

## **THE PRELIMINARY STUDY ON IMPORTANCE OF SMALL AND MEDIUM ENTERPRISES IN MAWLAMYINE CITY**

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### **Abstract**

The paper tries to present “the preliminary study on importance of small and medium enterprises in Mawlamyine City”. The study area is located at accessible area and it has locational advantage to develop industrial sector especially SMEs. Mawlamyine City possesses 737 Small and Medium enterprises of which 562 Small enterprises and 175 Medium enterprises are included. They are important for local economy because existing agriculture give low and irregular income for local people. Growth of SMEs reduces unemployment rate, increases GDP and support local people through job opportunities for skilled and unskilled labour. But, SMEs of Mawlamyine City encounters the constraints that hinder SMEs development. The objectives of the paper are to examine present economic activities of Mawlamyine City, to explore the supports of SMEs on economy of Mawlamyine City, to find out the constraints affecting on SMEs of Mawlamyine City and to predict future prospect on SMEs of Mawlamyine City. Geographic methods and GIS tools were applied and, exploratory approach was used in doing the research work.

**Keywords:** SMEs, unemployment rate, skilled and unskilled labour, constraints, importance

### **Introduction**

Small and Medium Enterprises (SMEs) play an important role in the economic development of developing countries. SMEs are assumed as an influential factor to boost up the economic development (ACMA, 2015). Raw materials, power, land, marketing, transport, technical facility and finance are major pillar for SMEs development. Khandker (2014) also said that electricity supply is the prerequisite for SMEs’ development as well as its success.

After destruction of Black Market supporting higher income and miscellaneous job opportunities to local people, major economic activities are agriculture related economics including rubber plantation in Mawlamyine City. Existing economic activities such as agriculture including rubber plantation, etc do not support sufficient income for local people due to low and irregular income. Therefore, secondary economic activity especially small and medium enterprises became major pillar for the economy because it gives regular income, Job opportunities, and reduces number of unemployment as well as increased GDP of Mawlamyine City.

Like other areas, SMEs of Mawlamyine City encounter the constraints. Tambunan, 2011, stated that constraints differ from place to place. Common problems of SMEs are concerned with raw materials, power, land, marketing, transport, technology and commerce, lack of suitable technology, foreign markets, management skills and proper training, and finance ineffective laws as well as low official capacity. Domestic market competition is also constraint to SMEs’ development. In the study area, constraints affecting SMEs’ development are small market size, low demand; technical factors, skilled workers and electricity availability. To present the importance of small and medium enterprises, Mawlamyine City was selected.

### **Study area**

Mawlamyine City located in Mon State lies between 16° 24' to 16° 31' North Latitudes and between 97° 36' to 97° 40' East Longitudes. It is located accessible place having locational

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advantage for economic development. It has been known as popular Black Market supporting local people as well as people lived in nearby town. After the market, economy collapsed agriculture and small scale business play important role in economy of the area.

### Objectives

Objectives of the paper are:

- To examine the present economic activities of Mawlamyine City
- To explore the supports of SMEs on economy of Mawlamyine City
- To find out the constraints affecting the development of SMEs in Mawlamyine City
- To predict future prospect on SMEs of Mawlamyine City

### Data and Methodology

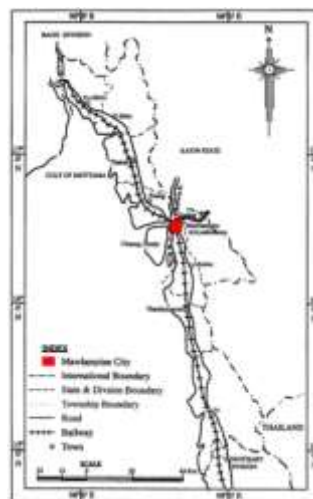
Primary data were collected by field observation, interviews and questionnaires. 12 interviews (one from each small and medium enterprise) were done to understand views of local people, authorities, staff and SMEs' owners on SMEs were collected. 120 questionnaires (10 questionnaires for each small and medium enterprise) were distributed to get their perceptions and to understand the constraints affecting on SMEs in Mawlamyine City. Data collection was done between Nov, 2019 and June, 2020.

Secondary data were obtained from department concerned to present the present situation of SMEs in the area. In illustration, Geographic methods and GIS tools were applied. In presenting the paper, exploratory approach was used.

### Geographical Background of Mawlamyine City

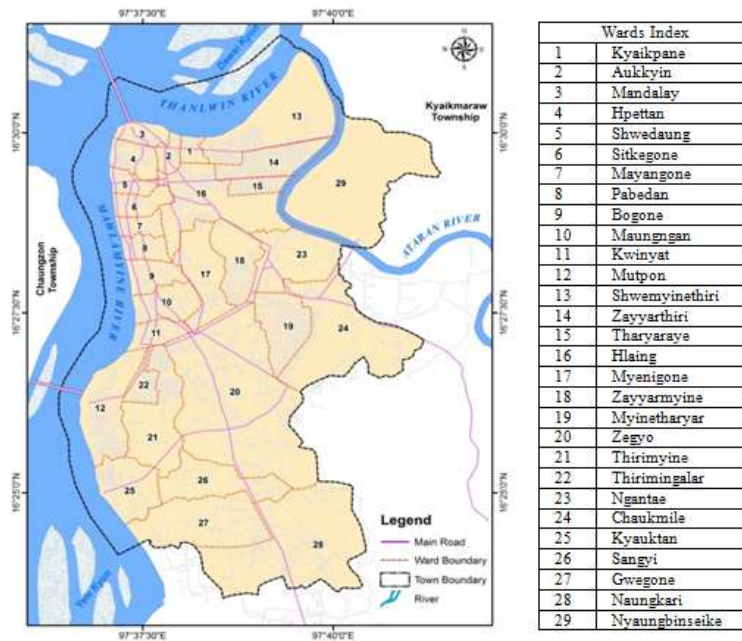
Mawlamyine City, Mon State's capital, it consists of 29 wards and has an area of 26387 acres (or) 41.23 sq miles (or) 106.79 sq km. It takes only 5 hours driven time from Yangon, Capital of Myanmar.

The western part of the plain is coastal plain of Yankin Range and Thanlwin River. The height is between 25' and 50' above sea level. The low land area supports establishment of settlement and economic activities for the people.



**Figure 1** Location of Townships in Mon State

Source: Land Survey and Land Records Department, Mawlamyine Township



Source: Land Survey and Land Record Department Mawlamyine Township

Figure 2 Wards in Mawlamyine City

Thanlwin River is the main river and flows along the western and northern boundaries of the city. The Gyaing and Attaran Rivers join into the Thanlwin River in the north of the city.

The maximum temperature is 36.94°C in March and the minimum temperature is 16.43°C in January during the 30 years period. The average total annual rainfall was 4966.48 mm in Mawlamyine City. Mawlamyine City lies within the seasonal shifting monsoon wind belt, and hence experiences a tropical monsoon (Am) climate and weather and climate of the area do not hinder economic activities.

The population of Mawlamyine City was 249680 persons in 2015 and 219553 persons in 2016, 247140 persons in 2017, 248492 persons in 2018 and 232,073 persons in 2019.

## Results and Finding

### Economy of Mawlamyine City

Last 30 years ago, Mawlamyine City was famous as black market selling garments accessories, etc. After practicing market oriented economic system in Myanmar, number of commercial activities decreased because most goods are directly carried to Yangon because of better accessibility. Since that time, role of Mawlamyine City in trading decreased and job opportunities has been decreased.

Like other areas, one of the major economic activities is agriculture and agriculture land decreased because of urban area extension caused by population growth. Government constructed 5 new wards: Myinetharyar, Thirimingalar, Zayyarthiri, Tharyaraye and Zayyarmyine in 1989, and next new seven wards: Kyauktan, Naungkari, Chaukmile, Ngantae, Nyaungbinseik, Gwegone and Sangyi wards in 2015. As a consequence, areas of agriculture land were transformed as residential areas. Therefore, people engaging on agriculture moved to other area as migrant labours and some earn in other economic activities.

Areas around City and Zegyo, Sangyi, Gwegone wards were occupied by perennial crops such as Durian, Mangosteen, Rambutan, etc that give income for local people. But, it was cleared for residential area extension. Zayyarmyaing, Zayyarthiri and Thayaraye wards were appeared on the land at which paddy was extensively cultivated. Therefore, most people living in Mawlamyine City do not get income from agriculture activity.

### Present Economic Activities in Mawlamyine City

At present, agriculture especially small scale vegetable cultivation are found as urban agriculture in Myenigone, Hlaing and Ngantae wards vegetable cultivation and Zegyo, Gwegone, Chaukmile rubber cultivation at fringe area of Mawlamyine City, but it does not give sufficient and regular income for local people.



**Source:** Field survey and Data from Agriculture Land Management Statistics Department

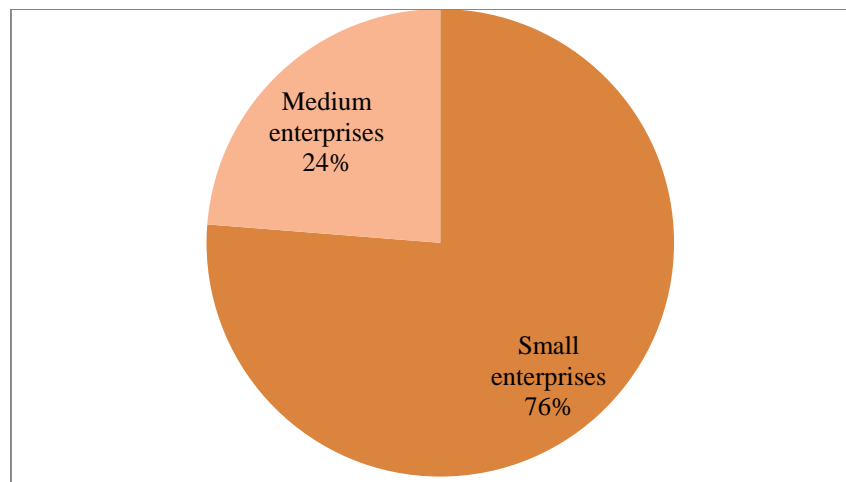
**Figure 3** Vegetable cultivated areas of Mawlamyine City

Vegetable cultivators rent the land for vegetable cultivation. But, land rental cost is high and vegetable cultivation is sometimes at high risks due to price fluctuation, risks of pests, high input cost, etc. Therefore, some growers abandon the vegetable cultivation and they search the works that give higher and regular income.

Being located in the southern part of Myanmar, rubber is widely grown in Mawlamyine Township. Rubber plantations need considerable amount of capital, but returns are delayed, it gives long term profit for many years. Low-yield variety is less cost-effective and some cultivators suspended tapping. There are two main costs associated with smallholder rubber production, material costs and labour costs. These costs are incurred throughout the life of rubber plantation. Rubber is exported to China and Thailand with low price because of low quality. The fluctuation of domestic rubber price is a reason declining rubber plantation as an economic activity in the area.

### Small and Medium Enterprises in Mawlamyine City

In Mawlamyine City, total number of Small and Medium Enterprises is 737 of which 562 Small enterprises and 175 Medium enterprises are included.



Source: Planning Department

**Figure 4** Number of Small and Medium enterprises in Mawlamyine City

Small and Medium Enterprises in Mawlamyine City are grouped into 7: Food and Beverage enterprises, printing and Publishing enterprises, Construction enterprises, Clothing enterprises, Household goods enterprises, Services enterprises and others.

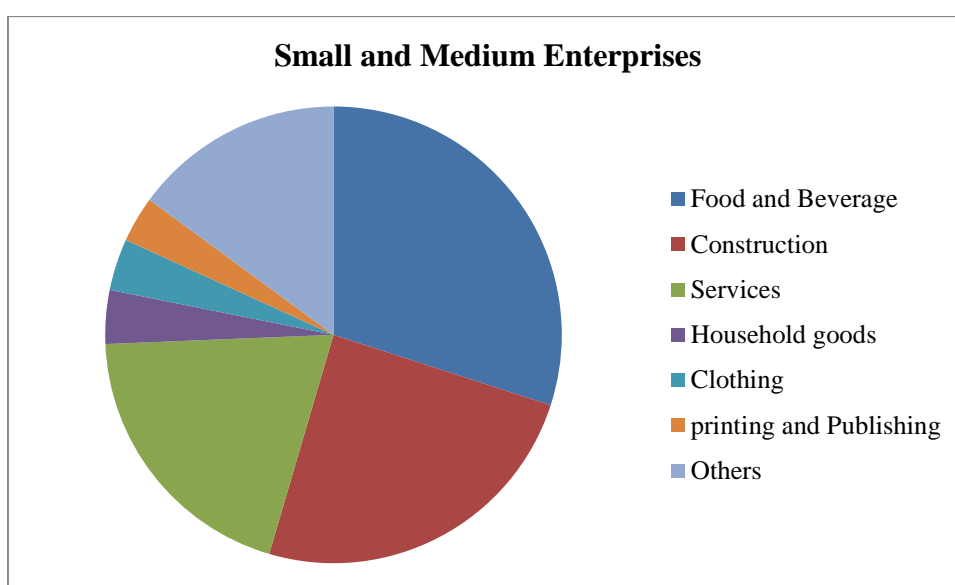
Food and Beverage enterprises	Tea Shop, Purified Water Shop, Snack Shop, Store, Grocery Shop, Rice Shop, Oil Shop, Dried Fishes Shop
printing and Publishing enterprises	Offset, publishing house, computer shop
Construction enterprises	brick shop, furniture, aluminum, iron sheet, window frame, iron door
Clothing enterprises	textile shop, bag, tailor,
Household goods enterprises	cosmetic, medicine, candle, box
Services enterprises	work shop, air con service, grinding work, phone service, car spare part shop, beauty parlor, etc
others	private schools, flower shop, rubber, game shop, etc

Among them, Food and Beverage enterprises rank first with 221 (30 % of the total Small and medium enterprises) due to first priority of the human’s survival. Construction enterprises rank second with 181 (25 %) and it shows that development of the town. Printing and Publishing enterprises stand last with 24 (3.2% of the total Small and medium enterprises).

**Table 1 Small and Medium Enterprises in Mawlamyine City**

	Small enterprises	Medium enterprises	Small and medium enterprises	Percent
Food and Beverage	183	38	221	29.986
printing and Publishing	21	3	24	3.2564
Construction	145	36	181	24.559
Clothing	20	7	27	3.6635
Household goods	22	6	28	3.7992
Services	108	38	146	19.81
Others	63	47	110	14.925
Total	562	175	737	100

Source: General Administrative Department, Mawlamyine Township



Source: Table 1.

**Figure 5** Small and Medium Enterprises in Mawlamyine City

### Distribution of Small and Medium Enterprises in Mawlamyine City

Number of Food and Beverage enterprises is largest in Hlaing and Zegyo wards possessing Wholesale areas. Smallest number is in Mandalay and Gwegone wards. Printing and Publishing enterprises are mainly found in Bogone, Aukyin, Phattan and Shwedaung wards.

Most construction enterprises are located in Nyaungbinseik, Sangyi and Naungkari wards and small number is in fringe area. Industrial zone of Mawlamyine Township is located in Nyaungbinseik Ward. Nyaungbinseik, Naungkari and Sangyi Wards have many saw mills, steel and aluminum construction works. Clothing enterprises are mainly concentrated in Zegyo, Ngantae, and Nyaungbinseik wards and small number of clothing enterprises in fringe area because area is mainly occupied by services. Most Household goods enterprises are mainly found in downtown area of Phattan, Mayangon and Shwedaund wards and small number is in Gwegone, Mandalay, Zayyarthiri and Tharyaraye wards. Zayyarthiri and Tharyaraye wards are newly extended residential areas flooded in the rainy season and many casual labours live there. Most servicing enterprises are concentrated in Mayangon, Kwinyat and Zegyo.



Source: Planning Department, Mawlamyine

**Figure 6** Distribution of small enterprises in Mawlamyine City

Small enterprises are concentrated in Hlaing Ward (52), Zegyo Ward (63) and Nyaungbinseike Ward (145). The least number of small enterprises are found in Naungkari, Mandalay, Gwegone, Ngantae and Tharyaraye wards.

Largest number of medium enterprises is found in Zegyo Ward (10 medium enterprises), Naungkari Ward (31) and Nyaungbinseike (73). Small numbers of medium enterprises are located in Kyaikpane, Maunggan, Zayyarthiri, Hlaing and Myinetharyar wards. Mandalay, Sitkegone, Mutpon, Gwegone, Chaukmile, Thirimingalar, Zayyarmyine and Tharyaraye wards do not have medium enterprises.



Source: Planning Department, Mawlamyine

**Figure 7** Distribution of Medium Enterprises in Mawlamyine City

### **Importance of Small and Medium Enterprises in Mawlamyine City**

Small medium enterprises support local people in various ways such as reducing unemployment; giving regular income, increasing GDP, decreasing in number of migrant labour through supporting job opportunities for skill and unskilled labour, etc.

EBRD, 1995 pointed that SMEs' role in producing employment and social stability is crucial. Job opportunities provided by SMEs play a key role to reduce number of underemployment. Hill (2001) said that economic development is achieved by developing SMEs that job opportunity and Chowdhury, 2015; expressed SMEs generate job opportunities for the semi-skilled and unskilled labour. Thus it could decrease unemployment rate. Number of employed person is 156315 and underemployment 3985. Therefore, unemployment rate 4% of the total population. After reducing the role of agriculture in the area, job opportunities decreased and underemployment rate increased.

Unlike agriculture, SMEs support regular income for skilled and unskilled worker. According to semi- structured interviews and questionnaires' result, 74 percent of the labour are permanent and 26 percent are daily wage earners. Although their salary differs, they get regular income.

Growth of SMEs supports the growth of GDP in Mawlamyine City. GDP from increased in the area and GDP from industrial Sector including SMEs is 85367.1 mil and it is 83 percent of total trading value.

In Mawlamyine City, labour migration is distinct and they are at the age between 20 and 35 years old. They moved to other urban areas especially Yangon and Thailand to get higher income. They easily get high income because of high job opportunities that are regardless to education in urban area and Thailand. Many Industrial Zones were established in Yangon and job opportunities of one of the factors attracting migrants from other areas (Ohnmar Thein, 2019). Therefore, the growth of SMEs will reduce the labour migration affecting area's development.

### **Major Constraints for SMEs Growth**

Quader and Abdulla, 2009, expressed these constraints affected on SMEs are very complex and interrelated. Constraints such as low investment affect the growth and function of SMEs (Hossain, 2018). Quader and Abdulla (2009) identified commercial constraints, governing constraints, and cost of high equipment, small domestic market size, lack of technically skilled workers, constraints on physical and technical factors and inputs are important for SMEs' development.

One of the SMEs problems is lack of available trained personnel (Çatal, 2007). Talebi et al. (2012) stated that industry - university or vocation training linkage is one the dominant factors for SMEs growth.

According to interviews, field observation and questionnaires' reply, commercial constraints, small market size, low demand, technical factors, skilled workers and electricity are found as constraints. Staff and authorities of SMEs in Mawlamyine City stress small market size, low demand; technical factors, skilled workers and electricity are major constraints on existing SMEs.

In Mawlamyine City, skilled labour availability is one of the constraints on SMEs growth. According to interviews, skilled labours are insufficient in SMEs of Mawlamyine City. After getting experience from local SMEs, they move to other areas to get higher income and greater experience and knowledge supported by enterprises. According to European Commission Report of 2009, to develop SMEs in an area, constant training and lifelong education are essential for



competitiveness and management. But, these training courses and qualifications are less available to staff earning in SMEs.

But, many unskilled labour are available for SMEs. But, like other areas, instability of unskilled labour availability is found due to movement from one enterprise to another.

Most products from SMEs of Mawlamyine City such as food and beverage enterprise, printing and publishing enterprise, construction enterprise, clothing enterprise, services enterprise, etc are mainly sold in Mawlamyine Township and nearby towns. Their market place is small and they do not compete the products imported from Thailand and China.

According to interviews with staff of clothing enterprises, best-selling clothes are Thailand made and young adult girls prefer readymade clothes made in Thailand to products of Mawlamyine due to low technology, design and durability. It somehow illustrates the low technology affects the development of SMEs through demand.

According to interviews with authority, electricity is one of the major constraints for SMEs' development. Like other areas in Myanmar, electricity cutoff is frequently found and it affects SMEs' production. According to interview, present electricity availability is better than the past.

### **Conclusion**

In Mawlamyine City, food and beverage enterprises, service enterprises, construction enterprises, clothing enterprises, household goods enterprises and printing and publishing enterprises are mainly found. Among them, food and beverage enterprises are largest in number and construction enterprises second largest in number in the study area. Down town mainly possess service enterprises and construction enterprises are found in fringe area and in the industrial zone. Household goods enterprises are mainly concentrated in newly extended wards such as Myinetharyar, Thirimingalar, Zayyarthiri, Tharyaraye and Zayyarmyine, Kyauktan, Naungkari, Chaukmile, Ngantae, Nyaungbinseik, Gwegone and Sangyi wards for the purpose of supporting casual labour and daily wage earners.

Existing SMEs are important for local area because of reducing unemployment; giving regular income, increasing GDP, decrease in number of migrant labour through supporting job opportunities for skill and unskilled labour, etc. The major constraints affecting SMEs' growth are small market size, low demand, technical factors, skilled workers and electricity, etc. Lack of skilled workers and technology affects SMEs' development. Most of the workers in SMEs are not properly skilled.

Therefore, it is also needed to grow SMEs that can fulfill the demand of the present market. It is needed to systematic business plan and support of the government and departments concerned for the purpose of getting higher technology, financial support, etc. It is needed to do further researches on permanent and daily labours, skills on SMEs, quality of raw materials used in SMEs, etc to get SMEs development in the near future.

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