

F&R Minister and seven representatives discuss proposal of U Soe Win

NAY PYI TAW, 23 March-At today's Pyithu Hluttaw session, seven hluttaw representatives discussed the proposal of U Soe Win from Sangyoung Constituency "to provide financial assistance to small and medium enterprises."

U Win Myint from Myingyan Constituency said that industrial production is important economic sector in Myanmar's realizing economic objective-development of agriculture as the base and all-round development of other sector of the economy as well. So, it needs to develop small and medium enterprises. So, the government has established 18 industrial zones and 28 sub-industrial zones across the nation.

After the government had established Central Committee for Development of Myanma Industries, the number of SMEs has reached to over 40,000, accounting for 74.31 per cent covering foodstuff, textile, consumer goods, household appliances, printing industry, construction materials, farming equipment, and electrical appliances industry.

Three groups can be divided according to production capacity. The first group applies high technology and possesses modern equipment and is located in industrial zones in Yangon and Mandalay. The second is agro-based industries which apply relatively modern technology and spread over the nation. The third group is manual labor-based industry which applies traditional methods. It is importsubstitute industry which generates foreign currency through import of processed fish and prawn, finished woods and valueadded various kinds of fruits.

The national goal has been set to build modern and developed nation with industrial power and the new government of the Republic of the Union of Myanmar has set up Ministry of Myanma Industrial Development for further development in industrial sector of the nation.

The government has issued "Private Industries Law" and Investment Laws for Myanmar Nationals". Industrialists are permitted to ask governmental departments and organizations concerned to provide them with land, water, energy, communication and transportation, reduction of tariffs, loans for fixed capital and revolving fund, local and foreign raw materials for their businesses, machines and machine parts, and domestic and foreign technologies to boost the production and quality of the products they produce.

Myanmar Industrial Development Bank has been set up to provide loans to industrialists and the bank so far has lent over K 43 billion to industrialists.

Nowadays, industrialists, businessmen and those wishing to expand their own business have the right to borrow loans from State-owned Myanma Economic Banks, and private banks in accord with prescribed rules and regulations of the bank. It is learnt that the State wants to lend more loans to industrialists depending on its budget for industrial development.

So, proposal of U Soe Win is the work the State is performing and will be performing and thus he assumed that it needs to make proposal no more.

Daw Tin Nwe Oo of Dagon Myothit (North) Constituency said that development of manufacturing sector is pivotal in economic growth of a nation. Nations with large portion of manufacturing sector in gross domestic production of national economy are found to be developed countries.

Developing countries are to try to transform from ordinary farming business to production business for their economic development.

Myanmar is principally an agro-based nation and thus efforts are to be made for shift from agriculture business to production business gradually.

Investment in SMEs in Myanmar is relatively low in comparison with other CLMV countries. SMEs in Myanmar are run with limited family-owned capital and the chances to acquire financial assistance in industrial section are low if compared with other CLMV countries.

For example, industrialists can borrow short-term and long-term loans in Cambodia and Laos. And loans can be borrowed in Vietnam and Laos without pawn-articles in addition to factoring. In Laos, not only immovable assets but also inventories can be pawned to borrow loans.

In Myanmar, there are no such cases and only shortloans can be borrowed. And one can only borrow the 30% of market price of the property he pawned and there are even restrictions on borrowing a small loan.

Short-term loan means is for working capital and long-term investment is needed for expanding the business.

According to statistics in 2004, SMEs in Myanmar were 43435 with 78 % of which is small enterprises with workforce of under 50, and accounted 61% of employment rate, 41 % of production rate, and 45% of investment rate of the nation and thus can be seen that SMEs play an important role in economic growth of the nation and the State should provide short-term and long-term loans and draw financial programmes for investment in development, he said in support of the proposal.

U Hla Maung (a) U Naing Hla Maung from Chaungsone Constituency said that production industry which provides basic needs of people is important to the nation.

Source: NLM 2011-03-24

Productivity of SMEs depends on the financial capacity of owners. These industries sometimes face financial shortages. There must be a programme to disburse necessary loans to them. The most important seven Ms in industries are men, money, material, method, machine, management and market. They are all related to capital.

Providing loans to SMEs will facilitate production and help control commodity prices. Hence, he supported U Soe Win's proposal.

U Kyi Myint of Latha constituency said small and medium enterprises are flexible. They can grab the opportunities left behind by big businesses, hence generating new jobs. Tax exemption or reduction and financial assistance can be followed by opportunities. So, the formation of supervisory bodies may require. In market economy, the source of public budget comes from tax-payers. Hence, the idea of providing interest-free loans is not appropriate.

U Khin Maung Yi (a) Khine Maung Yi of Ahlon constituency said normally nations are implementing economic patterns suitable to them. Basically, economy has three parts – manufacturing, non-manufacturing and services. These three are run by small, medium or big business depending on their volume.

Tax burden, access to financing, impact of technology, modernization, technological developments and fair opportunities should be taken into account to promote small businesses. Myanmar now has business organizations and various financial aid programmes. He supported the proposal of U Soe Win.

U Sai Aung Hla of Namtu constituency said five years from now, Myanmar will be a member of Asean Free Trade Area (AFTA). So, the country has a five-year preparation time. The nation will have greater competitiveness if her small and medium enterprises meet the set standard. These enterprises will also have to compete with foreign companies that will make investments in accordance with the Special Economic Zone (SEZ) Law.

As these foreign companies are running in SEZ, they can enjoy some tax exemptions.

So, State-owned and private banks should provide SMEs with interest-free or soft loans to manufacture quality goods.

The government should also provide technological assistance.

He supported the proposal.

U Lwin Oo of Thanlyin constituency said there should be a harmonious progress between heavy industries and small and medium industries. The basic method is to provide loans to the latter. Twenty percent of industrial loans are for SMEs at present. The government is providing financial assistance to the banks for industrial development. Banks charge interest rates that are lower than the loans for other business to SMEs in line with the instructions of the Central Bank. Banks have to file lawsuits against businesses that give priority to financial access rather than to development.

The government's provision of loans to small and medium businesses on broader scale will contribute to industrial development of nation, import-substitute good production, saving foreign exchange, earning FE through exports, creating job opportunities. Myanmar Industrial Development Central Committee and Myanmar Industrial Development Committee are providing assistance to these businesses.

U Soe Win's proposal concerns with accomplished and on-going projects. So, it is further discussion on this topic are not necessary.

Minister for Finance and Revenue U Hla Tun gave a reply saying, Myanmar is a member of ASEAN SMEWG. It has 18 industrial zones and 28 sub-zones housing 43504 registered businesses – 4186 heavy industries (9.62%), 6992 medium industries (16.07%) and 32326 small industries (74.31%) -- up to the end of February this fiscal year. State-owned, investment and commercial banks are providing loans for industries at 17% interest rate on normal terms. But for special projects, the interest rate is 15%. Myanmar Industrial Development Bank of the 19 private banks and Industrial Loan division under the State-run Myanma Economic Bank are disbursing 55% of their loans to the various industries. After 2003, loans are provided only to the insured industries to cover risk. Especially loans are for insured immovable property.

In some cases set rules are lessened in providing loans to contribute to industrial development. MEC, Myanma Investment and Commercial Bank and MIDB provided K 125.4 billion during the period between 2005-2006 and 2009-2010. Steel mills each has a 1000-ton annual capacity were set up in Mandalay, Monywa and Taunggyi industrial zones to contribute to development of small and medium enterprises. Machine tools worth over \$ 5 million were bought for the three zones with financial assistance from the government in 2006.

Loan disbursement at present depends on the loanable fund.

The representatives should review the proposal. The state is helping small and medium industries and they are now producing import-substitute goods and exports. Thanks to the assistance provided in accord with the law, the nation has witnessed industrial development.

Myanma Industrial Development Ministry will be included in the new government. Hence, further discussions on the proposal are not required.

The speaker said the discussion and replies are comprehensive and interesting and positive. The production sector including the SMEs is the key for GDP growth. The government is providing financial assistance to SMEs. As the respective Union level organization members do not need to discuss this matter the proposal should be reviewed.

U Soe Win asked the Hluttaw to record it for use when and if necessary. According to approval of Hluttaw the proposal was put on record.