

# Developing The Competitiveness Of Small And Medium-Sized Enterprises (Smes) In Thailand

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## **ABSTRACT**

Small and medium-sized enterprises (SMEs) play a significant role in stimulating the economy. Thailand has approximately 99 percent of small and medium sized enterprises. Increasing competitiveness influences on the strength of SMEs. The objectives of this research were to study: 1) To study the competitiveness level of small and medium-sized enterprises 2) To study the influence of causal factors, government policy, financial support, entrepreneurial attributes, supply chain management and the competitiveness of small and medium-sized enterprises and 3) To present guidelines for improving the competitiveness of small and medium-sized enterprises in the Central Region. Thailand. This research employed a combination of quantitative and qualitative research methods. In quantitative research, systematic random sampling was used in this study. The sample included 320 entrepreneurs from Thailand's Central Region SME Federation. In qualitative research, in-depth interviews were conducted with 18 key informants, including six government and private sector executives related to SMEs, six province chairman of the Federation Thai SME Central region, and six entrepreneurs of the SMEs central region with business experiences at least 5 years. The results of the research showed that: 1) The level of the five factors studied consists of government policy. Financial Support Entrepreneurial Features Supply chain management and the competitiveness of SMEs are at a very high level in all 5 factors and 2) Effects of influence on public sector policy factors Financial Support Entrepreneurial attributes and supply chain management that affect the competitiveness of small and medium-sized enterprises Details are as follows: (2.1) Government policies directly affect the competitiveness of small and medium-sized enterprises because most businesses, especially SMEs, are involved in government policies because the government needs to formulate policies related to SMEs to drive business (2.2) Financial Support It directly affects the competitiveness of small and medium-sized enterprises, as business operations are now more complicated, complex and competitive. Entrepreneurs need to take action to be able to lead the organization to achieve its intended goals. The success or failure of the business has financial factors involved (2.3) Entrepreneurial Features It directly affects the competitiveness of small and medium-sized enterprises, as entrepreneurs play a role and responsibility in managing the organization. Entrepreneurial attribute factors are one of the key factors driving the operation of the enterprise. To increase the competitiveness of SMEs, travel businesses and (2.4) Supply chain management directly affects the competitiveness of small and medium-sized enterprises, since supply chain management determines the success or failure factors of the enterprise. It is essential that entrepreneurs are aware of all the necessary elements of the supply chain and understand the impact that can affect the overall performance of the enterprise.

**Keywords:** Government Policy/ Competitiveness / Small and Medium Enterprises/ Central Region Thailand

## **INTRODUCTION**

Thailand, most SMEs, plays an important role in driving the country's economy. In 2018, SMEs' output accounted for 42.1 percent of the

country's GDP, generating 10.7 million people, or 80 percent of general labour employment (Nata Wasi and et.al., 2018) In 2019, SMEs generated employment in 85.5 percent of

employment, including the country. As a result, GDP grew by 3.1 percent, accounting for 43.6 percent of GDP, including countries, and SMEs with 28.8 percent export value (Office of Small and Medium Enterprises Promotion, 2019). Thailand's SMEs continues to grow. In 2019, the value of the gross product to the gross domestic product value increased by 43.6 percent, but the National Strategic Goal sets the proportion of SMEs' gross product value of gross domestic product in 2037 at 60 percent. The government drives the creation of new SMEs into business and promotes the ability of older entrepreneurs to invest more and have a higher potential for competition both domestically and internationally (Office of the National Economic and Social Development Council, 2019). Thailand's business barriers to SMEs are the inability to reach the capital of financial institutions for access of sources of funds, lack of in-depth understanding of cash management and systematic business management (management system) due to resource constraints (Phachara Arayakankul, 2021). The Bank of Thailand surveyed 2,400 SMEs nationwide to study problems, obstacles and adaptations to help solve problems and help SMEs get on the spot. In addition to SMEs burdened with high business costs such as raw material prices, financial costs and labor wages, they also face latent costs caused by the hassle of dealing with the government and applying for loans and (2) fierce competition that comes from all-rounders, both from competitors who are SMEs themselves. Competition with large businesses that have expanded across all areas and from competing with e-commerce businesses that have changed consumer behavior. When spatial dimensions are analyzed, SMEs in secondary cities are more challenging to run their business than major cities (2) Labor shortage from immigration to major cities (3) Unfavorable infrastructure problems that cause SMEs in secondary cities to waste commercial opportunities and burden higher business costs (Thita Pakanon, 2019).

Increasing competitiveness is a challenge, helping SMEs survive and succeed in a dynamic business environment. Empowerment helps

organizations adapt to the environment, balance people, the world, profits, pollution reduction and long-term resource degradation. Conduct business responsibly and ethically. Efficient use of natural resources and environmental protection, providing high-quality products and services and developing metrics to meet the needs of stakeholders (Karaev et al., 2007). However, there are many factors involved and affect SMEs Competitiveness, such as policy factors that need to support SMEs. (Foreman-Peck, 2012) Entrepreneurial factors driving corporate operations to increase SMEs Competitiveness (Cong et al., 2021) Financial factors constrain SMEs' access to money sources and reduce corporate competitiveness (Poufinas et al., 2018). Innovation is an important factor in increasing SMEs Competitiveness (Abdul Rasib et al., 2021) and the powerful Supply Chain Management factor affects the competitiveness of the manufacturing industry that gives it a sustainable competitive advantage (Vinayan et al., 2012).

Due to the condition and problems of SMEs, the researchers were interested in studying SMEs Competitiveness by studying in 17 central regions, because the context of each province is different, reflecting the best representation of SMEs of Thailand. The diversity of context is important to SMEs of each province. To adapt and increase competitiveness. Leading up to the data obtained from the study, it will be comprehensive and provide a multidimensional VIEW of SMEs Competitiveness as well. The findings will be empirical knowledge that stakeholders can use to directly benefit the business sector development of Thai SMEs in the future.

## RESEARCH OBJECTIVES

1. To study the level of competence in SMEs Competitiveness.
2. To study the influence of causal factors Government Policy, Financial Support, Entrepreneur Characteristic, Supply Chain Management and SMEs Competitiveness.
3. To present guidelines for improving the competitiveness of small and medium-sized enterprises in the Central Region. Thailand.

## RESEARCH METHODOLOGY

This research uses mixed methods research, quantitative research, to collect data related to government policy, Financial Support, Entrepreneur Characteristic, Supply Chain Management and SMEs Competitiveness and confirmed quantitative research with qualitative research, quantitative research, samples are small and medium-sized enterprises, central regions, 320 people. The confidence value of the entire

questionnaire was .978. Qualitative research by in-depth interview: A group of 16 key informants analyzed the content.

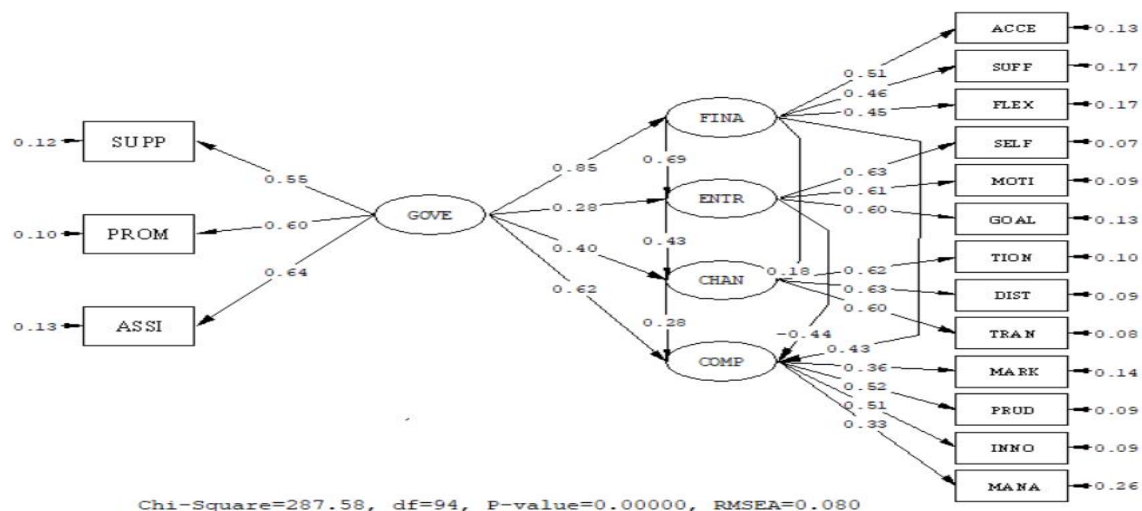
## FINDINGS

The level of the five factors studied, the sample commented, was very high on all five factors, with the financial support the most average and competitiveness the least average, according to Table 1.

**Table 1** Average Level, Standard Deviation and Order of Factors Studied

Factors Studied	$\bar{X}$	S.D.	Interpretation	Order
Government Policy	3.94	.51	High	2
Financial Support	3.96	.46	High	1
Entrepreneur Characteristic	3.94	.46	High	2
Supply Chain Management	3.91	.52	High	4
SMEs Competitiveness	3.77	.53	High	5

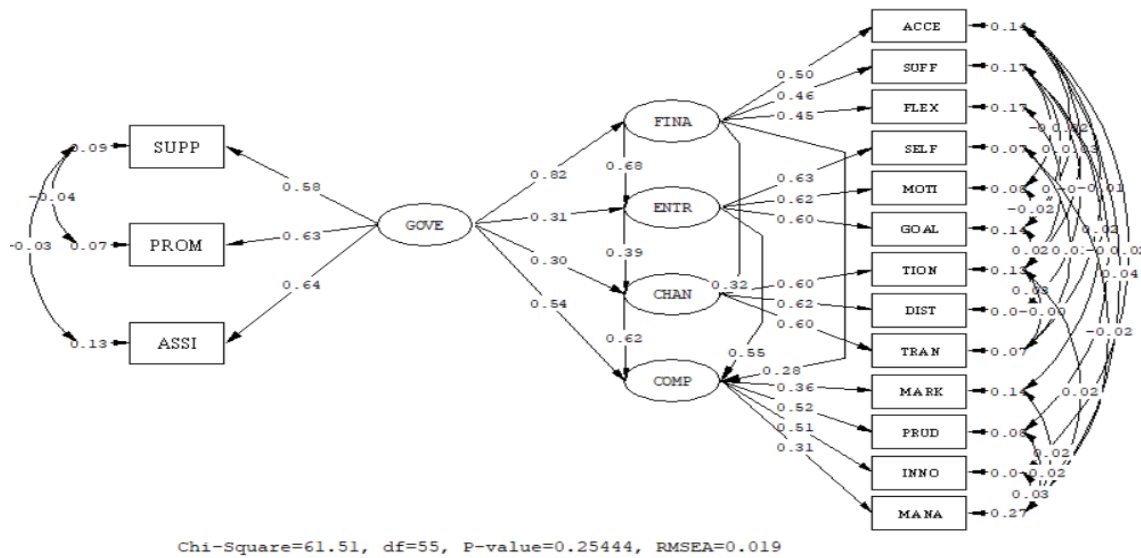
The results of the analysis of structural equations can present an estimate based on figure 2.



**Figure 1** Model of Relationship Structure based on Assumptions (Estimates)

In Figure 1, the hypothetical relationship structure model (Estimates) showed that some of the relationship lines between the phantom variables were negative. 1 line is statistically insignificant to -0.44. The statistically

significant lines at 0.01 are 4, equal to 0.85, 0.28, 0.40, and 0.62, respectively. In addition, there is an index to measure the conformity of unstandardized models, so model modifications are presented with structural models that are alternative models, as shown in Figure 2.



**Figure 2** Model of alternative relationship structure (Estimates)

The results compare models based on assumptions and alternative models, it shows that alternative models are more suitable and can

be put to better use. By examining structural integrity by examining the harmony between hypothetical patterns and empirical data and alternative patterns with empirical data. Based on statistics, measure the level of harmony and the harmonious consistency index, as table 2.

**Table 2** Results comparing models based on research assumptions with alternative models and their meanings

List	Statistical Value	Hypothesis-Based Models	Alternative Models	Meaning
1. Chi-square ( $\chi^2$ )	* Lows Near 0.	287.58	61.51	Suitable
	*Equal to df	94	55	
Relative Chi-square	Quotient ( $\chi^2 / df$ ) < 2.00	3.06	1.12	Suitable
2. GFI	> 0.90	0.90	0.98	Suitable
3. AGFI	> 0.90	0.85	0.94	Suitable
4. RMR	Approach 0.00	0.012	0.007	Suitable
5. RMSEA	< 0.05	0.080	0.019	Suitable
6. CFI	*0.00-1.00	0.99	1.00	Suitable
7. CN	> 200	142.50	425.33	Suitable

**HYPOTHESIS TEST RESULTS**

1. Government Policy directly affects the competitiveness of small and medium-sized enterprises, the influence value is 0.54 statistically significant, supporting hypothesis 1.
2. Financial Support directly affects the competitiveness of small and medium-sized enterprises with a statistically significant influence of 0.28, supporting the second hypothesis.

3. Entrepreneur Characteristic directly affects the competitiveness of small and medium-sized enterprises with a statistically significant influence of 0.55, supporting hypothesis 3.
4. Supply Chain Management directly affects the competitiveness of small and medium-sized enterprises, with an influence of 0.62 statistically significant, supporting hypothesis 4.

The results of hypotheses and influence values of the phantom variables studied were

presented in accordance with Table 3.

**Table 3** Hypothesis Test Results

Research Hypothesis	Path coefficient	t statistics	Result
1. Government Policy directly affects SMEs Competitiveness (GOVE --> COMP)	0.54**	3.64	Support
2. Financial Support directly affects SMEs Competitiveness (FINA --> COMP)	0.28*	2.15	Support
3. Entrepreneur Characteristic directly affects SMEs Competitiveness (ENTR --> COMP)	0.55*	2.41	Support
4. Supply Chain Management directly affects SMEs Competitiveness (CHAN --> COMP)	0.62*	2.32	Support

\* p- value .05, \*\* p-value .01

### **SMEs Competitiveness Development Guidelines for Central Region, Thailand includes:**

1. Supporting and promoting supply chain management of SMEs to maximize efficiency to create opportunities for rapid distribution of products and services to consumers, leads to consumer satisfaction.
2. Encourage SMEs to have more knowledge, ability and potential to give them confidence. In itself, incentive to run a business and be able to set the goals of future business.
3. The government should establish policies to help, support and encourage SMEs to bring products or products to market, and to find new markets for more SMEs.
4. Governments and financial institutions should create partnerships with Financial Support for SMEs to build or develop new products, enter the market more.

### **DISCUSSION**

1. The level of the five factors studied, including Government Policy, Financial Support, Entrepreneur Characteristic, Supply Chain Management and SMEs Competitiveness, is very high, all 5 of which are detailed as follows:

Government Policy Sample commented that Government Policy has a very high level of importance. It can be discussed that small and medium-sized enterprises are the driving force of the country's economy. Thailand has 99 percent of SMEs. Conducting business so that SMEs can

compete with large businesses both inside and outside the country. It is imperative that the government establish a Government Policy to help, support and promote clear, concrete. Because if the government does not provide assistance or support, SMEs will inevitably have an impact on SMEs' business practices (JICA, 2021). Therefore, there should be a system of government oversight to provide timely support and assistance, as most SMEs have limited financial resources which, without a financial aid policy, will directly affect business operations (OECD, 2019).

Financial Support Sample commented that Financial Support is of great importance. Explain that running SMEs and other money businesses is an important factor that will indicate whether a business can be successful or fail. SMEs are businesses that will rely heavily on financial support, as the majority of entrepreneurs have problems and lack the opportunity to receive loans from financial institutions due to lack of collateral (Ngek, 2016). In line with Nasri et al. [2019], studies have shown that Pakistani SMEs receive limited financial support and that no interest rate flexibility affects the growth of firms. And the Aerts et al. (2014) study found that financial factors, especially access to many sources, acceptable tax rate levels, and debt-to-equity ratios, were key factors that contributed to SMEs' business success.

Entrepreneur Characteristic Sample commented that Entrepreneur Characteristic is of

great importance because running SMEs is a role-playing and responsible person as an organizational leader. The entrepreneur's attributes reflect the knowledge, ability and skills that are important in running a business and affect the success or failure of the business. Kozubikova et al. (2015) Study found that entrepreneurs with high levels of self-confidence can effectively manage financial risks in enterprises. In line with the Akeem & Adekanmbi (2016) study, it was found that entrepreneurial attributes affect the performance of SMEs. Features include commitment, leadership, goal setting, risk tolerance, creativity, adaptation and motivation.

Supply Chain Management Sample commented that Supply Chain Management is of great importance. Because the results of business operations are products or products or services that operators need to have processes or means of delivery to customers or consumers, namely Supply Chain Management. Kumar et al. (2013) identified the competition and efficiency of SMEs through effective Supply Chain Management guidelines, able to overcome various uncertainties and variations in the business. And Didonet & Díaz (2012) identified Supply Chain Management as increasingly important to organizations and increased academic interest. Because Super Chain Management has become part of many organizations focused on providing products and services for customers.

Competitiveness, the sample, commented that competitiveness is of great importance. Because competitiveness is a challenge, SMEs survive and succeed. In a dynamic business environment Increasing the ability to help organizations adapt to the environment, balance, people, the world, profits, long-term pollution reduction and resource degradation, conduct business responsibly and ethically, use natural resources efficiently and protect the environment, provide high-quality products and services, and develop indicators to meet the needs of stakeholders (Karaev et al., 2007). In line with Lipczynski et al. (2017), it states competitiveness results in the organization being able to generate higher returns as one of the organization's performance indicators.

1. The effect of influence on the Government Policy Financial Support Entrepreneur Characteristic and supply chain management affecting the competitiveness of small and medium-sized enterprises. Details are as follows:

1.1 Government Policy directly affects the competitiveness of small and medium-sized enterprises because most businesses, especially SMEs, are associated with Government Policy because the government needs to set policies related to SMEs to drive business, as well as the success goals of SMEs. OECD (2019) identifies Government Policy that will help SMEs compete and ensure sustainability. More importantly, SMEs' empowerment policies. By supporting the use of digital technology and increasing employee skills to promote innovation. Environment creation policies that support SMEs to expand the network size Increasing access to a wide range of financial instruments. In line with JICA (2021), the Government Policy for the development of SMEs is to support or be an intermediary in managing, engaging for the growth of SMEs in a business environment, and promoting or enhancing equal competitiveness in the industry and 3) Support for local regeneration, community and employment creation, and access to capital.

1.2 Financial Support directly affects the competitiveness of small and medium-sized enterprises as business operations are now more complicated, complex and competitive. Entrepreneurs need to take action to be able to lead the organization to achieve its intended goals. The success or failure of the business has financial factors involved. Studies have shown that businesses, especially SMEs, experience problems or failures are caused by inaccessibility to Financial Support (Liargovas & Skandalis, 2010). In line with the Csapi & Balogh (2020) study, it has been found that financial measures can significantly drive the competitiveness of businesses in developing. And in line with Angeloska-Dichovska & Boskoska (2018), the study found that innovation and funding create higher competitiveness opportunities for Macedonian SMEs.

1.3 Entrepreneur Characteristic directly affects the competitiveness of small and medium-sized enterprises because entrepreneurs have a role and responsibility to manage the organization. The Entrepreneur Characteristic factor is one of the key factors driving the organization's operations to increase SMEs Competitiveness tourism (Cong et al., 2021). In line with the Zaridis (2016) study, the relationship between entrepreneurial attributes correlated with competitiveness: the success pathways of SMEs, with successful SMEs studies, found that many factors were involved and Embedded Characteristic is one factor correlated with the success of SMEs, since the characteristics of SMEs can create a competitive advantage of SMEs.

1.4 Supply Chain Management directly affects the competitiveness of small and medium-sized enterprises, as Supply Chain Management determines the success or failure factor of the organization. It is essential that entrepreneurs are aware of all the necessary elements of the supply chain and understand the impact that can affect the overall performance of the enterprise. Kumar et al. (2013) states that in competition and efficiency of SMEs through the Supply Chain Management approach, Supply Chain Management can overcome various uncertainties and variations in the business, such as demand uncertainty, raw material price fluctuations, delivery delays and seasonal demand. In line with Pono et al. (2020), it states that organizations that can produce goods or services can streamline customer orders with a system that makes timely delivery, namely, the competitiveness of the organization that will be seen by the annual growth in profits and sales.

## SUMMARY

Fierce competition situation large businesses have more opportunities and competitive advantages than SMEs, which are businesses with a smaller workforce and investment compared to larger businesses. As well as the opportunity to access support resources, there are limits to survive SMEs, so SMEs need to be improved. Dramatically changed the organization. To be able to accommodate the

changes that have occurred. Developing SMEs' competitiveness is an important, strategy or policy that the government and stakeholders should adopt to help, send, promote, support SMEs to increase their capabilities to help SMEs operate efficiently and efficiently sustainably.

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