

Digitalisation & IT Sector Brief  
**MYANMAR**



## COUNTRY OVERVIEW

The Republic of the Union of Myanmar occupies the northwesternmost corner of Southeast Asia which places the country at a key crossroads bordering both India and China as well as ASEAN neighbours Laos and Thailand. A maritime hub, Myanmar's long coastlines fringe the Bay of Bengal to the West and the Andaman Sea to the South. Only Indonesia is larger by geographical size. Myanmar has a smaller population than Indonesia, Vietnam and Thailand. It is the 26th most populated nation in the world.

The capital city was relocated to newly constructed Naypyidaw in the late 2000s, with Yangon remaining the main commercial hub and port of the country via the Yangon River estuary which connects to the Gulf of Martaban. Although Yangon ranks among the largest cities in Southeast Asia with a population of 6.3 million people, Myanmar's urbanisation rate remains relatively low with more than two-thirds of the population living in rural areas where agriculture remains the main industry.

Economic growth climbed steadily over the past decade with light manufacturing and garments, agricultural commodities, tourism, service industries and real estate proving key expansion sectors amid increased economic openness. During the same period, Myanmar witnessed a gold rush of foreign investment across all sectors including telecommunications and banking, a period in which increased electrification aided the rollout of mobile phone towers and ATMs into rural areas on the periphery of the country.

The pandemic led to a reduction in economic output since 2020 and a fall in foreign investment. Vaccination rates have improved with more than 38% of the total population understood to have been fully vaccinated against Covid-19 as of February, 2022. Most economic forecasts for 2021 and beyond remain cautious in regard to economic growth not expected to resume in the short term. Most experts expected Myanmar's economy to retrench further in 2021 after a recession was recorded the previous year due to the Covid-19 pandemic.



## SECTOR OVERVIEW

During the previous decade, Myanmar witnessed a rapid rollout of wireless and fixed-line connections as mobile phone usage soared from what had been among the lowest rates in the Asia-Pacific region – only about 1% of the population had a mobile subscription in 2010. By 2016, there was nearly one subscription per capita. Increased connectivity coincided with swift expansion of the banking sector as foreign banks and micro-lenders from overseas set up in Myanmar, in turn leading to rapid digitalisation of what had been a mainly cash-based economy. Many bank branches in the country, however, could not operate properly in 2021 due to political situation and the pandemic.

### General characteristics and trends

- **Growing connectivity:** Despite periodic issues with the internet in 2021, Myanmar has seen a sharp increase in internet usage in the past decade. Just 1% of Myanmar nationals were connected in 2011. By the start of 2021 more than 23 million people, or 43% of the population, was actively using the internet, among the most rapid increases in usage anywhere in the world. These growth rates were expected to stall due to growing saturation and amid the economic malaise witnessed in Myanmar during 2020 and 2021, however.
- **Mobile over fixed-line internet:** A key feature of connectivity in Myanmar – 99.8% of users were found to be on mobile devices rather than using fixed-line connections, highlighting the flexibility and mobility of the market allowing SMEs to set up rapid connections without being tied down to office spaces. Many Myanmar people were found to have more than one connected mobile device with more than 127% saturation in terms of wireless connections recorded at the start of 2021.
- **Social Media usage:** Data suggests that almost every person connected to the internet in Myanmar also regularly logs into social media as usage rates across platforms including Facebook and Twitter soared nearly 32 % in the year up to January 2021 – some 7 million new users in just a year.

Although fixed-line connections remain expensive and less reliable, SMEs have benefitted from the swift online transition in Myanmar with Facebook, in particular, becoming an indispensable marketing tool for small businesses operating in Yangon and other major cities. More than 50% of people in Myanmar were found to be social media users at the start of 2021, the first time the country has witnessed a majority using a social media platform.

- **Virtual meetings:** All sectors across the economy witnessed rapid uptake of streaming platforms for conducting meetings as the pandemic hit Myanmar in early 2020, particularly in the property, finance, aid and advertising industries. This trend has been supported by faster internet speed as average speeds climbed nearly 10% in the year up to January 2021.

The trend towards virtual meetings has helped small businesses in particular given they can more easily conduct video calls and meetings instead of renting office space which remains relatively expensive in Yangon. Virtual meetings were expected to remain a feature of life in Myanmar in the short term as pandemic lockdowns and limited flight connections persisted at the end of 2021.



## MAIN PRODUCTS, SERVICES, AND SEGMENTS

### Digital payments

Almost non-existent in 2016 when used by only 1% of the population, digital payments had just three years later become a feature of life among 80% of Myanmar's population. In the past two years, the rate of growth has understandably slowed yet still e-payment usage growth reached 7% in 2020. Digital payment apps on mobile phones have quickly bypassed traditional banking in Myanmar where still only one-quarter of the population has a bank account. This rapid adoption of digital payment technology has encouraged stellar growth in other key digital sectors including food delivery and restaurants, ride-hailing and all forms of online retail.

Competition has caused remittance and transfer fees to drop sharply in Myanmar in recent years which has created significant benefits for small businesses in the country – particularly those seeking to transfer money across large physical distances. With Myanmar's largest lender, KBZ Bank, promotions have meant that some transaction fees have been waived altogether for those who sign up to its digital payment platform KBZPay.

This sector still faces challenges, however, not least a growing penchant for cash over other forms of payment in recent months. Although only 10% of the population still does not use digital payment technology in Myanmar, of those that do only roughly one in ten people use more than one form of fintech product.

### Food delivery

FoodPanda's entry into Myanmar's food delivery market at the end of 2019 coincided with the start of the pandemic and increasingly fierce competition in a sector which has rapidly expanded in size – this Singaporean tech firm reached one million local customers in less than a year. Myanmar now has nearly half a dozen such food delivery operations, both domestic and foreign, and each has branched out to offer menus from a growing selection of restaurants.

Most of these services operate in Yangon, Naypyidaw and Mandalay, with coverage also extending to other cities on the periphery of the country including Mawlamyaing and Taunggyi. This in turn has meant that restaurants that previously focused on dine-in customers paying in cash have now expanded to a more widely dispersed clientele using digital payment platforms to pay for food.

## Transport services

Myanmar's ride-hailing sector has expanded from zero to highly competitive in just seven years with six companies operating in the country's main cities including Grab Taxi of Singapore and Fast Go of Vietnam. Services remain limited outside of the main hubs of Yangon, Naypyidaw and Mandalay but service offerings have grown quickly with limousine offerings, travel, food and even personal finance becoming available in the past two years. These apps have transformed the private transport and taxi sector in Yangon where heavy traffic and previously high-priced traditional taxi services made getting around both time-consuming and expensive.

## Virtual offices and co-working spaces

Virtual offices, where small businesses can rent a receptionist and physical address, and co-working or shared office spaces have proliferated in Myanmar's commercial hub as rapidly rising office rental prices coincided with faster internet speeds and rapidly rising connectivity in Myanmar. Less than a decade ago there were no virtual or co-working spaces in Myanmar. By early 2021 Yangon alone recorded nearly almost 100 such businesses. Amid growing competition and recent economic malaise, prices have fallen to as little as USD 5 per day, with some spaces offering internet speeds up to 9 Mbps, an excellent option for start-ups and small businesses looking to reduce short-term costs.

## Cloud computing

Dominated by overseas firms from the US, China and Singapore, Myanmar's cloud computing sector has in recent years also seen local entrants. Cloud computing has gained traction with small businesses in the country in recent years keen to increase security and embrace local hosting to reduce latency for applications and infrastructure. Furthermore, the Government of Myanmar has been implementing its owned private cloud by the establishment of e-Government Integrated Data Center. Digital payment providers in Myanmar have ranked among the main customers of cloud computing solutions in Myanmar given the security and backup requirements of the sector.



## REGULATION

Myanmar opened up its internet services sector to foreign investment during the past decade which resulted in the rapid rollout of infrastructure by new entrants, as well as by local operators including the Ministry of Transport and Communications. The rapid expansion of such services has proven to be a key driver of recent increases in mobile phone ownership, social media usage and wider connectivity.

### Legal requirements

Since 2021, Firewall restrictions have been closely monitored in the country, and new drafts of Cyber-security law were being considered earlier in 2022.

Myanmar has passed a series of new laws governing digital sectors in recent years, most recently in February with an amendment to the existing Electronics Transaction Law 2004 which introduces added personal data protections for private individuals. This was designed to catch up with the rapidly expanding digital payments sector amid soaring usage during the pandemic.

Otherwise, many of Myanmar's key digital sectors remain largely unregulated. There is still no specific Cyber legal framework overseeing the ride-hailing sector in particular, and the restaurant and catering sector remains relatively free of specific regulations, particularly in relation to off-premises dining.

The use of cryptocurrencies was officially banned in Myanmar in May 2020 as Myanmar's Central Bank continued efforts to shift Forex trading and money supply away from the black market. In recent months, enforcement of the ban has increased by financial authorities. Future policy on cryptocurrencies remains unclear but there are now signs that Myanmar is about to reconsider current restrictions. The mining, use and exchange of Bitcoin and other cryptocurrencies was expanding in Myanmar prior to the official ban. Still, usage levels had remained well below those in neighbouring countries.



## MARKET ENTRY

### Setting up a business in Myanmar

Restrictions on foreign entry into Myanmar eased substantially during the past decade, a period in which foreign investment soared. It is possible to set up wholly-owned foreign entities in the vast majority of business sectors with some notable exceptions including tour guide services, convenience stores, forestry management except in relation to carbon emissions, and pet care services.

Opening branch offices has proven a popular move in the banking sector among lenders seeking to test the waters in Myanmar without needing to secure official banking licenses. However, such businesses incur a 35% corporate tax rate compared to a standard 25% rate for most other businesses. Branch office activities in Myanmar are limited to market research, feasibility studies and data collection.

Service sector companies have a minimum capital requirement of USD 50,00 and manufacturing US\$150,000, with 50% deployed immediately after official registration is completed. Typically, this takes up to three months with typical start-up times falling in Myanmar during the past decade.

### Tariffs and tax exemptions

The new Myanmar Investment Law in 2016 offered corporation tax holidays of up to seven years should investors look to set up in 'under-developed' areas on the periphery of the country. Tax exemptions were also outlined for more developed parts of Myanmar. Exemptions were also included for other internal taxes including income taxes and customs duties pegged against investment expansion following the initial set-up.

### Registration services

As Myanmar witnessed a sharp rise in foreign direct investment since the start of the previous decade, numerous legal firms, consultancies and agencies set up in Yangon, in particular, to help overseas firms as they sought to establish themselves in the country. These have helped foreign investors find their feet in Myanmar and navigate the plethora of new laws in the country, including the new Myanmar Investment Law introduced in late 2016.

In 2017, Myanmar permitted online registration with the introduction of MyCo-Myanmar Companies Online, a one-stop digital shop for new entrants in the country which has made market entry considerably simpler for SMEs from around the region. All new business applications go through the Directorate of Investment and Company Administration, a division of the Myanmar Investment Commission. Since 2018, the Directorate of Industrial Supervision and Inspection (DISI) under Ministry of Industry has implemented the web portal ([disi.gov.mm](http://disi.gov.mm)) for the registration of Industrial Enterprises in Myanmar. The objective of this web portal is to give information related to the Industrial registration, Electrical Inspection and Boiler Inspection procedures in Myanmar. In 2019, Directorate of Industrial Supervision and Inspection also implemented Online Registration and e-Payment System Web portal ([www.msmewebportal.gov.mm](http://www.msmewebportal.gov.mm)) which SMEs in Myanmar can register as SME Member.

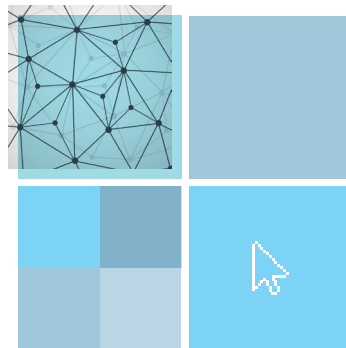


## RECOMMENDATIONS AND TRENDS

Myanmar stands at a crossroads in regard to its rapidly expanding digital sector following among the most rapid uptake of mobile phone and social media usage witnessed anywhere in the World during the past decade. Connectivity saturation in major cities combined with the recent economic downturn means that such rapid expansion has already begun to slow but the pandemic and concurrent challenges continue to create both opportunities and threats in this rapidly changing industry. These include:

- **Stabilizing internet speeds:** Amid rapid connectivity over the past ten years, Myanmar managed to overtake the World average internet speeds by 2018. This in turn has had a knock-on effect in terms of live streaming – in 2020, Myanmar recorded the second-highest growth in Youtube users in the Asia-Pacific region. Myanmar is now expected to see stabilizing internet speed growth amid a changeover in the internet service provider sector. Nonetheless, Myanmar remains second only to Singapore within ASEAN in terms of internet speed meaning small businesses benefit from among the best value video streaming rates in East Asia.
- **Social media influencers:** Despite the recent surge in connectivity in Myanmar, digital advertising had been slow to take off in part due to the proliferation of newspapers and magazines which until recently absorbed the bulk of marketing spend. In recent years, Myanmar has begun to see a migration of advertising investment to digital platforms which in turn has made social media influencers a new marketing segment open to businesses. This trend is expected to continue which in turn means marketing costs could fall further affording SMEs a wider range of more affordable advertising channels in Myanmar.
- **Currency volatility:** The Myanmar Kyat continued to devalue in 2021 amid the pandemic and current political situation, losing about half of its value between January and September before recovering about 15% in early October. This volatility has coincided with greater emphasis on the cash economy, undoing some of the rapid recent move towards digital payment wallets and mobile payments. The near-term Kyat rate remains uncertain, although the trend towards digital payments is likely to continue in the longer term, particularly as the recent expansion of the traditional banking sector wanes.
- **Restricted entry and travel:** Myanmar had administered double doses of Covid-19 vaccines to just over 38% of its population as of February, 2022, and entry in and out of the country remained restricted. Since the first half of 2020, flights in and out of the country's main international airports in Yangon, Naypyidaw and Mandalay remained limited. These restrictions have created profound opportunities and threats to small businesses in the country, depending on the sector, and these trends looked set to continue well into 2022.





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