

# The study of challenges and opportunities of SMEs after coup

Authors - Nu Nu Wai, Ezebel, Khin Suu Wai, Koe Koe



Photo - The Myanmar Times

MYANMARTIMES

## Purpose of the blog and research methodology

**Five months after the military coup, it's needless to say that it has had a devastating effect on Myanmar's economy. At the same time, Small and Medium-sized Enterprises (SMEs); one of the most important roles for Myanmar's Economic Development, they're also inevitably affected.** As some foreign businesses have departed, the civilians are boycotting the Chinese products and are working to promote/encourage domestic development. So, we also wonder if there will be opportunities for Local Businesses at one time or another. Therefore, we conducted interviews using online google forms surveys to acquire how it affects SMEs (Small & Medium Enterprises) businesses in Myanmar after the coup. In the survey, we used a convenience sampling method based on Non Probability Sampling and SMEs in Myanmar participated to answer. We interviewed 9 SMEs that they agreed to answer. In addition, we also studied articles, news and journals. And, the presented Blog is based on our interviews and findings.



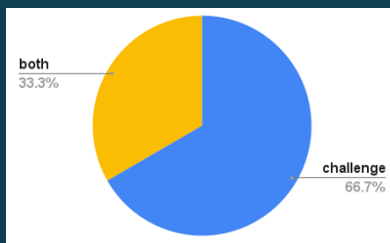
Photo- Nikkei Asia News



## Opportunity for SMEs after the coup

As an introduction, although the departure of some foreign businesses, encouraging domestic development and campaign to stop using Chinese products seem to be the opportunities for small and medium-sized enterprises (SMEs) in Myanmar, we found that SMEs are still facing more challenges than opportunities. According to our surveys and findings, the chances are almost non-existent because of the coup. Despite Covid and political instability, the current best-selling businesses are the business produced for Covid vaccination diet (eg. eggs, chicken, beef etc.) and pharmaceutical industries ( vitamins and medicines which can prevent Covid disease), essential consumer goods and foodstuffs. But sales of some consumer goods and food products fell by at least half.

Figure 1- opportunities & challenges of SMEs & MSMEs after coup



We found that, 66.6% of Small and medium-sized enterprises (SMEs) have faced challenges and 33.3% of SMEs have faced both Challenges and opportunities since the coup.

One service provider said that *“as the opportunities, we can pay more attention to customer service as there are not as many customers as before. Therefore, we can become more aware of the needs of our customers and think of new products. Such a production could be an opportunity in the future”*. However, the loss of about one-third of foreign service customers, suspension of business expansion and to be able to continue the business are the big challenges that they’re still facing since the coup.

According to a handmade entrepreneur, she said *“it is right that leaving foreign companies and campaigns to encourage local products appear opportunities for local products and businesses. Thus, it has become important for local businesses to produce quality products. They became interested in buying local handicrafts and handmade cloth. Especially young people.”* But they remain still facing a lack of raw materials and difficulties in payment.

With instability of politics, Covid 19 third wave appeared again. At this time, SMEs such as cleaning service, delivery service, dry goods, Food and pharmacy get chances.

Although cleaning services were not good after the coup, it's work improved within the Covid 19 third wave. Because of Covid, offices, apartments and restaurants emphasize on cleaning. The role of cleaning service is important for pesticides spraying is essential in almost everywhere in the community. After the coup, security tightening and inspirations by military and intermittent strikes made shops closed and made it difficult for people to travel. As a result, online delivery services for food and grocery purchases (Foodpanda, Grab and other delivery services) rise again. Because of Covid outbreak again obviously improved delivery services.

## Challenges and difficulties of SMEs after the Coup

After the coup, small and medium-sized enterprises in Myanmar are most likely to face transportation and cash flow problems. They also face challenges such as poor quality productions and lack of foreign raw materials.

Difficulties in domestic transportation include curfews, inspections in the way and some drivers did CDM. Therefore, difficulties in traveling within the country, delaying in transportation and losing properties occurred. In addition,

they also face losing in profit for the facts such as rising raw materials prices, not easy to make payments as before, people wants to lowered the prices if it is local goods/ products and taking times because it is a craft so the buyers can't wait, then they did not take it after doing that. Although encouraging local goods/products, making campaigns against Chinese products, only well-known local products can attract the attention of shoppers due to the challenges and the economic downturn.

Due to losing jobs, declining income and cash in hand decreased, people are reducing their consumptions. As a result, declining in demands and smaller markets are also major challenges for SMEs in Myanmar.

In the case of border trade, trade gates were closed or tightening inspections, and some container drivers have stopped working because of CDM Drivers, leading to trade disruptions. Due to border trade difficulties, they're facing rising foreign raw materials prices and out of goods. Because Agents acting as intermediaries in taxation and other paperwork have been stopped, some traders have to be done that directly, therefore we found that taking long time and increasing in costs occurred.

There are also Some businesses which are no longer allowed to export domestically due to international sanctions.

For the reason that some bank's employees did CDM, it is difficult to operate banking system, along with inflation; caused by appreciation of the dollar and the depreciation of the Myanmar currency, instability in the banking system occurred. As a result, there're difficult to withdraw cash and payment difficulties.

One artisan said, *"We see that some campaigns are coming to the local side. As more and more similar products are produced, customers are more likely to buy more beautiful, popular and better quality ones"*. Therefore, Weaknesses in quality are a challenge.



Photo - Bangkok post News

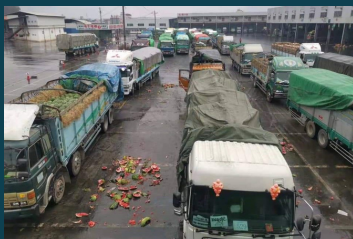


Photo - Frontier Myanmar News

Figure 2: Challenges faced after the coup

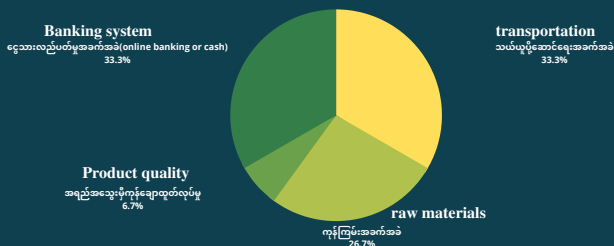
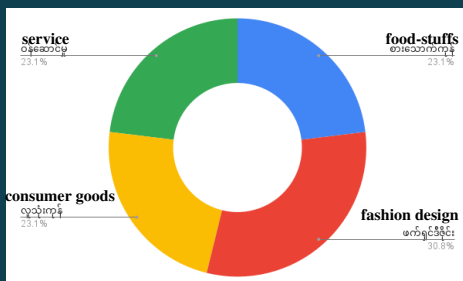


Figure 3 – Challenges faced by types of businesses



## External Effects

Before the coup, SMEs businesses can operate regularly but after the coup, they can't. Some can operate only for maintaining the long-term staff. Foreign raw materials or goods are late or stop entering from the border because of border trade restrictions,



the difficulties of online banking payments and having a weak market, so that some local business stopped. The investments which are intended for extending their businesses also stopped. And, some which do investment are suffering losses. One service business is also experiencing losses because most of his customers are foreigners who are leaving Myanmar after the coup.

The local businesses who use foreign raw materials are faced with high prices of goods and lack of goods so that they frequently stop their businesses. Now, local cosmetic products have only 20% sales compared with the past sales rate. Because most customers are CDMers (Civil disobedience Movement) who are avoiding or some CDMer doesn't go to school and most are losing their jobs, and thus, they declined their consumption.

In Particular, they are struggling to maintain the existing business instead of making investments to extend their work. With the decline of demand, the local businesses are serving with many ways to continue to stand their businesses except the needed products of people such as food-stuffs, and medicine.

Since 1990, SMEs have been referred to as small and medium enterprises in Myanmar and successive governments have made every effort to keep these activities strong. Although there are laws for the sustainability of SMEs, loan policies and development policies, challenges faced by this sector including human resource challenges and financial challenges still remain. They answered not including challenges of the past, and they answered current challenges including transportation difficulties and cash flow problems. In light of this, it can be considered that their focus is on sustainability. According to the local media reports, there have been 11 billion-dollar ventures left Myanmar. And the extent to which their impact on local SMEs remains to be determined.



Photo - ARSEAN Briefing