

# **ON THE DEVELOPMENT OF MICROENTERPRISES IN THAILAND**

DR. MAITREE WASUNTIWONGSE

## **1. BACKGROUND**

Micro and small enterprises (MSEs) are increasingly seen as potential creators of new employment opportunities and additional incomes contributing to improved social and economic well-being, as well as to the alleviation of poverty. Together with the financial and economic crisis of 1997, this has prompted the Royal Thai Government (RTG) to review its policy for promoting and supporting Small and medium-sized enterprises (SMEs) in Thailand. In this context a study was conducted in the field of Micro and Small Enterprise (MSE) Development in Thailand, in order to provide information and recommendations to the policy formulation of the RTG, as well as to the programme development procedures of international organizations and the donor community.

The study includes a series of technical inputs. They are:

- Working Paper 1: Review of BDS assistance and activities of support agencies for MSE development;
- Working Paper 2: Review of business development services (BDS) appropriate to MSE development;
- Working Paper 3: Review of policy, legal and regulatory environment for MSE development;
- Working Paper 4: Review of financial support services for MSE development;
- Working Paper 5: Review of problems and needs of MSE operators as experienced at the local level in selected urban areas.
- Working Paper 6: Although not originally planned, a substantial amount of information was gathered in areas including the definitions of MSEs, and their contribution to employment and the national economy. Consequently, this information was put together as working paper 6.

This report, working paper 5 in the series, consists of a review of problems and needs of a number of Thai urban-based MSEs. It is based upon the result of a survey of MSEs made in Bangkok and urban Phetchaburi (a province 120 km. south-west of Bangkok), and carried out during April - June, 1999. The survey was designed to confirm or verify former knowledge of the MSEs. Hence only a small sample of 100 enterprises was aimed for in the survey, although in effect 104 enterprises were actually surveyed.

### **1.1 AN OVERVIEW OF PROBLEMS AND NEEDS OF MSES**

MSEs as referred to in this project are those business enterprises characterized by size, as well as by the way they are operated. They are considered micro and small based on the size of their business volume, the value of assets, and/or the number of people working<sup>1</sup>. They are usually operated and managed solely by an individual entrepreneur. Unlike medium-sized and large enterprises which usually have a management team to oversee various business functions such as marketing, finance, operation, human resource development, technology management, engineering, and research and development, etc., in MSEs the entrepreneurs normally perform all these functions by themselves. Thus the effectiveness and efficiency of an enterprise of this type would depend solely upon the entrepreneur's management skills (or the lack of them), unlike in medium and large enterprises where skilled managers are recruited from the labour market. In addition, while most

---

<sup>1</sup> See Working Paper Number 6, prepared by Maurice Allal.

medium-sized and large firms generally possess enough resources to recruit additional specialist services from outside when needed, most MSEs cannot afford this type of support.

Thus MSEs, especially when operating in the same environment as the medium-sized and large firms, are usually at a disadvantage when tapping into the normal services provided by both the government and private sector, such as those provided by financial institutions, government agencies, consultants, marketing channels, marketing promotions, etc.

Because of these disadvantages, MSEs - particularly those in developing countries where the service infrastructure and business environment have not yet been well developed - typically face operational problems which make it difficult to start-up and to expand or develop to reach their full potential. These problems can be generalized as follows:

- lack of access to financing;
- lack of access to the market;
- lack of skilled workers, or poor access to skill development for workers;
- lack of access to better technology and equipment;
- the lack of access to information vital to business management; and
- lack of business management skills.

In Thailand, the situation for MSEs is quite similar to that described above. However, when addressing these issues, the RTG usually considers these very small enterprises to be “small and medium-sized enterprises (SMEs)”, while recognizing that microenterprises are included in the lower end of the spectrum. Although quite a few studies and surveys have focused on the nature and problems of SMEs (with microenterprises implicitly included), they are mostly directed toward small and medium industry (SMI) - which means those SMEs operating in the manufacturing sector. In addition, it is not yet known whether a comprehensive study has ever focused exclusively on service or trade sectors operated by MSEs. The latest comprehensive survey is one commissioned by the Department of Industrial Promotion (DIP) from a consulting company in 1997, which again focused on SMIs. Based on the findings of this survey, the problems facing Thai SMIs have been adequately summarized by the Director-General of the Department of Industrial Promotion (DIP)<sup>2</sup> as:

- lack of technical and managerial capabilities;
- lack of access to greater market;
- lack of access to finance;
- lack of skilled workers and skills development; and
- lack of access to information vital to business.

As previous studies in Thailand have not clearly or specifically addressed microenterprises, nor did they clearly or specifically cover the service and trade sectors of MSEs, it was deemed necessary for this project to carry out a small survey of some of the urban-based MSEs in Thailand. The purpose of the survey is first and foremost a reality check against which all of the other working papers in this series can be reviewed. The survey was also planned to give a preliminary assessment of the problems and needs of Thai urban-based MSEs. The details of the survey methodology and results are explained in the following sections.

## **1.2 MSE DEVELOPMENT FRAMEWORK**

From the experiences of the international agencies working in the field of enterprises development throughout the world, the approach to develop MSE should focus on the entrepreneurs, and their enterprises. Specifically, development policies should aim at:

- ❑ Creating enabling environment for healthy MSEs, and
- ❑ Providing Business Development Services (BDS) to MSEs such as financial services, training, information services, marketing assistances, business advisory services, etc.

Under this framework, a survey was designed to gather information about MSE entrepreneurs and their enterprises regarding their business practices, their business environment, their path of growth or progress, and BDS received. The result of the survey is described in this report as follows.

---

<sup>2</sup> Manu Leopaite, DG DIP, Role of SMEs in Reviving Economic Crisis.

## **2. SURVEY OF SELECTED THAI URBAN-BASED MSEs**

The survey of selected Thai urban-based MSEs is part of the SPPD project undertaken by the ILO in Thailand as described above. Its objective is to build a framework, based upon which the validity and relevance can be determined for applying accumulated experiences and “best practice” methods in providing Business Development Services (BDS) from the international arena to the Thai MSEs. The survey is thus designed to check or find out information on particular issues, rather than being completely and comprehensively descriptive in nature. It is described as follows.

### **2.1 SURVEY METHODOLOGY**

The survey was made by conducting face-to-face interviews with MSE entrepreneurs using a pre-designed questionnaire. The questionnaire (as shown in Appendix A) was designed as a series of questions divided into 9 groups. They are concerned about:

- general information;
- enterprise start-up;
- technology aspects;
- marketing aspects;
- financial aspects;
- legal aspects;
- services received and desired;
- business associations; and
- business prospects and entrepreneurship.

The questionnaire is intended to be predominantly qualitative in nature. Although some of the answers can be tabulated in numerical form, the resulting statistics are not used as the main factor in reaching the conclusions of the survey since it is not designed to be a “scientific” survey. As such, the survey summary is drawn from the qualitative information and impressions gathered from the interviews, as well as the analysis of the tabulated data.

### **2.2 THE SURVEY SAMPLE**

The microenterprise in this survey is defined as having less than 5 persons, and small enterprise as 5 or more and less than 50 persons working in a normal situation. The enterprises included are in the manufacturing, trade and services sectors. The survey was conducted by interviewing a total of 104 enterprises. It includes 69 microenterprises and 35 small enterprises in Bangkok and Phetchaburi, of which 55 micro and 22 small enterprises are from Bangkok, and 14 micro and 13 small enterprises are from Phetchaburi.

In Bangkok, it was found that government agencies, under the welfare schemes, has supported unemployed people to set up microenterprises. The support was mainly financial, to enable the target group to start up a business to earn income. In particular, the Thai Help Thai programme gives a grant of 2,000 Baht per person to be working as a group in a micro business. As of April 1999, 57 microenterprises have been set up under the programme in Bangkok. Of these 17 enterprises in 14 districts of Bangkok were randomly chosen to be interviewed in the survey.

In addition it was also found that some Non-Government Organizations (NGO), has given financial and other support to people in Bangkok to start up microenterprises in their own communities. At the time of the survey, several microenterprises (around 80 groups) have been set up with this form of support. Many of these have just started, while a few have been inactive. From those that were active, 6 enterprises in 4 districts were also randomly chosen for interview as part of this survey. These enterprises, together with those supported by the government agencies, are referred to in the analysis as “supported microenterprises” in this survey. Incidentally, all of the enterprises in this group are in the manufacturing sector.

Apart from those supported enterprises, Bangkok has numerous independent individually-owned microenterprises. To narrow down the work of the survey, the districts of Yannawa, Sathorn, and Bangkholeam (formerly Yannawa and Klong Toey districts) were chosen as the main areas. Interviews were then conducted with microenterprises randomly found on the streets in these

districts. The survey carried out 31 interviews from this group, and 1 interview with a trading microenterprise in Bang-Na district. Of these, 4 enterprises are in manufacturing, 11 in services, and 17 in trading businesses. These enterprises are referred to as “independent microenterprises” in the survey.

As for the small enterprises, since the manufacturing sector is seen as a higher potential creator of jobs, the Phasicharoen district outside of the inner Bangkok area was chosen for the survey, as it has a proliferation of many different types of enterprises. In this district, using the same method applied to the independent microenterprises, small enterprises were selected randomly for interview from the streets of the district. A total of 22 small enterprises in this group were interviewed. They include 18 enterprises in manufacturing, 1 in services and 3 in trading.

In Phetchaburi it was found that there are 8 enterprises receiving financial support from the government agencies. All of these microenterprises were interviewed and reported on as “supported microenterprises”.

Phetchaburi is a small province 120 kilometres south-west of Bangkok. It has a population of 453,391 people, and 2,528 registered enterprises, of which 669 are manufacturing enterprises. Thus the interviews with “independent microenterprises” in Phetchaburi were carried out with randomly chosen enterprises found on the streets of the city of Phetchaburi. A total of 7 interviews were drawn from this group, involving 2 manufacturing enterprises, 2 in services, and 3 trading businesses. Apart from that, 13 interviews were carried out with small enterprises in Phetchaburi. This was done in collaboration with the Phetchaburi Provincial Industrial Office (PIO) by choosing randomly from the list of 66 enterprises provided by the PIO. Of the 13 enterprises interviewed, 11 are in manufacturing and 2 are in services.

### **2.3 RESULTS OF THE SURVEY**

The detailed results of the survey was reported in the main report of the study and would not be reported here. For the purpose of this paper, the information drawn from the study is presented as the problems and needs of MSE described in section 3.

## **3. CHARACTERISTICS, PROBLEMS AND NEEDS OF THAI MSEs**

From the results of the small field survey, combined with the past experience and accumulated knowledge of the consultant, the characteristics, problems and needs of Thai micro and small enterprises (MSEs) can be summarized as shown below.

### **3.1 CHARACTERISTICS OF THAI MSEs**

#### **a) Supported Microenterprises**

**The entrepreneurs:** The entrepreneurs in this group are mainly individuals or groups of laid-off workers, or some of the unemployed local population, who have their own ideas about income generation. They have approached the various agencies for financial support to establish their enterprises. They usually already have the skills needed for their business operations, acquired either from previous employment or from training. However, most of them do not have experience in marketing or financial management aspects of business. In general they are aged between 30 to 50 years old, with education at the elementary, high school or vocational school level. Although no discrimination is evident in the support policies and programmes, there are significantly more women than men in this group of supported microenterprises. This gender aspects will be dealt with in more detail later.

**The Enterprises:** The supported microenterprises are mainly engaged in the manufacturing sector. All of them are new enterprises, only 1 or 2 years old. They are mostly very small, even smaller than typical independent microenterprises.

**Start-Up:** As stated above, this category of entrepreneurs already have their own business ideas and operational capabilities. However, start-up is made possible only because of the financial support received from the various government agencies. No other means of funding seems to be accessible. The amount of capital needed for the start-up may vary between 20,000 and 200,000 Baht. Apart from financial difficulties, finding proper premises for business seems to be the most

significant problem. Most of them end up using community facilities or their residences as business premises which in many cases can hinder or limit their business activities.

Production or Operations: Production operations in supported microenterprises are generally relatively simple, labour-intensive and traditional technology. And with entrepreneurs mostly skilled in the production or operations, this should be the strongest characteristic of the enterprises. However, the enterprises are found to be complacent about their production operations and use of technology. They do not seem to look for better methods, improved effectiveness or enhanced efficiency.

Marketing: Sales are usually made in the area nearby to the business premises with customers coming to the enterprises to make purchases. Occasionally these enterprises are called on to join trade fairs organized by government agencies to assist in their marketing. Significant sales are made in these fairs alone. Some enterprises even rely on the fairs for a good proportion of their income.

Finance: As financial support from agencies is given as a lump sum at the start-up of business, many enterprises find out later that these funds are not adequate for their working capital. While other external means of financing is available, business activities have to be limited and are subject to certain disadvantages. Basic book-keeping is used for cash and inventory records only.

Legal Environment: Legal aspects seem to be scale-neutral for these supported microenterprises. They appear to be neither a constraint nor helpful to the business. Besides, most entrepreneurs do not have much knowledge of the commercial law, tax law or regulations related to or governing to their business. At present, the benefits allowed by the regulations, such as tax exemptions, have very little or no effect on these enterprises.

Business Development Services (BDS): At present no formal BDS is found for supported microenterprises. Some advice or marketing assistance (mainly fairs or flea markets) are provided and these are normally based on the initiatives of individual officials. If possible, the enterprises would want to obtain marketing assistance.

Associations: The enterprises are not members of business associations. They are not represented as members operating in the private sector of the country. They do not understand the important role of representative associations and they do not see the usefulness of such associations.

Entrepreneurship: For the support programmes provided by the government, entrepreneurship is not a precondition or a criterion or qualification required in order to be able to avail of this support. Some entrepreneurs and government officials alike even see the programme as a temporary measure to solve social and economic problems, rather than support for business creation

## **b) Independent Microenterprises.**

The Entrepreneurs: The entrepreneurs in this group are individuals who have gained experiences from their former employment, are unemployed, or else have never been employed. They have adequate resources and wish to create an enterprise of their own. They are seekers of opportunities and resourceful enough to realize their entrepreneurial ambition. They can be either male or female, and aged around 30-40 years old. Their educational background may be at elementary, high school, vocational, or university level.

The Enterprises: The independent microenterprises are operating as manufacturing, service, or trading firms. Most of them are new enterprises, between 1 to 5 years old.

Start-Up: In general, the independent microenterprises are started up with the entrepreneurs' own financial resources. They may get some assistance from relatives or friends, but seldom from financial institutions. The amount of capital needed for the start-up may vary between 100,000 and 500,000 Baht. Apart from financial difficulties, finding proper premises - especially for service and trading businesses - seems to be the most significant problem. Most of them operate from rented premises, rather than owning their own premises.

Production or Operations: The production operations in independent microenterprises are generally simple, using traditional technologies. And with entrepreneurs mostly skilled in the production or operations, this should be the strongest character of the enterprises. Again the enterprises are found to be complacent in their operations and technology. They do not seem to look for better methods, effectiveness or efficiency. Only very few enterprises are found to be interested in seeking the most appropriate technology for their business.

Marketing: Sales are usually made in the area nearby their business premises with customers coming to the enterprises to make purchases.

Finance: Access to funding from financial institutions for independent microenterprises is limited due to the lack of assets for collateral. In many cases, the working capital is financed by suppliers. Book-keeping is carried out only for cash and inventory records. The enterprises generally use an external accountant to make official book-keeping and tax filing.

Legal Environment: The legal aspects are scale-neutral for these enterprises. They appear to be neither a constraint nor helpful to the business. Besides, most entrepreneurs do not have knowledge of the commercial law, tax law or regulations related to or governing to their business. At present the benefits allowed by the regulations, such as tax exemptions for professional services, etc., have very little or no effect on these enterprises.

Business Development Services (BDS): At present no formal BDS exists for these independent microenterprises. Some advice or information is received from friends, customers, and suppliers.

Associations: The enterprises are not members of business associations. They are not represented in the private sector of the country. They do not understand the role of associations, and do not see the usefulness of associations.

Entrepreneurship: Entrepreneurship is strong in this group. They had to invest their own resources in the business and overcome many obstacles in order to have an enterprise of their own. However, many entrepreneurs view their enterprises as an occupation or income generation activity, rather than a real business. They generally feel complacent after the enterprises have reached a certain level of operation, and will not seek or do not feel the need for further opportunities to grow or expand, especially when any degree of risk is involved. Some even turn down opportunities that have been offered to them in order to avert the accompanying risks.

### **c) Small Enterprises.**

The Entrepreneurs: The entrepreneurs in this group are individuals who had gained experiences from former employment, or have never been employed, or are unemployed. They have adequate resources and wish to own an enterprise of their own. They are seekers of opportunities and resourceful enough to achieve this. In fact many of them are successful microenterprises which have been continuously expanded to become small enterprises. There are more males than females in this category, and they are aged between 30-60 years old. Their educational background may be at elementary, high school, vocational, or university level.

The Enterprises: The small enterprises are engaged in manufacturing, service, or trading activities. Most of them are relatively old enterprises, of 5-15 years of age.

Start-Up: As stated above, most of the small enterprises have developed from former microenterprises. When they became small they had already accumulated considerable assets. Thus, when they expanded to small enterprise level, they usually were able to access loans from financial institutions. Since many entrepreneurs prefer to accumulate wealth in the form of hard assets rather than as cash or short-term investments, the expansion of these enterprises is most often financed by bank loans using those assets as collateral. The value of assets of small enterprises varies quite widely from 50,000-500,000 Baht, to more than 20,000,000 Baht. And unlike the microenterprises, most of them operate from their own premises.

Production or Operations: The production operations in small enterprises are generally simple with mainly traditional technologies, but they can be more sophisticated and/or involve more hired skilled workers than in microenterprises. Thus the operational efficiency relies more on the workers' skills than on the entrepreneurs' own operational skills. The technology used in the operations of these small enterprises is mainly selected based on the past experience of the entrepreneurs, or from information provided by suppliers of equipment. Again the enterprises tend to be complacent about their operations and use of technology, and are quite confident that their customers are satisfied with their product quality. They either do not seem to look for better methods, effectiveness or efficiency, or do not know where to search for the relevant information. Only a few enterprises are found to be interested in seeking the most appropriate technology for their business.

Marketing: The principal market for these small enterprises is the local province where they are located. However, they also have to make sales to the wider market of the other provinces of the

country, and a few are involved in exports in order to create adequate income. Still marketing is seen as a passive activity, relying on customers approaching the enterprises to make purchases. As such they have problems attracting or reaching out to customers or potential customers in areas further away from the nearby area.

Finance: For these small enterprises, access to funding from financial institutions is highly probable. However, the amount of funding is most of the time limited strictly to the value of assets to be mortgaged, and sometimes this is not adequate. As such, the growth or level of operations is sometimes determined (or limited) by the amount of credit given to them. Book-keeping is still one of the small enterprises' weaknesses. Proper accounting is seldom practiced. They generally use an external accountant to make official book-keeping and tax filing. The entrepreneurs themselves have only a vague knowledge about the actual performance of their enterprises, and this is done by judging from their cash position.

Legal Environment: The legal aspects also have a rather neutral impact on these small enterprises. They seem to be neither a constraint nor helpful to the business. However, the level of involvement with laws and regulations is more evident with the small enterprises than with the microenterprises. This is because the small enterprises are perhaps more visible or they have greater impact in the society. The legal aspects which touch these enterprises are mostly specific regulations governing particular sectoral activities, such as the Food and Drugs Administration's (FDA) regulations, forestry regulations on timber transportation, transportation regulations on trucking firms, etc. These aspects have created some problems or difficulties for some enterprises, depending upon the type of their operations. Besides, most entrepreneurs do not have knowledge of the commercial law, tax law or regulations related to or governing their businesses. At present, benefits allowed by the regulations, such as BOI privileges, tax exemptions for professional services, etc., have very little or no impact on these enterprises.

Business Development Services (BDS): At present the BDS support for small enterprises is found to be mostly in the form of training provided by government agencies, trade associations, or other organizations. However, the proportion of small enterprises that benefits from such training is still very small and almost insignificant. Enterprises also received some training, technology transfer, and information from suppliers, as well as receiving some advice or information from friends and customers.

Associations: Most of the enterprises are not members of business associations. A few, especially those in the provinces, are members of Chambers of Commerce or the Federation of Thai Industry. Still most of them are not represented in the private sector of the country. They do not understand the role of associations and do not see the usefulness of associations.

Entrepreneurship: Entrepreneurship is strong in this group. They have invested their own resources in the business, and overcome many obstacles in order to reach the small enterprise level. However, many entrepreneurs view their enterprises as having attained their goal. They generally feel complacent and do not seek or do not feel the need for further opportunities to grow, especially when any degree of risk is involved. Some even turn down opportunities that have been offered to them in order to avert any accompanying risks.

### **3.2 PROBLEMS AND NEEDS OF THAI MSES**

From the results of the survey and the characteristics of Thai micro and small enterprises (MSEs) as described above, the problems and needs of the enterprises can be summarized as shown below.

#### **a) The lack of or limited access to credit financing**

This problem was found to affect most of the micro and small enterprises in the survey. For most supported and independent microenterprises which do not have substantial assets to be used for collateral, access to credit financing is not available to them at all. In the case of most small enterprises, and a few microenterprises, although they have access to credit financing, the amount of funding is very much limited to the value of assets available as collateral. This has limited and sometimes denied these enterprises the opportunity to grow or expand to their real level of potential.

#### **b) The lack of access to wider markets**

As entrepreneurs in MSEs generally have to perform all of the management functions in the enterprise, they usually do not have time and/or resources to reach out or to develop access to the markets further away from their immediate locations. And with the absence of business development services (BDS), they generally do not have knowledge or information on other markets. This has limited the ability of the MSEs to market their products to larger groups of customers and expand their business. This problem was found to be more serious in the microenterprises included in the survey, than in small enterprises.

**c) The lack of capability for business planning**

Most entrepreneurs have not been trained in business management. Most of them had started and operated their enterprise without proper business planning. As a result, many enterprises had encountered problems such as inadequate funding, inadequate market, inappropriate equipment and technology, inadequate access to skills and skilled workers, etc. These factors have combined to cause the MSEs many difficulties and contribute to their poor return on investment. Had the business been properly planned, many of these problems could have been avoided by these entrepreneurs.

**d) The lack of or limited skills of workers**

This problem was found more in the small enterprises surveys, as their operations rely on more and better skilled workers than is the case for the microenterprises. With the very limited skills development services that are available, especially in the provinces, most enterprises had to hire unskilled workers and then trained them on the job. This has adversely affected their productivity and has been an added burden for these enterprises.

**e) The lack of knowledge or information on technology**

The equipment and technology employed by the enterprises surveyed are typically based upon the limited exposure and past experiences of the entrepreneurs themselves, as well as on information provided by suppliers, friends and relatives. These enterprises have hardly any agency that they can contact to acquire such relevant information. This has made their choice of equipment and technology, and the chances to upgrade for greater efficiency, very limited. Furthermore, the information received is frequently dependent on accepting a proposal from one particular supplier or other. This problem seems to be more serious in the province (Phetchaburi) than in Bangkok.

**f) The lack of skills in financial management and simple accounting**

As reported above, most enterprises do not have any proper internal book-keeping system to provide them with information vital to the effective management. This is because of the lack of or inadequate skills of the entrepreneurs in financial management and accounting, and the enterprises cannot afford to hire a full-time accountant. It was found that this problem was as serious in the microenterprises as in the small enterprises. However, judging from the consequences arising from this problem, it is more urgent to address this issue in small enterprises than in microenterprises.

**g) The lack of knowledge or information on other markets and on business opportunities**

At present and in the absence of BDS, the MSEs have virtually no sources of information on other markets or opportunities that are outside of the immediate surroundings of their enterprises. Most of the time the enterprises lack the knowledge or ideas on how to develop their products or services in order to capture wider markets. This has made market expansion too heavily dependent upon speculation, sometimes too costly for the enterprises, and thus limited the new market opportunities to grow or to expand their businesses.

**h) The lack of knowledge or information on tax laws, and other commercial laws and regulations**

As reported above, most micro and small enterprises (MSEs) operate with little or no knowledge of the laws governing their business practices. When conflicts arise or when required to do so by law, these enterprises - especially microenterprises - are usually dictated to by government

officials who may not fully understand or appreciate their businesses. This has created difficulties and problems which could have been avoided if the enterprises had a greater knowledge and understanding of the laws and regulations.

### 3.3 POSSIBLE SOLUTIONS TO PROBLEMS

In order to overcome these problems, proper financial and business development services (BDS) and improved access to these services should be made available to the micro and small enterprises (MSEs). In particular, the services needed by the MSEs can be summarized as shown below.

- Non-collateral credit or non-loan financing scheme, particularly for start-up and for expansion;
- Marketing and networking assistance, especially for markets outside of the enterprises' immediate surrounding areas;
- Training on simple accounting and financial management, including budgeting;
- Advisory and information services on technology management, taxes, laws and regulations, market opportunities, and product development;
- Access to skilled workers, as well as to skills development for existing workers;
- Training in business concepts, business environment and business planning;
- Training in entrepreneurship development and opportunity identification.

As can be expected, the findings from the survey as described above are not totally unique. In 1997, the survey of Small and Medium Industry commissioned by Department of Industrial Promotion (DIP), although with quite different target groups than this study, has made quite a similar conclusion on the problems facing the enterprises, such as<sup>3</sup>:

- The lack of technical and managerial capabilities;
- The lack of access to wider markets;
- The lack of access to finance;
- The lack of skilled workers and skills development;
- The lack of access to information vital to business.

In addition, a study report was conducted in 1996 with funding from ILO, as part of the Rural Income Opportunities Programme (during the Investigation and Planning Phase). This involved microenterprises created in the rural areas within the assistance program of the Ministry of Agriculture and Cooperatives. The study had quite similar findings and showed that the needs for support services to these microenterprises were<sup>4</sup>:

- Group formation and organization;
- Business ideas and technology transfer;
- Business management training and advisory services;
- Marketing assistance;
- Access to capital;
- A coordinating referral mechanism for access to additional expertise.

Thus, it can be concluded from the results of this particular ILO/UNDP survey that the characteristics, problems and needs of Thailand's urban-based micro and small enterprises (MSEs) appear to conform with previous information and knowledge of the small enterprise sector. Consequently, it can be confirmed that past experiences and "best practices" which had been suggested earlier for MSE development are still highly relevant and applicable.

## 4. NOTES ON STATISTICAL FINDINGS

---

<sup>3</sup> Advanced Research Group Co.,Ltd., Report on the Survey of Small and Medium Industry (SMI) submitted to DIP August, 1997; and Manu Leoparote, Role of SMEs in Reviving after the Economic Crisis.

<sup>4</sup> David Lamotte and Maitree Wasuntiwongse, Report of the Investigation and Planning Phase, Rural Income Opportunities Programme THA/93/002, March 1996.

As described above, this survey was designed to be qualitative for use with small samples. Statistical analysis is not intended or included in the interpretation of the survey results. However, as some of the issues from the survey are quantifiable, there appear to be some indicative trends or norms that could be useful in guiding future studies in this field. The observed trends and norms are discussed in this section, without any reference to their statistical significance since only small sample was used (in fact 104 interviews in total).

#### **a) Gender Issues for Entrepreneurs.**

The survey found that most of supported and independent microenterprises in both the Bangkok and Phetchaburi surveys are owned and managed by females, while males dominate the small enterprises.

As a small enterprise is usually considered as a more "formal" or more "serious" business, this may suggest that these "formal" opportunities are more accessible to male entrepreneurs than to female entrepreneurs. In the other words, as microenterprises are typically considered "informal" or "not serious" businesses, the male population might have more opportunities and try to avoid them altogether, preferring instead to engage in other non-enterprises activities. Hence it can be seen that the female entrepreneurs are dominant in the microenterprises. This can also be as a result of women's unequal access to important skills, information and resources, such as vocational training, information on markets and technologies, and access to sources of business finance, respectively.

#### **b) The Educational Level of Entrepreneurs.**

The survey found that the majority of the entrepreneurs in the supported microenterprises have only an elementary level of education. This category would also presumably include those workers who would be vulnerable to being laid off during a time of recession due to the financial and economic crisis. Therefore, this type of situation would seem to adequately reflect and justify the government's policies and programmes and the assistance provided to laid-off workers.

Considering the fact that many of the independent microenterprises and small enterprises are businesses which were established independently without much support from government agencies, this may suggest that "real" business opportunities are more accessible to those people with higher levels of education.

#### **c) The Age of Entrepreneurs**

The age of most entrepreneurs is in the range of 30-40 in both the Bangkok and Phetchaburi surveys, with a few being in the range of 40-50. It was found that very few entrepreneurs are below 30 years of age. This may suggests that Thai entrepreneurs typically start their business after reaching 30 years of age.

#### **d) The Relationship between Sales, Asset Value and Number of Workers**

The survey result shows a slight indication that firms with smaller asset value (less than 1 million Baht) would also have a small amount of sales, and firms with larger asset value would have a higher sales figure. The figure also shows that the group of small enterprises seems to be concentrated around sales figure and asset value at around 1 million Baht.

It was seen that the smaller enterprises with 10 or less workers tend to have sales figure of about 100,000 Baht or less, while enterprises with more than 10 workers would have higher sales figure.

The relationship between asset value and number of workers seems to be quite diverse. Although there is a concentration around 10 or less workers and asset value of 1 million or less, firms with a higher number of workers do not clearly possess a higher asset value.

Considering the purpose of this survey, and the fact that only small sample was used, the discussion above is by no means conclusive. As the nature of the businesses is markedly different between manufacturing, services, and trading enterprises, their characteristics as discussed above should be addressed both separately, as well as collectively.

Therefore, it is recommended that more comprehensive detailed study be conducted on these issues, in order to accurately establish the information and knowledge base about Thai entrepreneurs and micro and small-scale enterprises.

## **5. RECOMMENDATIONS**

Although the main purpose of this working paper is to present the results of the small-sample survey, which serves as a form of "reality check" to confirm or verify former knowledge of MSEs, the information gathered from the survey has been analyzed and several issues become apparent for the development of MSEs. These issues are then used to make recommendations for urban-based MSE development as follows:

### **Recommendation 1: Provision of Business Development Services (BDS)**

Since most enterprises reported that no business development services (BDS) have been made available to them, it is recommended that a BDS delivery framework is developed to ensure that MSEs are benefitting effectively from these services. As part of this effort, various agencies or organizations should be identified for the particular services that they can effectively make available to MSEs, both in Bangkok and in the provinces. An action plan should then be developed to ensure that these agencies and organizations are well-equipped and well capable of reaching the designated target groups, and delivering the services to the micro and small enterprises in need. Following from the results of this, the services to be provided should at least cover the following:

- ◆ Marketing assistance;
- ◆ Networking assistance;
- ◆ Training in simple accounting and financial management, including budgeting;
- ◆ Advisory and information services on technology management and productivity improvement;
- ◆ Advisory and information services on taxes, laws and regulations;
- ◆ Advisory and information services on market opportunities and product development;
- ◆ Access to the market for skilled workers, as well as skills development services for existing workers;
- ◆ Training in basic business concepts, the business environment and business planning;
- ◆ Training in entrepreneurship development ;
- ◆ Training in opportunity identification.

### **Recommendation 2: Provision of Alternative Financing**

As reported earlier, most MSEs have problems with the present system of credit financing using collateral. Therefore, it is recommended that a non-collateral credit or a non-loan-financing scheme is developed and made available to the MSEs. The financing scheme should be based upon the merits and viability of the business proposals submitted by the entrepreneurs, and should not impose heavy burden on the enterprises. It is also recommended that the delivery of the scheme should be through local agencies or organizations which have the potential to effectively reach out to the existing enterprises and potential entrepreneurs. It is also recommended that the provision of the financial services be performed in close cooperation with the BDS provision, in order to make the entrepreneurs capable of preparing their business proposals, and to ensure that the enterprises receiving the financial services will have a high probability of being successful.

### **Recommendation 3: Further Studies**

As this survey has been carried out with only a small sample, and is not comprehensive, it is recommended that more a comprehensive and detailed study should be conducted on specific characteristics of the MSEs, such as their need for and access to BDS support; the relationship between sales, asset value and number of workers of MSEs; appropriate age of potential entrepreneurs to start a business; the impact of education level on business prospects; and identifying

and addressing a range of gender issues affecting micro and small enterprise development in Thailand. Such a study should provide an accurate basis upon which various policies and support measures regarding MSEs can be established.

#### **Recommendation 4: Representative Associations**

It is recommended that business associations among MSEs be promoted in Thailand, as these have been proven to be highly beneficial elsewhere. Entrepreneurs should be made more aware of the importance and usefulness of these associations, and urged to participate actively. Initially, the associations should be assisted and strengthened (through targeted Government support) in order that their functions can be effectively performed. These functions should at least cover the following:

- ◆ Representing the MSEs in dealing with the government and other parties;
- ◆ Providing or being a vehicle for the provision of BDS to the MSEs;
- ◆ Being a focal point in monitoring the development and needs of MSEs.

The associations of MSEs may be established independently, or within the present framework of the Employers' Confederation of Thailand (ECOT), ECONTHAI, or the Thai Chamber of Commerce.

#### **Recommendation 5: A study on the factors affecting women entrepreneurs.**

It is recommended that a further detailed study be carried out to determine the existing barriers and constraints (including physical, procedural and psychological) facing first-time women entrepreneurs in Thailand. In addition, the study would be expected to recommend practical and tangible remedial actions which can lead to greater economic empowerment of women engaged in micro and small enterprise activities.

#### **Recommendation 6: Access to skills upgrading for MSEs.**

It is recommended that appropriate forms of educational upgrading and skills training programmes be provided for owners and workers in the micro and small enterprise sector. This would be a substantial contribution to human capital development, and it would also help to elevate vulnerable groups and enable them to identify less marginal economic activities, as well as contributing to the overall competitiveness of the MSE sector and Thai industry in general.