

Introduction

Small and medium-sized enterprises (SMEs) play an important role in the world economy and contribute substantially to income, output and employment within a region and its boundary. Small and Medium Enterprises (SMEs) play a major role particularly in underdeveloped and developing countries, they help to transform the region into a high-income group. SMEs have been cited as a major driver and the foundation of Thailand economy.

SMEs are crucial for an inclusive economy: they drive job creation, economic growth and contribute to a stable social environment. In the European Union (EU), 99 out of every 100 enterprises are SMEs, generating two out of every three jobs (OECD, 2015). SMEs also stimulate an entrepreneurial spirit and innovation, thus being key to fostering competitiveness and employment in modern economies (EU, 2015). However, they also face specific challenges, such as difficult access to finance and heavy regulatory burdens. To address these and other market failures affecting small and medium enterprises, governments should recognise SMEs as an important target of their economic policies and put in place specific mechanisms to create favorable conditions to foster enterprise creation and growth.

Over the past two decades, the local or regional SMEs have become a model for economic development for developed as well as developing economies. “The high-tech industry of Bangalore, India, the Chilean wine clusters and the Sialkot, Pakistan, surgical instruments are examples of many successful cases” [1].

SMEs performance is directly linked to the benefit of the economy as a large number of populations are employed by the SMEs when compared to MNCs. It has been found that many SMEs face hurdles and problems which can be attributed to their characteristics and its more relevant in developing nations. An increasing number of international SMEs failing to thrive, is regardless of the size of the economy. The failure rates are extremely high for emerging countries as mentioned by Khaliq et al. [2]. “Developing country entrepreneurs have to be more creative than their counterparts in wealthier nations, if they are to overcome the obstacles of dysfunctional legal and financial systems, distorted markets and unequal access to resources” [3].

SMEs face many problems which are more severe in underdeveloped and developing economies where the financial and legal framework are weak along with other factors like supply of raw material and equal distribution of available resources. Lack of quality human capital, a good human capital can be asset for the SMEs hinders their potential which becomes crucial in a country. One of the problems faced by SME is globalization, it acts like a double-edged sword, it offers both opportunities and challenges for small businesses. Rapid changes in technology and globalization has brought opportunity as well challenges. (SMEs) to remain competitive. In developing countries and countries with economies in transition competitiveness of SMEs has become crucial survival and growth.

1.1 Rationale for small enterprise

Why pay attention to small enterprises? The proposition that small firms offer unique development advantages is as old as the concept of economic development itself. Proponents of policies and programs to support small firms have long claimed that they are more labor intensive, efficient, equitable in distributing the income that they generate, widely dispersed geographically, and nurturing of entrepreneurs.

Though small firms are widely recognized as contributing to growth in many developed economies (such as the United States, Italy, Japan, and the “East Asian tigers”), the presence of large numbers of SMEs in developing economies often carries a stigma, especially when the firms are informal and concentrated in markets with low barriers to entry.

In addition to the perceived economic benefits, SME development has long been viewed by policymakers as a means to increase incomes of the poor. SME owners and workers do tend to be disproportionately poor, with the incidence of poverty within SMEs higher than in medium and large firms.

1.2 Overview of SME Growth

In most developing countries, SMEs constitute the vast majority of firms, generating a substantial share of both overall employment and output. Given their significant economic role,

one might expect SME growth to drive overall increases in output and income levels. At an aggregate level, SME demonstrate impressive growth, especially when compared with larger firms. However, many individual SME grow slowly or not at all—in some cases, due to a conscious decision on the part of the SME Entrepreneur. Overall growth rates are often fueled by the rapid expansion of a narrow group of highly performing SMEs. In developing as well as in developed countries, there appears to be a small group of “gazelles”—firms that outperform their peers and drive aggregate employment and productivity growth for the small business sector.

1.3 SME Entrepreneurs and their role in Economic Development

The entrepreneurs with their ability to scan, analyze and identify opportunities in the environment transform them into business proposition through creation of economic entities. They by channelizing the resources from less productive to move productive use create wealth. Through efficient and effective utilization of national resources, they act as catalysts for economic development and agents of social transformation and change. According to Joseph Schumpeter, the rate of economic progress of a nation depends upon its rate of innovation which is turn depends on rate of increase in the entrepreneurial talent in the population. According to Meir and Baldwin, development does not occur spontaneously as a natural consequence when economic conditions in some sense are right. A catalyst is needed which results in entrepreneurial activity to a considerable extent. The diversity of activities that characterizes rich countries can be attributed to the supply of entrepreneurs. They play a vital role for the economic development of a country.

1.4 Statement of Problem

A considerable number of scholars have investigated the problems that affect the development of SMEs within specific areas. However, very little research has been specifically directed towards small enterprises (SMEs) in tableware ceramic industry.

The study of Benyapa Kantawongwan and Rujira Sookmanee (2018) revealed that the majority of Ceramic business entrepreneurs have high potential in managing ceramic business as overall, whether in marketing, human resource, management, and accounting. But in order to have an advantage in today competitive market either domestic or global, the entrepreneurs do need to enhance those management skills. [4].

Patratida Wattanapunkitti (2016) also shown that the main barriers faced by ceramic SMEs in Lampang were an awareness of brand creation. The production prioritized on customer request, do not have their own design or identity, so the brands itself could not reach the international standard. Moreover, lack of consumer bargaining power, lack of business management knowledge affected toward bargaining of price setting and finding new markets. Even though, there are many supports from private and government sectors such as Lampang Ceramic Association, Lampang Ceramic Cluster, The Lampang Chamber of Commerce, Creative Industrial material Research and Development Center, The Federation of Thai Industries Lampang Chapter, but the majority of SMEs enterprises still prefer to operate the business independently. [5].

We can see from the above excerpt that “SME’s conduce to generate high value added and create much more employment to the country but in overall they have slowly growth, have short life cycle and have a little chance for changing to the large-sized firms” as mentioned by Taninrat Rattanapongpinyo (2018). [6].

The researcher is curious in understanding the problems faced by ceramic tableware SMEs in Muang district, Lampang province in Thailand. The researcher would like to develop the business management guideline to solve the problems.

Research questions of this study are as follows:

1. What are the business problems faced by the ceramic tableware SMEs in Muang district, Lampang province in Thailand?
2. What solutions are supposed to counter or solve the problems faced by the ceramic tableware SMEs in Muang district, Lampang province in Thailand?

1.5 Objectives of the study

SME face many problems and hindrance which can be attributed to various factors such as scarcity of skilled workers, inadequate capital, insufficient electricity supply, weak government support to the SME sector and weakness in coordination and collaboration practice among businessmen. The data gained from this research paper can be proposed to frame policy so as to be able to solve the problem of closing down of various SMEs in Lampang which can be attributed to many reasons.

Some of the objectives of the study are below:

1. To understand the SME business culture and problems in Lampang.
2. To exploit current problems and find the possible way to solve the problem.
3. The data gained from this research paper can be proposed to frame policy to solve the problems of SMEs in other regions of Thailand.

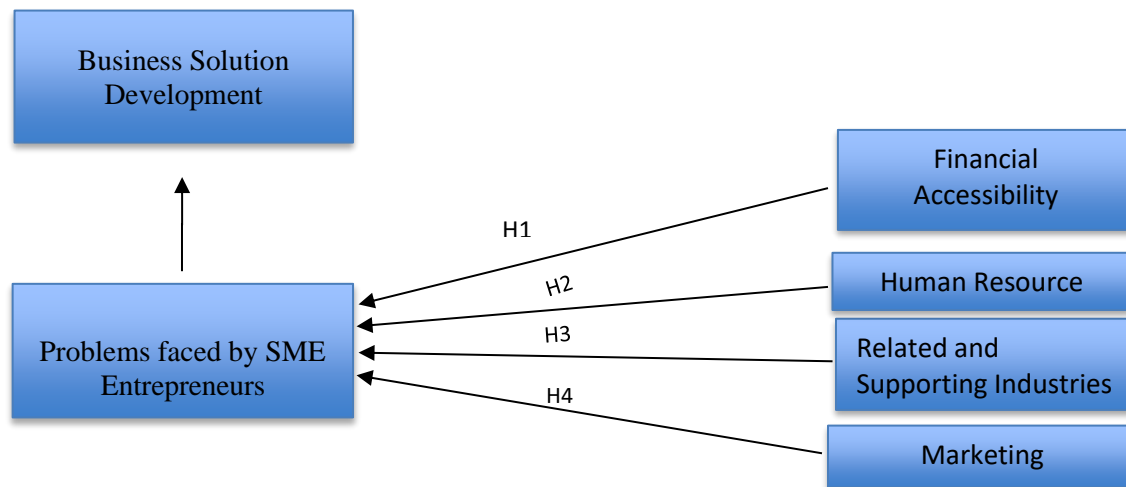
Research hypothesis is based on independent and dependent variables derived from the variable derived from literature reviews. Hypothesis illustrates that all the independent variables has effect on the dependent variables to certain degree which can differ depending upon the type of industry.

1.6 Scope of the study

It has been analyzed that SME's play an important role in the economy of a country and they are good source of job for the economy. SMEs are important to economic growth and significantly essential to generate employment [7], [8]. To strengthen SME's, they need to have good economic environment along with Entrepreneurship qualities so as they can compete against internal and external factors along with related advantages. SMEs can play a major role in the poverty reduction of the population and is more relevant during the current COVID-19 crisis which is the goal of many government bodies and NGOs around the world. This research has limited its scope to only study the Small and Medium Enterprises in Ceramic Tableware industry in Lampang Province. Lampang is being the largest ceramic industry and economic hub of Upper Northern Thailand. It plays an important role in the economy of both province and region

1.7 Conceptual framework and Hypotheses

Research variables are based on the various literature review and articles from OECD and other relevant secondary sources. Based on the extant literature review this paper proposes the following research model.



Hypothesis 1: Ceramic tableware SME faces the problem of financial accessibility.

Hypothesis 2: Human resource act as a problem for the ceramic tableware SME.

Hypothesis 3: Related and Supporting Industries issues act as a problem for ceramic tableware SME.

Hypothesis 4: Ceramic tableware SME finds marketing as the problems.

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1.8 Definitions:

SME: According to the Law on the Development of Small and Medium Businesses (Pyidaungsu Hluttaw Law No. 23/2015), small and medium enterprises (SMEs) are defined based on their number of employees, type of activity, capital invested, or level of turnover [9]. The classification is illustrated in Table 1.1. Compared to the 1990 version of the law, the maximum number of employees has been increased for labor-intensive activities, as have the limit values for capital and

turnover. Unlike the Thailand SME Development Law, international definitions of SMEs also specify the characteristics of micro-sized enterprises. For instance, the World Bank's SME Department defines micro enterprises as those with 1–9 employees, small-scale enterprises as those with 10–49 employees, medium sized enterprises as those with 50–299 employees, and large enterprises as those with more than 300 employees.² A common feature of various SME definitions is a recognition that number of employees is the simplest indicator of whether a business is an SME. In line with this recognition, we abstain from including the level of capital and turnover in the definition of enterprise size categories, and base them solely on the number of full-time and part-time workers, following the cut-off points proposed by the World Bank.

Business environment: The development of an enabling business environment is crucial to the promotion of growth, productivity, employment and well-being. Although the country has instituted various reforms since the early 1990s the regulatory and policy framework remains fragmented. Permission from parallel line ministries is often required and coordination is reportedly lacking. This has led to the growth of a large informal sector, which makes conditions very difficult for small and medium-sized enterprises (SMEs).

Market conditions: As the country opens its borders and prepares for regional integration, it must be ready to face opportunities as well as challenges. Enhanced trade could bring huge benefits to the economy but firms will also face stiff competition.

The Government must spread awareness of the potential benefits and challenges of regional integration. Improving productivity, quality and management is crucial to being able to compete globally. Access to foreign investors and trade finance will be very useful for SMEs.

Human resources: A modern economy requires a workforce that is well-skilled. Thailand currently spends less than its peers on education and has fewer tertiary graduates. The quality of education is also of concern. The survey helps in identifying areas where skills are lacking. Technical and professional skills are needed in the manufacturing and services sectors. Computer and ICT skills are required by micro- and small-sized firms. Larger firms require more communication and interpersonal skills.

Addressing these challenges requires increased funding to the tertiary sector together with greater accountability and quality assessments. Vocational training institutes, public administration and management schools and e-education programs could be developed in association with the private sector.

Access to finance: The financial sector has long been tightly controlled and overly regulated. The types of financing instruments available to private enterprises are limited with unreasonably high costs. Many turn to informal money lenders instead. The Government has attempted reforms but the pace has been slow as it is a difficult task.

More than half of the survey respondents reported that financing options were inadequate. Stringent collateral requirements, complicated application procedures, small loan sizes and high interest rates are reportedly the biggest financing obstacles. Informal lenders provide loans at very high interest rates and require greater trust while accepting a wider range of collateral.

Business development consists of a number of tasks and processes which are aiming at developing and implementing growth opportunities within and between organizations. Business development is the creation of long-term value for an organization from customers, markets, and relationships.

Business development needs of SMEs: Despite much attention on SMEs in developing countries especially, SMEs still face some major challenges that hinder their growth and prevents them from competing favorably with large scale companies. It is, therefore important to identify these needs and fulfil them in order to foster their growth and subsequently aid economic growth.

Finance: This is the major need of most SMEs. Although a lot of strategies have been put in place by both Government and non-government organizations to reduce this problem to a minimal level, this problem still seems not to be solved. This can be attributed partly to the stringent measures involved in having access to these loans and grants.

Infrastructure: SMEs need adequate infrastructural facilities such as power, water, transportation etc. to reduce the cost of production and services and increase overall profit margin to maintain the business and compete favorably with existing foreign ones.

When the cost of production is high, standard falls and the quality of goods and services produced are not comparable with their foreign counterparts and lesser demand for these products or services.

Research and development facilities. This is unarguably necessary for product development and research into other unexplored areas of the SMEs enterprise. This will also aid in capacity development and quality control measures to ascertain that products and services delivered are of acceptable standards by local and international consumers.