development in the rice sector of Myanmar. The section discusses the research methodology, which includes the research design and selection of key informants, sampling plan, methods of data collection, variables measurements, and analytical procedures and techniques.

The research strategy for this study was to gather and study background information regarding the situation of SME development in Myanmar, particularly in the rice sector, and then to decide the research questions. The questions for the interviews and questionnaires were structured based on research from the literature on SMEs. This study used both exploratory and descriptive research designs in combination. The research questions in this study are: “What is the current status of SME development in the rice sector in three regions of Myanmar?”, “What are the levels of perceptions of the factors affecting the implementation of SME development in Myanmar?”, and “How do the factors in SME development vary in different types of businesses in the rice sector Myanmar?” the inclusion of “what” and “how” indicate exploratory or descriptive forms.

The study, which is an explanatory type of research, also questions the impact of perceptions of the factors on the implementation of SME development. Since theoretical and empirical studies in the areas of SME development in the rice sector of Myanmar have not been extensively conducted, this study recognizes that the descriptive parts of the study are of more importance.

Target population and sampling

The choice of the “general population” was initially based on the research questions. The general population of this study was small and medium-sized enterprises. The “operational population”, selected on the basis of the research framework, comprised small and medium-sized enterprises in the rice sector of Myanmar. Then the research sample was selected from the operational population by using a standard sampling method.

A few townships in the regions of Yangon, Ayeyarwady and Sagaing were chosen for conducting the interviews. The Yangon region contains the commercial capital Yangon (former capital of Myanmar), Ayeyarwady was once the “rice bowl of Asia” and most agricultural activities are located there, while Sagaing is a major agricultural region in the dry zone. Because there is a thin line between formal and informal business sectors, the research focuses on SMEs in both those sectors, and the interviews were conducted with SMEs in both sectors as well. Specifically, the
The scope of the study encompassed all registered and non-registered SMEs in the rice sector of Myanmar. Different types of SMEs along the rice value chain were targeted. According to the Ministry of Agriculture and Irrigation and information that the researcher received, there are more than 100,000 enterprises involved in agro-based businesses in the rice sector of Myanmar and 75 per cent are located in the three regions: Ayeyarwady (45 per cent), Yangon (19 per cent) and Sagaing (11 per cent) (International Trade Centre, 2015). Thus, the estimated targeted population of SMEs in the rice sector of Myanmar was over 100,000. The sample size was calculated based on the sample size determination equation of Yamane (1967). Therefore, the total number of respondents participating [N] in this study was 398 SMEs in the rice sector of Myanmar. Thus, it was decided that the unit of analysis for this study was a total of 400 businesses (SMEs) in three selected regions. In addition, a total of 17 government officials, representatives of business organizations and SME experts were interviewed for further analysis.

**Research instruments/questionnaires**

This research used a uniform questionnaire survey in order to accommodate the integrative nature of the research. The questionnaire had two parts. The first part collected information about the characteristics of the SMEs themselves, while the second part asked the owners and managers of SMEs about their perception of the importance of some factors regarding the implementation of SME development identified in earlier studies. The dependent variable of the study was the implementation of SME development. Likert scales, with two subjective measures, were used to measure the perceptions of the implementation of SME development. There are 12 independent variables under 6 factors: (1) clarity of policy goals and targets, (2) disposition of implementers, (3) communication, (4) capability of implementers, (5) local market access, (6) international market access, (7) financing accessibility, (8) usefulness of technology, (9) ease of use of technology, (10) entrepreneurial capability, (11) international measures and (12) trade and investment.

**Data collection**

According to the requirements of the study and the nature of the research problems, primary data were collected from the field from the targeted population. A total of 405 questionnaires were distributed, and interviews were conducted. The primary data were collected from interviews in several towns in the selected regions. The questionnaire was divided into two sections; the first section was developed to gather information on the demographic and business profiles, and the second section was used to determine the factors affecting the effective implementation of SME development in rice the sector of Myanmar. Using a five-point Likert scale ranging...
from 1 to 5, the respondents were asked to answer the prepared statements. Data collected were then analysed using both descriptive and factor analyses.

**IV. DATA ANALYSIS AND RESEARCH RESULTS**

This section includes a descriptive analysis of the respondents, the exploratory factor analysis, the reliability test, the exploratory factor analysis, the regression analysis, the hypothesis testing and the means comparison analysis.

Data availability and reliability are a significant problem in Myanmar, making it difficult to analyse the situation on the ground. Most of the data were not readily available through the relevant organizations’ websites or other publications. Sources were deemed not credible and the data were not complete. While perception-based indicators like those applied in the analysis discussed here are useful, quantitative indicators provide a more accurate picture of the business environment and the implementation of SME development. SMEs within the same business sector of Myanmar may have different perceptions of the same factor, and SMEs in different sectors have different frames of reference. Four hundred SMEs in the rice sector of three regions were used for the data analysis. The results from the primary data collected were analysed and discussed in order to identify the most important results. Moreover, a discussion on the findings and conclusions will be made based on the results associated with the research questions.

**Descriptive analysis for respondents**

This section is devoted to a descriptive analysis of the survey findings, which includes the entrepreneurs’ profiles, the general profile of the SMEs and a brief picture of the rice sector of Myanmar. The main objective is to provide a broad picture of the sample and the current status of SMEs in the rice sector of Myanmar prior to the main analyses.

**Age**: The age range used in this study followed the pattern of the *Myanmar Business Survey* (ESCAP and OECD, 2014). The majority of the respondents, 64.3 per cent, ranged from 36 to 55 years of age or mid/late adult, while 21.8 per cent were 56 years of age or older, or senior adults, and 14.1 per cent were 35 years of age or younger, or young adults, on the day of the survey.

**Gender**: In terms of gender, the percentage of male respondents at 81.0 per cent dominated the interviews. This is understandable as the formal agricultural sector is normally dominated by males.

**Education level**: For education level, 35.8 per cent had been to college or university, 24 per cent of the respondents had at least a high school diploma, and
5 per cent had a master’s degree. Interestingly, only 2 respondents had no school education and 29.5 per cent had completed either primary or middle school.

Table 8 presents the distribution of age, gender and level of education of the respondents.

Table 8. Demographic profile of entrepreneurs/representatives

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Frequency (N)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>25 or younger</td>
<td>13</td>
<td>3.3</td>
</tr>
<tr>
<td>26-35</td>
<td>43</td>
<td>10.8</td>
</tr>
<tr>
<td>36-45</td>
<td>108</td>
<td>27.0</td>
</tr>
<tr>
<td>46-55</td>
<td>149</td>
<td>37.3</td>
</tr>
<tr>
<td>56-65</td>
<td>63</td>
<td>15.8</td>
</tr>
<tr>
<td>65 and older</td>
<td>24</td>
<td>6.0</td>
</tr>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>324</td>
<td>81.0</td>
</tr>
<tr>
<td>Female</td>
<td>76</td>
<td>19.0</td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No school education</td>
<td>2</td>
<td>0.5</td>
</tr>
<tr>
<td>Less than primary school</td>
<td>5</td>
<td>1.3</td>
</tr>
<tr>
<td>Primary school</td>
<td>32</td>
<td>8.0</td>
</tr>
<tr>
<td>Middle school</td>
<td>86</td>
<td>21.5</td>
</tr>
<tr>
<td>High school</td>
<td>96</td>
<td>24.0</td>
</tr>
<tr>
<td>University education</td>
<td>143</td>
<td>35.8</td>
</tr>
<tr>
<td>Master’s degree and above</td>
<td>20</td>
<td>5.0</td>
</tr>
<tr>
<td>Others</td>
<td>16</td>
<td>4.0</td>
</tr>
</tbody>
</table>

Based on the categorization of enterprises in the Small and Medium Enterprise Development Law of 2015, of the 400 entrepreneurs that participated in this study, 99.0 per cent of the sample could be classified as small enterprises. Small enterprises are those with fewer than 30 full-time employees with a sales turnover of not more than 100 million kyats per year. The remaining respondents – 1 per cent or 6 enterprises – were classified as medium enterprises with up to 60 employees and a sales turnover of not more than 300 million kyats per year. Although most enterprises were able to provide the market values of their businesses, they were reluctant to provide the details on their annual revenue. The majority of companies were registered or considered under sole proprietorship (94.5 per cent) followed by partnerships (4.5
per cent), and the rest represented less than 1 per cent. Meanwhile, 69.0 per cent of respondents registered their business entity as a formal business entity, as shown in table 9.

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Frequency (N)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Size</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small</td>
<td>394</td>
<td>99.0</td>
</tr>
<tr>
<td>Medium</td>
<td>6</td>
<td>1.0</td>
</tr>
<tr>
<td><strong>Business entity</strong></td>
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<td></td>
</tr>
<tr>
<td>Sole proprietorship</td>
<td>378</td>
<td>94.5</td>
</tr>
<tr>
<td>Partnership</td>
<td>18</td>
<td>4.5</td>
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<td>Company</td>
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<td>0.5</td>
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<tr>
<td>Non-profit Corporation</td>
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<td>0.3</td>
</tr>
<tr>
<td>Cooperative</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td>0.3</td>
</tr>
<tr>
<td>Registered (formal) SMEs</td>
<td>276</td>
<td>69.0</td>
</tr>
<tr>
<td><strong>Age of business</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 1 year</td>
<td>4</td>
<td>1.0</td>
</tr>
<tr>
<td>1-2 years</td>
<td>14</td>
<td>3.5</td>
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<tr>
<td>3-5 years</td>
<td>38</td>
<td>9.5</td>
</tr>
<tr>
<td>6-10 years</td>
<td>77</td>
<td>19.3</td>
</tr>
<tr>
<td>11-15 years</td>
<td>74</td>
<td>18.5</td>
</tr>
<tr>
<td>More than 15 years</td>
<td>193</td>
<td>48.3</td>
</tr>
<tr>
<td><strong>Type of business</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inputs supplier</td>
<td>52</td>
<td>13.0</td>
</tr>
<tr>
<td>Production</td>
<td>97</td>
<td>24.3</td>
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<tr>
<td>Collection</td>
<td>16</td>
<td>4.0</td>
</tr>
<tr>
<td>Processing</td>
<td>176</td>
<td>44.0</td>
</tr>
<tr>
<td>Trading (wholesale/retail/export)</td>
<td>58</td>
<td>14.5</td>
</tr>
<tr>
<td>Others</td>
<td>1</td>
<td>0.3</td>
</tr>
</tbody>
</table>

Almost half (48.3 per cent) of the sample had been in business for more than 15 years while 19.3 per cent of the respondents were in business between 6 and 10 years and 18.5 per cent had been in business for more than 11 years but less than 15 years. Another interesting aspect of this finding was that approximately 86 per cent of the sample had been operating for more than 6 years and only 14 per cent of the respondents had been in business for 5 years or less.
The majority of SMEs in the rice sector followed in the family business. Another common reason for starting their businesses was due to background experience, knowledge and interests. Many also wanted to generate income and only a small group of businesses were there to create employment. Approximately 10 per cent depended on their business to pay for living expenses. It is also important to note that some of the respondents gave more than one reason for starting their business. Only 23 per cent said that they had more full-time employees than at the time when they started their businesses. The rest of the respondents did not have more employees or had even fewer employees than at the time they started their businesses. Table 9 also shows the distribution of business types. From the total of 400 businesses, most (44 per cent) were in the processing segment of the rice sector dealing with activities such as drying, storing, milling, grading and selling. Based on the interviews, the second largest group belonged to the production segment, representing 24.3 per cent (97 businesses out of 400).

Policy environment

A little over half of the sample or 52 per cent said that it was good to do business in Myanmar, while 34.3 per cent marked “no” and 11.8 per cent of respondents were neither optimistic nor pessimistic. Two percent of respondents were very pessimistic about the business environment in Myanmar. In terms of the level of difficulty related to government policies, regulations and procedures, more than half the respondents answered that the policy environment was easy in these three aspects.

Market access

The primary market for the SMEs from the sample was the local market, in terms of local township-based and national (domestic) markets. It accounted for 98 per cent, representing 66.7 per cent for township-based market and 31.3 per cent for the national market. About half the respondents perceived that none of the aspects of market access was difficult but one third found them difficult.

Financial accessibility

The largest group of respondents from the sample, 236, said that their major source of finance was from personal savings, followed by 51 respondents, who borrowed from family and friends. Interestingly, a very small portion of respondents (8.25 per cent) received financing of 50 per cent or more from a bank or other financial services and 20.5 per cent of that group answered that they needed to put up collateral for their loans. From the findings, it can be interpreted that some aspects of financing accessibility were difficult and some were easy.
Technology acceptance

Approximately half the respondents said that although telecommunication services are not good, it did not create difficulties for their business. Many of them answered that technology acceptance had a bigger impact than telecommunications services on reducing costs and improving customer satisfaction.

Entrepreneurial capability

On average, the sample perceived that they were not in a position to either agree or disagree with the points raised in the questionnaire. More than half the respondents agreed that they were ready to start a business but their production capacity was limited.

Internationalization

The study asked the respondents questions regarding their level of perceptions of various aspects of internationalization. Most respondents “agreed” that the current level of liberalization of the economy was good (283 respondents) and trade and investment liberalization will improve their business (256 respondents). More than one third of the respondents seemed to lack knowledge of the new FDI law and the majority were neutral on the Government’s support of FDI activities. Most of the respondents either “disagreed” or were “neutral” on the current level of international support measures such as ODA for SME development.

Effectiveness of factors related to business

The research also looked at the perceptions of SMEs regarding the effect of six factors on their businesses in terms of overall importance, the importance of income and employment, and improvement of income and employment. According to the findings, “entrepreneurial capability” was “very important” or “important” for the improvement of their business, followed by “market”, “financing”, “technology”, “internationalization” and “policy”. In terms of the importance of factors regarding income creation, “entrepreneurial capability” came on top, followed by “market”, “financing”, “technology”, “policy” and “internationalization”. The research also found that “entrepreneurial capability” was the most important factor for employment generation, followed by “market”, “financing”, “policy”, “technology” and “internationalization.” In 2012-2015, “entrepreneurial capability” was the most important main factor that improved income creation for SMEs, while “financing” was least helpful for income creation. At the same time, in terms of employment generation, once again “entrepreneurial capability” ranked first among the factors, while “financing” ranked lowest among all factors.
**Hypothesis testing**

In past studies, regression analysis, which is a statistical process for estimating the relationships among variables, has been the general tool used to evaluate the causal relationship between the independent variables and dependent variable.

**Hypothesis 1**: That there are differences in the implementation of SME development among different types of SME businesses was tested by using analysis of variance with post hoc analysis.

In order to examine whether there were differences in the implementation of SME development among different types of SME businesses, namely input supplier, production, collection, processing and trading, the mean implementation outcomes of these businesses were calculated. The results of the analysis of variance are presented in table 10.

<table>
<thead>
<tr>
<th>Implementation of SME development</th>
<th>Types of businesses in rice value chains</th>
<th>ANOVA</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Input supplier</td>
<td>Production</td>
</tr>
<tr>
<td>Income generation</td>
<td>3.04</td>
<td>3.12</td>
</tr>
<tr>
<td>Employment creation</td>
<td>2.83</td>
<td>2.40</td>
</tr>
</tbody>
</table>

Note: ANOVA, analysis of variance.

The results of the analysis of variance show that there were no differences among the five sectors of agriculture business types regarding the implementation of SME development. Thus, a post hoc test did not need to be carried out. The results showed that there were equal treatments among all five sectors of the rice business. The following multiple regression equation was used to test hypotheses H2 to H6.

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \ldots + \beta_n X_n + \epsilon \] (1)

Y represented SME development in terms of income generation and employment creation in this study and \( X_1, X_2, \ldots, X_n \) were independent variables and \( \beta_1, \beta_2, \ldots, \beta_n \) were their corresponding coefficients. \( \beta_0 \) is the intercept and \( \epsilon \) is a disturbance term.

Equations 2 and 3 exhibit the relationships under study.
Multiple regression analysis

Table 11 shows the multiple regression analysis which was used to find the most important factors that impacted the implementation of SME development in the rice sector of Myanmar. A positive sign for a regression coefficient indicates that the variable enhanced SME development, while a negative sign indicates that the variable hindered SME development. For the analysis, standardized coefficients or beta coefficients were used. The predictive ability of the model was assessed by comparing the $R^2$ of the different models in the regression analysis. Small P-values indicate statistical significance. Backward deletion regression was used. In backward deletion, the variables that correlate most strongly with the dependent variable are entered into the equation first, and once in the equation, they remain there.

Perceptions from experts and practitioners

The perceptions of experts and implementers were recorded in the results of the field interviews conducted during the preparation of this research. Qualitative interviews were conducted among the population of interest. The interviews emphasized the factors affecting the implementation of SME development in the rice sector of Myanmar and addressed the experiences of the individuals and not hypothetical situations. In other words, this study blended observations with reports provided by the subjects through in-depth interviews, personal experience and other documents (literature review).
### Table 11. Unstandardized and standardized (in parentheses) multiple regression coefficients for SME development

<table>
<thead>
<tr>
<th>Variable name</th>
<th>Model 1</th>
<th>Model 1</th>
<th>Model (final)</th>
<th>Model (final)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Income generation</td>
<td>Employment creation</td>
<td>Income generation</td>
<td>Employment creation</td>
</tr>
<tr>
<td><strong>Dependent variable</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income generation</td>
<td>-0.066 (-.083)</td>
<td>0.004 (0.004)</td>
<td>-0.068 (-0.085)*</td>
<td>..</td>
</tr>
<tr>
<td>Employment creation</td>
<td>0.024 (.031)</td>
<td>0.000 (0.001)</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td><strong>Independent variables</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clarity of policy goals and targets</td>
<td>-0.066 (-.083)</td>
<td>0.004 (0.004)</td>
<td>-0.068 (-0.085)*</td>
<td>..</td>
</tr>
<tr>
<td>Disposition of implementers</td>
<td>0.024 (.031)</td>
<td>0.000 (0.001)</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>Communication</td>
<td>0.0059 (.074)</td>
<td>-0.014 (-0.015)</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>Capability of implementers</td>
<td>0.111 (.140)**</td>
<td>0.125 (0.139)**</td>
<td><strong>0.163 (0.204)</strong>****</td>
<td>0.120 (0.133)****</td>
</tr>
<tr>
<td>Local market access</td>
<td>0.193 (0.242)****</td>
<td>0.111 (0.123)**</td>
<td><strong>0.190 (0.239)</strong>****</td>
<td>0.123 (0.137)****</td>
</tr>
<tr>
<td>International market access</td>
<td>0.029 (.043)</td>
<td>0.011 (0.012)</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>Financing accessibility</td>
<td>-0.060 (-0.075)</td>
<td>-0.138 (-0.153)****</td>
<td>-0.071 (-0.089)*</td>
<td><strong>-0.135 (-0.150)</strong>****</td>
</tr>
<tr>
<td>Usefulness of technology</td>
<td>-0.073 (-0.092)*</td>
<td>-0.011 (-0.012)</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>Ease of use of technology</td>
<td>0.014 (0.018)</td>
<td>0.071 (0.079)</td>
<td>..</td>
<td>0.076 (0.084)*</td>
</tr>
<tr>
<td>Entrepreneurial capability</td>
<td>0.093 (0.117)**</td>
<td>0.219 (0.243)****</td>
<td>0.095 (0.120)**</td>
<td><strong>0.227 (0.252)</strong>****</td>
</tr>
<tr>
<td>International measures</td>
<td>-0.024 (-0.030)</td>
<td>0.099 (0.110)**</td>
<td>..</td>
<td>0.092 (0.102)*</td>
</tr>
<tr>
<td>Trade and investment</td>
<td>0.022 (0.028)</td>
<td>0.049 (0.055)</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>Intercept</td>
<td>3.013****</td>
<td>2.590****</td>
<td>0.013****</td>
<td>2.590****</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>0.131</td>
<td>0.192</td>
<td>0.133</td>
<td>0.202</td>
</tr>
<tr>
<td>F value (model fit)</td>
<td>6.008****</td>
<td>8.907****</td>
<td>3.223****</td>
<td>17.809****</td>
</tr>
<tr>
<td>N</td>
<td>400</td>
<td>400</td>
<td>400</td>
<td>400</td>
</tr>
</tbody>
</table>

**Note:** * p ≤ 0.1, ** p ≤ 0.05, *** p ≤ 0.01, **** p ≤ 0.001.

### Policy implementation

“Rice policy is still inadequate” and the SME policy is “only in the book and there is no implementation.” “The fundamental weaknesses are lack of cooperation, support and leading organization between the government sector and private sector.” Myanmar needs more implementing training, preparation, finding common ground policy, among others. “It is very difficult to assess success because even if the theory is correct, part of the implementation is still very hard in Myanmar.” “To recover the weak points, a significant assessment should be carried out on SMEs on its policy for implementation.”
Market access

Weaknesses are a lack of “networking and legal framework” for access to international markets. “The SMEs in Myanmar are in the midst of international market competition and challenging market access.” Some SME owners “do not know much about marketing.” They also feel that “the information is sometimes late” when they receive it. They also perceive that “when the policy of the Government is good, marketing will be extended.”

Financing accessibility

“Since the banking system is under development, financial loan services are also scarce. The bank does not provide loan services to SMEs due to lack of trust, collateral, guarantees and business plans. As a result, SMEs do not receive loans from any bank, including private banks.” When they receive a loan, it is at high interest rates. Most SMEs are family businesses and the source of financing is the family, as the business is inherited from their parents. This represents 90 per cent of SMEs in Myanmar. “Due to lack of capital investment nationally, the business is not expandable.”

Technology acceptance

“Due to Myanmar’s years-long disengagement with international trade, SMEs do not receive technology and standardized machines.” “Most businesses and government departments in Myanmar run on traditional techniques due to lack of research and development.” Some SMEs think manual workers are more convenient and affordable for farmers than buying or hiring machines. However, technology is “a way to tackle manual worker scarceness.” Although due to lack of wider technology acceptance, “the quality of rice is unqualified to export to the international market.” Therefore, “the farmers need improvements in technology.” The high cost of the Internet is also a “major problem for development in the business sector,” but information and communications technology development is improved over the past three years.

Entrepreneurial capability

Many SMEs in Myanmar lack business plans when they start or are planning to start a business. In other words, they do not operate with confidence and proper business plans. Myanmar has a farming labourer, or manual worker, shortage and many need proper training by government agriculture staff and other experts.
Internationalization

SMEs “need more awareness of international policy to penetrate into international markets. They also need to cooperate with other countries, particularly Thailand and Viet Nam.” “The more international rice companies [in the rice sector of Myanmar], the better for local farmers.” Similarly, some SMEs feel that “the more Myanmar cooperates with international organizations, the more developed they are.”

V. CONCLUSION AND RECOMMENDATIONS

Based on the results found in the rice sector, the majority of respondents are registered SMEs, meaning that they were formal business entities. This was discovered because 69 per cent of the respondents were able to provide the exact year in which they registered their businesses. Three components – the capability of implementers, local market access and entrepreneurial capability – were seen to positively influence SME development, and one component – financing accessibility – negatively influenced SME development.

Summary of findings

The findings of the study are hardly surprising and are likely to be specific to the time of the study and the situation in Myanmar during a time of various types of reforms after many years of isolation. The survey revealed that overall the respondents perceived the need for SME development in overcoming barriers and focusing on important factors that affect their successful implementation. The empirical findings are summarized as follows: the multiple regressions analysis using the backward deletion method showed that 4 out of 12 independent variables – capability of implementers, local market access, financing accessibility and entrepreneurial capability – had statistically highly significant effects on the implementation of SME development in terms of income generation and employment creation.

Capability of implementers and local market access had a positive relationship with income generation. The coefficients of 0.204 and 0.239 mean for a one unit increase in capability of implementers and local market access, we would expect a 0.204 unit and a 0.239 unit increase in income, respectively. These relations are also statistically significant at the 5 per cent level. In contrast, clarity of policy goals and targets, disposition of implementers, communication, international market access, financing accessibility, usefulness of technology, ease of use of technology, entrepreneurial capability, international measures, and trade and investment were seen to have little or no significant effects on income generation, which contradict some findings of earlier studies. The value of adjusted R-square (0.133) means that all of the variables together can explain about 13 per cent variation in the income generation aspect of SME development.
Financing accessibility had a negative relationship with employment creation while entrepreneurial capability had a positive relationship. The coefficient of -0.150 means for a one unit increase in financing accessibility, we would expect a 0.150 unit decrease in employment while the coefficient of 0.252 means for a one unit increase in entrepreneurial capability, we would expect a 0.252 unit increase in employment. On the other hand, clarity of policy goals and targets, disposition of implementers, communication, capability of implementers, local market access, international market access, usefulness of technology, ease of use of technology, international measures and trade and investment had little or no significant effects on employment creation, which contradicted some findings of earlier studies. The value of adjusted R-square (0.202) means that all the variables together can explain approximately 20 per cent of the variation in the employment creation aspect of SME development.

Discussion of factors affecting small and medium-sized enterprise development

This section of research looks at each of the six factors that affected the implementation of SME development based on the findings of the survey.

Regarding policy implementation, the output of the regression analysis was insignificant in relation to the implementation of SME development in terms of all subfactors, except for the capability of implementers, although the descriptive analysis showed that SMEs were positive about the policy environment. The expert interviews revealed the other side, namely that the Government “policy was still inadequate.” In summary, although the policy implementation as a whole was not significant in relation to the implementation of SME development, it was an important factor in generating income and creating employment for SMEs.

In terms of market access, the output showed only local market access was significant in relation to the implementation of SME development for both income and employment. This was supported by the descriptive analysis, which showed that most of the SMEs were operating in the local market. The experts perceived that access to the international market was weak because of the lack of networking and the legal framework. Improvement in government policy and better accessibility to market information will boost market access. In summary, as most of the SMEs in the rice sector of Myanmar are operating their businesses in the local market, exposure to international market access is weak and the confidence level seems to be low.

Regarding financing accessibility, the output showed a significant relationship with the employment generation aspect of implementation of SME development. The descriptive analysis revealed few findings on the relationship between financing accessibility in terms of access to financial services, such as banks, and SME development due to the fact that most SMEs received their financing from family
members or friends. Many SMEs expressed the idea that access to financial services is a major obstacle for their business and this view was also supported by experts and practitioners and by the findings from other surveys. In summary, financing accessibility from financial services is an important factor for the implementation of SME development, especially for the employment generation aspect of SME development.

Regarding technology acceptance, the output showed an insignificant relationship with the implementation of SME development. The survey found that many SMEs perceive that technology can reduce costs and improve customer satisfaction. The expert interviews revealed that there was a strong relationship between technology acceptance and a scarcity of skilled and manual workers. In summary, even though technology acceptance can definitely improve SME development, there has been a dilemma for SMEs as they struggle to find a balance between technology and other factors.

For entrepreneurial capability, the output showed a significant relationship with the implementation of SME development, particularly for the employment generation. Many SMEs perceived that they are capable of starting a business but were limited by their production capacity. The experts also supported this by saying that most SMEs lacked business plans and did not operate with confidence. In summary, improvement of entrepreneurial capability could be a critical factor for the implementation of SME development, including in the rice sector, in light of various regional integration initiatives and programmes such as realizing AEC by 2015.

Regarding internationalization, the output showed an insignificant relationship with the implementation of SME development. The survey found that most SMEs are indifferent in terms of international measures but agreed on the important aspects of trade and investment. Thus, the experts suggested that SMEs need to be more aware of international policy and to cooperate with other countries. In summary, the concept of internationalization in terms of international measures (both support measures and sanctions) and trade and investment was not widely considered as an important factor to the implementation of SME development although it is very relevant to Myanmar.

Conclusion

The study aimed to ascertain the role of influencing factors on the implementation of SME development in Myanmar. The study used the rice sector of Myanmar as the main target because of its importance to a fragile developing economy like Myanmar and because the majority of the population depends on it for employment. The predominance of the agricultural sector in most developing countries, including
Myanmar, is unquestioned. Whatever the yardstick – be it numbers employed, income generation, dependent population or export earnings – agriculture clearly occupies a position of prime importance and will continue to do so for a considerable time to come. In the developing countries like Myanmar, around 70 per cent of the total population is dependent on agriculture.

The findings revealed that in the implementation of SME development, the capability of implementers and local market access have a strong significant relationship with income generation and financing accessibility, while financing accessibility and entrepreneurial capability have exhibited a strong significant influence on employment generation.

As discussed, the overall picture of the implementation of SME development in the rice sector of Myanmar is “fuzzy” and requires additional research. The findings of this research suggest that SMEs, both registered and unregistered, may require special attention from both academic researchers and public policymakers in the future if the effective implementation of SME development in the rice sector of Myanmar is to be achieved.

Although there is not much difference among the various business types in the rice value chain, agro-processing and the marketing of processed food have the potential to emerge as new engines of inclusive growth. Agricultural productivity growth and consumption linkages generated by increased rural incomes would stimulate the rural economy further. Fostering SME development requires an inclusive financial system that offers access to financial products and services. Financial inclusion is one of the most important factors in the development of SMEs. A higher share of agricultural credit would enable farmers to expand their businesses, which would boost the sector and labour productivity.

One consideration in formulating development policies is how to balance the development of the different sectors. Balanced growth implies, in essence, certain relations between the growth rates of different sectors, which will minimize bottlenecks so that the different sectors may jointly promote the overall growth rate which the development policies call for. It is natural that, in the process of economic development, the rate of industrial growth as measured by production or employment should be significantly faster than that of agriculture. In fact there has been, in most countries, a marked structural change away from agriculture in favour of manufacturing and other sectors. In many countries, however, this shift has been the result of sluggish agricultural development, with the rate of increase of agricultural production in general, and of food in particular, falling short of the rate of population growth. Therefore, the implementation of SME development requires both long-term
and short-term strategies for structural transformation between agricultural and other sectors while keeping in mind rural-urban development gaps.

**Recommendations and implications of future research**

Inclusion of the internationalization factor in the implementation of SME development was an important concept that had not been emphasized in the extant literature. Internationalization is very difficult to measure, as it depends on various dimensions. This research is the first to focus on the importance of including internationalization in SME development studies. Some previous studies included international trade and investment, but did not emphasize the importance of international measures such as sanctions, especially for a country like Myanmar. Therefore, the outcome of this study provides a starting point for scholars to reinvestigate previous studies in different contexts with the inclusion of internationalization.

Based on the findings, it is proposed that the causal relationships posited in this research can be applied to the implementation of SME development in other sectors and value chains. This means that the findings are applicable to various types of business sectors such as manufacturing and services. Comparative studies on the experience of SME development in the rice sector of other countries can also be conducted. Thailand and Viet Nam have been mentioned by rice experts.

The research also suggested that implementers and practitioners, especially in relation to SME development, should concentrate not only on obvious challenges or obstacles faced by SMEs but also on best possible alternative solutions based on an assessment of the perceptions of businesses on the ground, and in particular keeping in mind capacity-building to improve skills and awareness of various trends beyond the scope their immediate environments.

As there are differences between demographic groups, it is suggested that policymakers, implementers and practitioners adjust according to the characteristics of an individual’s background and to each business’s profile. Different types of businesses in the rice sector or other sectors require future study as there is insufficient evidence in this research to be used to explain the impact of implementation of SME development on different types of businesses or to recommend different types of policy implementation approaches. This research recommended further comparative study between the rice business (with limited restrictions) and similar businesses such as the fully liberalized beans and pulses business in the agricultural sector.

In terms of practical aspects of implementation of SME development based on the influencing factors, the study recommends the adoption of SME development policies with comprehensive and clear guidelines; the promotion of improved coordination
among implementers, practitioners and SMEs; the creation of networking links and partnerships between local SMEs and international SMEs or multinational corporations, particularly for creating opportunity to join value chains; raising awareness regarding international agreements and standards; further strengthening of financing for SMEs through the establishment of credit facilities; support for upgrading of technology through technical cooperation and transfer; training and support measures for capacity-building for both skilled labourers and manual workers; the establishment of business development services such as a SME consultation centre; highlighting the importance of international measures to SME development, particularly international sanctions and restrictions; the promotion of trade and investment with a focus on SME development; and the promotion of effective integration of SMEs in global and regional value chains as an emerging and important policy objective.

In conclusion, through the above recommendations, the research expects to see Myanmar experience a smooth transition from a managed economy to an entrepreneurial economy in the near future.
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