

Chapter 5 – Recommendations and Discussions

The purpose of this chapter is to summarize and provide a conclusion to the study that was conducted. Included in this summary are a review of the purpose of the study, a restatement of the research questions, the research methodology used, and a summary of the study results, conclusions and discussion. Recommendations for further research and possible studies conclude this chapter.

5.1 Overview of Significant Findings

The purpose of this study was to examine the problems faced by SME Entrepreneurs in Lampang region which effects the overall competitive of the region and the country overall. This research investigates cooperation between different Entrepreneurs and how the role played by different barriers which hinders the SMEs to approach other markets. It also wants to understand the existing culture and cooperation between SMEs. Factors which might affect the SMEs becoming competitive due to problems faced by SME Entrepreneurs by reading many theories like Michael Porters Diamond Model along with Uppsala model was thoroughly studied. There can be some limitation as these models were for developed economy and might not be relevant for Lampang Region and Thailand as a whole.

This research study employs mixed method approach for the research. Cooper and Schindler (2008, p. 186) remarked that qualitative research compensates for the weaknesses of the quantitative research. Hence, mixed method approach has been used to reconfirm the result derived from individual approaches. Snow ball technique was used for selecting respondents to do interviews, and the questions were asked to get opinions and information from the respondents. For quantitative analysis survey questionnaires

were sent to the target population. A total of 100 questionnaires were distributed to the tableware firms and 70 usable questionnaires were completed and returned.

Small and medium enterprises (SMEs) are the backbone of the economy, being the main contributors to employment in developing and developed countries. SMEs are crucial to the growth and development of developing countries. More efforts and strategies should, therefore, be put in place to ensure that these businesses thrive successfully to increase the level of employment, improve the quality of life of people, eradicate poverty and also encourage production for local and foreign use. Business development determines the future course and performance of any company - and is especially important in today's rapidly changing and increasingly global business environment. Business leaders, therefore, need strong skills for identifying new business development opportunities, assessing potential risks, defining business strategy, bringing the strategy to life, and adjusting the course according to changing business conditions. Targeted support services could help overcome the barriers to SME development and lead to a more competitive SME sector. To achieve this, however, it is important to allow for the emergence of a market in which private consulting companies can grow and, alongside other providers, play a central role in the provision of business development services (BDS).

5.2 Analysis and Interpretation of the findings

This research has sought to provide answers to the research questions which were mentioned earlier, with the findings from quantitative and qualitative analysis. Most of the respondents informed that there are many problems faced by SME entrepreneurs in the Lampang Region along with collaboration and cooperation which are low trust, low trust

between the firms in the cluster, low quality of human resource capital, availability of fiancé and credibility. There are many imperfections, globalization, and low quality of infrastructure and technology.

a. **Lack of Information Infrastructure for SMEs:** There is an asymmetric information problem between suppliers and demanders of funds in general. Information infrastructures are necessary to remedy this problem. Many big enterprises list their shares on stock markets and issue securities in bond markets. Therefore, institutional information-sharing schemes of capital markets can facilitate access to a wide range of information needed to estimate the creditworthiness of big enterprises. However, most SMEs have no connection with capital markets. Financial institutions can closely and continuously observe borrowers, but it is costly to do so for borrowers of small loans. The lack of information infrastructure for SMEs exacerbates the information asymmetry problem.

b. **Lack of funds for vulnerable firms:** The main differences between the hometown investment trust funds and conventional crowdfunding or venture capital is the “warm feeling” that is behind the hometown investment trust funds (HITs), because investors sympathize with the company/project owners and their efforts and are not solely seeking profit, while in crowdfunding and venture capital the investors are solely seeking financial profit.

The circumstances under which private manufacturing enterprises in Thailand operate are beset by constraints, including poor access to finance, infrastructure, skilled labour, and technical knowledge. Around 40 per cent of firms are credit rationed or constrained. While a larger share of small and medium firms (12 per cent), as compared to micro firms (6 per cent) apply for credit, all firms share similar challenges in terms of getting formal loans: difficulties in assuring collateral, providing appropriate land titles, and too-short loan maturity times. Only part of the demand for finance is met through

informal loans. This implies that new investments need to be made from retained earnings, which limits the level of enterprise growth

During the research it was found that finance among the SMEs plays a major role as a problem for SMEs and the Entrepreneurs to save money and don't try to invest in R&D or innovation in design. Hence, they use age old technology for production which has its own limitations and results in production errors resulting in losses.

5.3 Conclusion

SMEs Entrepreneurs faces many which can be attributed to the nature of SMEs and how they operate in a region. It was found that SMEs have low level of trust and faith between them. General population have low level of technical skills and this acts as an important problem. SMEs lack capital and due to lack of cooperation they don't have much say and hence Research and Development takes a back seat and the focus is on survival. Related industries which provides legal support and logistics services are scattered with very few involvement and engagement with SMEs. This act as barrier as the small firms lack the skill and knowledge to be competitive. Lack of quality human capital lowers productivity and increases the cost of productivity due to spill overs and tradition ways of doing tasks.

Improving SME access to finance should be a priority and the government should have proper policies to deal with it. One of the critical inhibiting factor to the survival and growth potential of SMEs is easy and proper access to finance. Financial inclusion is thus key to the development of the SME sector, as SMEs are driver of job creation playing an important role in development of national economies.

Hence, through our quantitative analysis we found that all our hypothesis was accepted, and the variables had weak or moderate positive relationship when statistically tested on Descriptive and Correlation statistics. So, we can conclude that all the below hypothesis is accepted.

Quantitative Analysis

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Qualitative Analysis: Respondents viewpoint

Most of the respondent informed that researcher that the SME firms are going through a hard phase due to many factors, and the SME Entrepreneurs face many problems which

trickles down to low competitiveness and it is affecting the region, whereby people losing their jobs.

Below are the research questions which were analyzed along with their qualitative finding:

1. From the view point of the respondent on the firms' cooperation in the cluster we can conclude that there were very few dialogues between entrepreneurs. It was found that the firms lack trust and faith, they don't have positive vibes. Most of the SME firms are owned by family members and they look at each other as competitor. Most of the entrepreneurs don't share problems they try to solve on their own. They are more like bitter rivals rather than partners.

This causes weakness in the competitiveness of the the SME's lack expertise and knowledge which hinders their growth and have a competitive edge on the market.

2. Low quality human capital. Most of the SME firms don't provide competitive salary when compared to other industries. Hence, these firms attract low cost labour who are unskilled and less productive. Newly graduated students from college and institutes do not chose to work in the SME firms as due to the work environment and less pay.
3. Most of the respondent agreed infrastructure and technology need to play a major role in supporting SMEs. Respondents agreed that government has to work as a catalyst and form better policies to support the SME firms with better infrastructure. This is to support the SMEs to move on the path of innovation on process, product as well as design.

4. From the respondent point of view SME Entrepreneurs have to know the importance of educational institutions and have better cooperation with them, to hire skilled staff passing out as well as make specialized courses related to their industry.

5. Most SMEs distribute their products and services through their own shops or wholesalers in the same region. The survey found that the main marketing channel for micro and small enterprises are their own shop(s) and wholesalers in the same region. In general, micro enterprises tend to trade within their local areas, whereas small and medium enterprises also market their goods and services through traders from other regions, which is not surprising. However, regional trade seems to be relevant to all SMEs, particularly medium-sized (32%) but also small (20%) and micro enterprises (7%).

Table 5.1: Research Hypothesis

Hypothesis	Hypothesis Statement	Test Result
H1	Ceramic tableware SME faces the problem of financial accessibility.	Accepted.
H2	Human resource act as a problem for the ceramic tableware SME.	Accepted
H3	Related and Supporting Industries issues act as a problem for ceramic tableware SME.	Accepted
H4	Ceramic tableware SME finds marketing as the problems.	Accepted

This paper gives a view on the business culture which exists and prevalent with in the SMEs in Thailand and Lampang region in general. It tries to outlay the general problems and difficulties faced by the entrepreneur of SMEs in Thailand which can be attributed to their characteristics and the nature of economy they operate in. The challenges facing

entrepreneurs and small medium enterprises in Thailand are varied and many; lack of financial support, weak infrastructure, and lack of policy coherence, and lack of support by third parties.

Recommendations of this study

The following recommendations are advised by the researcher based on various literature review and understanding the problems faced by entrepreneurs in Lampang division. Of the factors studied, typical of the entrepreneurs of the failed SMEs were lack of prior experience as an entrepreneur, lack of marketing skills, lack of prior managerial experience, and parents who were not entrepreneurs. Typical of the failed SMEs were a firm managed by one individual, lack of planning, a firm founded by one individual, no use of business advisors, dependency on one or a few big customers, small amount of products/services, and unfavorable macro-economic conditions. In addition, characteristic of many failed SMEs was inadequate financing. Overall, to promote sustainable growth, three policy priorities have to be addressed:

- a. First and foremost, there is a need to strengthen the institutional framework for SME management. This would facilitate the exit of less efficient companies, while promoting entry of new firms and allowing for a shift in the growth model towards more economic efficiency and market orientation (World Bank, 2015a). Restructuring SOEs could furthermore unlock their demand for external strategic advice by outsourcing services such as accounting, financial planning, marketing and management, while concentrating internal resources on the core business of the company.

- b. Second, to increase the competitiveness of the economy, there is a need to create a level playing field for all firms, whatever their size or ownership status. The creation of a dedicated anti-monopoly authority represents a key step here. Anti-monopoly functions long remained under the Pricing Policy Department of the Ministry of Economy (OECD et al., 2015), but a new Ministry of Anti-Monopoly Regulation and Trade was established in June 2016 (GoB, 2016a). Government may consider phasing out subsidies for SMEs, while at the same time instituting measures such as preferential tax rates for SMEs. This should help create an environment for enterprises with incentives to reduce costs, increase investment, become more profitable and thus foster entrepreneurial initiatives.
- c. Third, there is a need to strengthen SME policy and private sector development. This would allow for a shift towards a stronger contribution of small and medium enterprises to the economy, in line with the targets set by the Thai government.

1. **Development of Credit Guarantee Schemes by Governments:** Owing to the significance of SMEs to Asian economies, it is important to find ways to provide them with stable finance. In order to remedy the undersupply of credit to SMEs, various government and donor initiatives have emerged in both developed and developing and emerging economies, including the so-called credit guarantee scheme (CGS). The public guarantee scheme is a tool aimed at reducing the gap between supply and demand in SME finance.
2. **Create shared value:** Solution lies in the principle of shared value, which involves creating economic value in a way that also created value for society by addressing its needs and challenges.

3. Collaboration and cooperation between firms in SME cluster: All SME entrepreneur should take trip or workshop together to other export led SME cluster which will enable them to understand cluster development. Emphasis should be laid on trust, faith and cooperation between the firms in the cluster. If the firms lack cooperation, trust and faith, export initiative of the firms make no sense.
4. Involvement of woman: Although Thailand provides relatively favourable business environment to women, their participation in the business sector can be further enhanced with well-designed public interventions. Such actions may particularly focus on the skill development of women entrepreneurs and managers.
5. For sustainable economic development and an increase in trade activities, firms must have adequate access to marketing channels and make use of them.
6. Development of Lampang Investment Trust Funds for Vulnerable SMEs: Promote lending to start-up companies and riskier borrowers, such as SMEs, would help to maintain the soundness of the banking sector, as banks would not be exposed to the risks that lending to such companies inevitably poses.

5.5 Limitations of the study

1. Uppsala Model and Porter Paradox: One of the well-known criticism of Uppsala model fails is that it fails to consider the specific market environment and industry characteristics in the target country. It fails to consider different factors such as economies of scale, research and development intensity and also government regulations.

Porter five forces also known as diamond model offers a perspective on competitiveness and clusters, but it is based on rivalry which plays a vital role in diamond model. Orjan Solvell (2009), “The diamond model – the driver of innovation and upgrading among a nation’s or region’s firms – is typically less

understood by policymakers, whereas the cluster model became a central feature of industrial, innovation and regional policy”.

2. Researcher faced language barriers during the initial start of the study as the population in are not well versed in English Language which is the language of research. Researchers was accompanied by teacher from Thailand Vocational college.
3. Most of the secondary data were in Thai, and hence it had to be translated into English before using it. There are chances of error when data are translated into English language from Thai language.
4. Lack of cooperation from the ceramic firms was one of the major problems, as most of them don't want to discuss or give data to outsiders as they feel that their data would be given to their competitors. It was beyond the researcher's capacity to obtain some data.

5.6 Suggestions for future research

The socioeconomic development of the country is attained only when the society and government create a large number of entrepreneurs from various strata of population. It is a well-accepted fact that Small and Medium Sector has great potential in generating high level social economic development of the country even with low level of investment. Small and Medium Enterprises (SME) are small scale companies, institutions and shops which is in need of less capital, less investment, relatively less infrastructure and with a greater number of labor per unit, that support them to develop substantial employment opportunities both in formal and informal sectors. As it happens everywhere Small and

Medium Enterprises (SME) have an immense potential to activate the financial resources in the economy and can be an aid to promote balanced regional development. It is considered as the backbone of the developing and developed countries. SMEs can act as a catalyst in employment generation, poverty alleviation and regional development. The justification of the success of any small and medium scale development in developing countries largely due to its multi faced merits. Though such claims are well accepted, there are several challenges also, that need to be looked into with utmost priority.

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Appendix A

CONSENT FORM – GENERAL

Project title:

Researcher's name: Janak Nandan Pandey

Supervisor's name:

- I have read the Participant Information Sheet and the nature and purpose of the research project has been explained to me. I understand and agree to take part.
- I understand the purpose of the research project and my involvement in it.
- I understand that I may withdraw from the research project at any stage and that this will not affect my status now or in the future.
- I understand that while information gained during the study may be published, I will not be identified and my personal results will remain confidential.
- I understand that I will be audio-taped (if allowed) during the interview.
- I understand that the tape will be retailed and stored by the researcher. The tape will only be used for transcribing in a form of computer database by the research. Softcopies of transcript will be stored in the personal computer with password protected. All records (notes, tapes, and transcripts) will be stored in a locked file

cabinet in a locked room. Only the researcher and supervisor will have access these materials.

- I understand that I will not have any payment for taking part in this project.

Name of participant: _____

Signed: _____ Date: _____

I have provided information about the research to the research participant and believe that s/he understands what is involved.

Researcher's signature: _____ Date: _____

Appendix B

PARTICIPANT INFORMATION SHEET

Project Title

Researcher's Name and Contact Information

Janak Nandan Pandey (janakcooldude@gmail.com)

Dear Valued Participant,

You are being invited to take part in a research project. Before you decide to participate, it is important for you to understand why the research is being conducted and what it will involve.

Interviews will be last for about forty five minutes at a location of your choice. We will audio record this interview only with your permission. A copy of transcript can be sent to you to confirm the accuracy of our conversation. You will be given this information sheet to keep and be asked to sign a consent form prior to the interview.

Answering some questions about self-opinion might cause transitory discomfort. You are completely free to refuse to answer any question and have the right to stop tape recording at any point in the conversation. The researcher will comply with the regulation to protect the privacy and the rights of the research participants.

The data collected in this study will be retained in a safe environment according to the Official Information Act of Thailand (Official Information Act, B.E. 2540). Details can be found from Office of Official Information Commission (O.I.C.) (see http://www.oic.go.th/content_eng/act.htm for details.) All interview responses will be anonymous and no information could lead to identification of any individual will be released. Only the researcher and supervisor will have access such material.

Should you be interested in receiving a copy of final results or thesis, please contact the researcher by the above email address.

Thank you very much for sharing your valuable time and your kind assistance

Appendix C

Questionnaires	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
SME Entrepreneurs face problems while procuring raw materials in Lampang Region.					
SMEs get quality skilled staff with good command in Foreign Language.					
Is skilled labour a major issue in the local SME industry?					
SMEs provide skills and training development to employee to improve their work skill.					
SME entrepreneurs face problem while acquiring loans, or credit facility from Financial institutions in Lampang Region.					
Is Finance or Credit from Financial institutions readily available to SMEs in Lampang Region					
Is there a healthy competition between firms in the region?					
Do SMEs invest money in research and development in Lampang region?					

Firms investing in new forms of knowledge, innovation and R&D?					
Does Globalization act as a problem for SME Entrepreneurs in Lampang region?					
SME entrepreneurs use marketing tools to promote their brands and products.					
There is availability and quality of export services region.					
Is there availability of infrastructure and technology to encourage SMEs in Lampang Region?					
There are competitive and high quality logistics service suppliers in the region					
There are strong ties with research institutions.					
If the firms are more productive, will the cluster will become competitive?					
If the labour are well trained and skilled, cost of production will come down?					
Corruption in the Thailand works as a problem for SME Entrepreneurs.					

