

Small and Medium Enterprises Development and Poverty Reduction in Myanmar

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Abstract - Promoting living standards and reducing poverty are becoming challenges for all developing countries. Scientific researchers and scholars believe that developing small and medium enterprises in poor and developing countries can bring positive changes to the country's economic growth. The primary objective of this study is to analyze the impact of SMEs' development on poverty alleviation in Myanmar. This study mainly focused on two research hypotheses: (1) There is no impact of SMEs' development on poverty alleviation, and (2) There is no effect of training of SMEDA on employment generation in Myanmar. The quantitative data collection method and analysis tools used to test the hypotheses. Targeted population was employees who are working at targeted SMEs. Self-selection sampling method was used to collect respondents. The total response number was 132. The results showed that SMEs' development has a positive impact on poverty alleviation, and training organized by Small and Medium Enterprise Development Agency (SMEDA) also affects job creation in Myanmar. The findings from this study recommended promoting the development of SMEs to solve the poverty line in Myanmar.

Index Terms— Small and Medium Enterprises, Myanmar, Poverty Alleviation, Economic Growth, Job Creation



Introduction

The Myanmar Living Condition Survey done in 2017 reported that nearly one-third of the population lives under the poverty line. The majority of poor people residents in rural areas and the ultimate primary source were coming from farming, agriculture, and small and medium enterprises. In Myanmar, poverty is a threat to socio-economic stability. National debt and decline living standards are directly linked, which brings severe social-economic conditions and political struggles. Local government, national and international non-government organizations, and donors being to solve poverty around the world, especially in developing countries.

Research and Development teams, researchers, and scholars emphasized the development of large-scale enterprise growth and development as the leading solution for joblessness, poverty, and low-income for several decades. The scholar called McRobbie (2003) proved that small and

medium enterprises (SME) played an essential role in promoting employment in both developed and developing countries. He stated that establishing SMEs was a significant factor in speeding up economic growth and poverty reduction. Moreover, Beck et al. (2005) said that SMEs are more profitable, productive, and generate more working opportunities than large ones. Numerous researchers such as Daniels and Mead (1998), Olawale and Garwe (2010) agreed with this statement. They also showed that at least 22 percent of the adult population in developing countries are working for SMEs. SMEs and their categorization generally rely on both business size and financial investment. Aremu and Adeyemi (2011) classified SMEs according to three main concerns: capital investment on plant and machinery, numbers of employees, and production rate. In Myanmar, SMEs include retail and wholesale industries, logistics sectors, agriculture, education, healthcare, electricity, transportation, tourism, etc.

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Developing small and medium business sectors contribute significantly towards the eradication of poverty and unemployment rate in Myanmar (Abe, & Dutta, 2014). Government, non-government sectors, and private organizations support and provide technical issues, capital funding, infrastructure, the marketplace, and others to create sustainable SMEs development and growth. Financial development leaders, business development, and sustainable development managers were highly interested in SME growth and development because it creates social and business development, income generation, and bring parallel development in both rural and urban areas (Hallberg, 2000). The principal purpose of SME is profit-making and improving residents' skills and promoting daily income (Anyanwu, 2004). In Myanmar, economic growth and poverty reduction strategy, small and medium enterprises play the leading role. After the 2015 election, SMEs' development in Myanmar is noticeable to boost the country's economy and, then, made several different types of SMEs opened throughout the country. World Bank published a report that presented the three main arguments of supporting SMEs: (1) Enhance productivity by increasing competition and entrepreneurship, (2) Delay development because of institutional failures and the financial market, and (3) Create more job opportunities compared with larger businesses. According to these reasons, for developing countries, generating growth of SMEs will play in strategic roles for poverty alleviation (Karlan, & Goldberg, 2007).

Aim and Objectives of the Study

The primary objective of this study is to analyze the impact of SMEs' development on poverty alleviation in Myanmar.

The two objectives are:

- (1) To analyze the role of SMEs development on poverty alleviation in Myanmar, and
- (2) To study the effectiveness of training programs organized by SMEDA on employment generation in Myanmar.

Hypotheses of Study

H₀₁: There is no impact on SMEs' development on poverty alleviation in Myanmar.

H₀₂: There is no effect of training programs organized by SMEDA on employment generation in Myanmar.

Literature Review

Small and Medium Enterprises in Myanmar

Since 1990, there was an official classification of SMEs in Myanmar based on the four criteria: the number of employees, capital investment, production volume, and electrical usages. Private Industrial Enterprise Law (1990) defined SMEs in Myanmar as followings:

1. Small Enterprise: A business sector that used 3 to 25 power, employed 10 to 50 numbers of workers, had up to 1 kyat million capital outlay, and produced up to 2.5 million production value per year.
2. Medium Enterprise: A business that used 26 to 50 power (HP), employed 51 to 100 workers, had over 1 to 5-million-kyat capital outlay, and over 2.5 to 10 million production value per year (Myanmar Micro, Small, and Medium Enterprise Survey 2017).

There was a total 40,194 number of SMEs in Myanmar in 2008 (Polsaram & Htwe, 2010). Over half of SMEs (55%) were Food and Beverages sectors, 15% were construction materials sales businesses, followed by personal goods retails and, clothing and wearing apparel (8% in each), 6% for mineral and petroleum sectors, 5% for different industries, and only 3% for industrial raw material businesses. In Myanmar, SMEs play a vital role in the development of national economy, political and social development, and more job opportunities for residents. The sustainable growth and development of SMEs will bring employment, resource utilization, income generation, and investment promotion. In 2012, the SME Development Center was established and carried out soft skills training, technical supporting programs, market promotion, advisory services for start-up sectors, financial information, and other supporting applications. The primary purpose of the establishment of Small and Medium Enterprise Development Agency (SMEDA) was "Creating regionally innovative and competitive SMEs across all sectors that enhance income generation and contribute to the social-economic development Mission" (Myanmar Micro, Small, and Medium Enterprise Survey 2017).

Role of SMEs development in Poverty Alleviation

For poor and developing countries, SMEs are increasingly becoming more critical for economic development and employment creation (Kongolo, 2010). World Bank Group (2004) reported that SMEs are engines for employment opportunities and income generation for the lower class and also a vital part of the poverty reduction of the country. Moreover, as SMEs are private sectors for employment

generation and sustainable growth. They help to improve the national market economy by creating more job opportunities, increasing production, and income generation (McMillan & Woodruff, 2002).

Olawale and Garwe (2010) found the importance of small businesses in economic stabilization. They reported that when the small businesses decline, the national economic growth also is decreased. Luetkenhorst (2004) also pointed out the advancement of SMEs in labor-intensive, increasing productivity and income promotion, which are the main sectors of economic growth. Adelaja (2003) approved that SMEs help improve the Net National Product (GNP) and per capita income in the country by using the limited resources such as land, labor, and capital to produce goods and services.

Generally, small and medium businesses create more job opportunities compared with large industries. In most developing countries, the majority of people rely on self-employment for wellbeing. Many people, including their families, are offered jobs in these SMEs. Therefore, there is no doubt that SMEs enhance job opportunities where unemployed youths and fresh graduates can quickly get a job that matches their skills and abilities (Anyanwu, 2003). Furthermore, the researcher approved the role of small and medium industries as the mainstream of country economic activities and providing the stages for the industrial revolution and economic growth. A study by Gebremariam and others (2004) showed that an increase in the percentage of SMEs' employees had a positive impact on economic growth and poverty reduction. Moreover, they said that SMEs provide livelihood opportunities and nurture entrepreneurship in agriculture-based economies.

Although SMEs' growth brings several advantages for the country's business development and sustainable economic

growth, SMEs face several challenges, such as lack of entrepreneurial skills, abilities, lack of financial resources, government taxation and regulations, and lack of suitable training and leadership development. This research paper will examine the impact of SMEs' development on poverty alleviation in Myanmar.

Research Methodology

The quantitative research approach is applied to research this study. The targeted organizations were SME, which all registered in Small and Medium Enterprises Development Agency (SMEDA) in Myanmar. The targeted population for this study were employees who are working at conduct areas at the time of study.

The scholar invited the volunteers to participate in this study. The employees from SMEs have voluntarily involved in the primary data collection process. The primary data collected by using a Likert-scale questionnaire developed by using previous literature sources. The survey composed of one socio-demographic question (level of employment), five questions for SME development and poverty alleviation, and six items for training and employment creation.

At the time of study, most of the SMEs in Myanmar are temporally closed because of recent pandemic healthcare condition (COVID-19 crisis). The scholar tried to contact SMEs employees to invite to participate in this study. However, only a total of 132 employees thoroughly responded to the questionnaire. The return data were analyzed by using statistical packages for social-science software (SPSS) version 22. The linear regression technique was used to analyze the original data in testing hypotheses.

Findings and Discussion

Table 1 reported the reliability and validity score of using questionnaire for this study. Cronbach's Alpha value for this study was 0.79. The acceptable Cronbach's Alpha value ranges from 0.7 to higher is acceptable (Gliem & Gliem, 2003).

Table 1: Reliability Analysis

Reliability Statistics	
Cronbach's Alpha	N of Items
.790	11

Table 2 showed the percentage of respondents. 53.8% were top-level management employees in targeted SMEs, 38.6% were middle-level employees, and the remaining 7.6% were low-level workers.

Table 2: Frequency and percentage of participants

	Frequency	Percent
Top-level	71	53.8
Middle level	51	38.6
Low level	10	7.6
Total	132	100.0

Table 3 presented the mean and standard deviation scores of applied questions. The respondents highly agreed with the statement, "SME development contributes to the growth of the economy" with the Mean score (4.39) and Standard deviation (0.987). They also reported that the unemployment rate was reduced by employment creation (Mean = 4.08, SD = 0.638).

Table 3: Descriptive Statistics

	Mean	Std. Deviation
The development of SME is hindered by competition.	3.11	.986
Stock market fluctuations and economic sentiment affect the development of SME	3.67	.920
SME development contributes to the growth of the economy	4.39	.987
Poverty alleviation programs have a positive effect on the current state of the nation	3.70	.988
The allocation of funds to the victims of poverty eradicates poverty	3.49	.945
Convenience in attending vocational training organized by SMEDA determines your attendance.	3.44	.849
You have benefited from training organized by SMEDA.	3.63	.851
Vocational training put in place by SMEDA empowers youth for employment	3.67	.695
Employment creation is boosted by SMEDA organized training.	3.72	.755
Employment creation reduces the level of Unemployment.	4.08	.638
Employment has created the rate of empowerment programs	3.68	.823

Table (4) presented the model summary of regression analysis where R square value was (0.063), which means that the development of SMEs in Myanmar can explain the variance in Poverty alleviation is 6.3%.

Table 4: The Model Summary for testing SMEs development and Poverty Alleviation

Model Summary									
Model	R	R Square	Adjusted R Square	Std. The error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.252 ^a	.063	.056	.40380	.063	8.781	1	130	.004

a. Predictors: (Constant), SME Development

The ANOVA table reported the F-value (8.781), and Significant level of 0.004. SMEs' development impact on poverty alleviation at 0.05 level of significance (Table 5).

Table 5: ANOVA analysis for SMEs development and Poverty Alleviation

ANOVA						
Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	1.432	1	1.432	8.781	.004 ^b
	Residual	21.197	130	.163		
	Total	22.629	131			

a. Dependent Variable: Poverty Alleviation
 b. Predictors: (Constant), SME Development

The coefficient table (Table 6) reported the unstandardized B-coefficient value (0.297) at p-value 0.004. This means that when one-unit changes in SMEs' development in Myanmar, the poverty rate will be reduced by 0.297 units. Tables 4,5 and 6 showed that SMEs' development in Myanmar has some impact on Poverty alleviation. Therefore, we failed to accept the H₀₁ "There is no impact of SMEs development on Poverty alleviation in Myanmar."

Table 6: Coefficient Analysis of SMEs development and Poverty Alleviation

Coefficients							
Model	Coefficients	Unstandardized Coefficients	Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
						B	Std. Error
1	(Constant)	1.230	.189	6.501	.000	.855	1.604
	SME Development	.297	.100	2.963	.004	.099	.495

a. Dependent Variable: Poverty Alleviation

Table (7) showed that the extent to which the variance in employment generation by SMEDA training is 0.061 (6.1%).

Table 7: The Model Summary for analysis of Training and Employment Generation

Model Summary									
Model	R	R Square	Adjusted R Square	Std. The error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.247 ^a	.061	.054	.25840	.061	8.419	1	130	.004

a. Predictors: (Constant), Training

The ANOVA table (Table 8) reported the F-value (8.419) at p-value 0.004, representing the training programs organized

Table 8: The ANOVA table of SMEDA Training and Employment Generation

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.562	1	.562	8.419	.004 ^b
	Residual	8.680	130	.067		
	Total	9.242	131			
a. Dependent Variable: Employment Generation						
b. Predictors: (Constant), Training						

The coefficient table (Table 9) presented that when one-unit changes in a training program organized by SMEDA, 0.154-unit changes in employment generation. Employment training programs of SMEDA influenced on job creation in Myanmar. Therefore, the hypothesis H₀₂, "There is no effect of training programs organized by SMEDA on employment generation in Myanmar," was failed to accept.

by SME development agency effect on employment generation in Myanmar.

Table 9: Coefficient Analysis of Training and Employment Generation

Model	Coefficients	Unstandardized		Standardized	t	Sig.	95.0% Confidence Interval for	
		B	Std. Error	Beta			Lower Bound	Upper Bound
	(Constant)	1.653	.096		17.157	.000	1.462	1.843
	Training	.1543	.053	.247	2.902	.004	.049	.259
a. Dependent Variable: Employment Generation								

The current study is in line with the research findings of Kowo, Adenuga, and Sabitu (2019) in Nigeria. The scholars reported that the development of small and medium enterprises in Nigeria has a significant impact on the country's economic growth and poverty alleviation. They also agreed with the positive effects of training offered by small and medium enterprise development agencies of Nigeria on job creation for low-skilled workers and fresher graduates that promote general income level and reduce the country's jobless rate.

Conclusion and Recommendation

The findings from this study highlighted the influence of SMEs' development on poverty eradication and training on employment creation in Myanmar. However, SMEs cannot stand alone for a long time to create job opportunities, promote general income, and increase productivity, all of which are critical factors for poverty reduction. The government sectors, NGOs, and other national and international agencies should support to grow up these SMEs in developing countries. Provision of infrastructures, financial support (credit and loan for start-up businesses), and personal and professional development and leadership training programs help promote SMEs and provide employment opportunities.

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