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# STATE OF THE ART FACTORS THAT INFLUENCE TO SMALL AND MEDIUM BUSINESS DEVELOPMENT IN NORTHEASTERN OF THAILAND

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## ABSTRACT

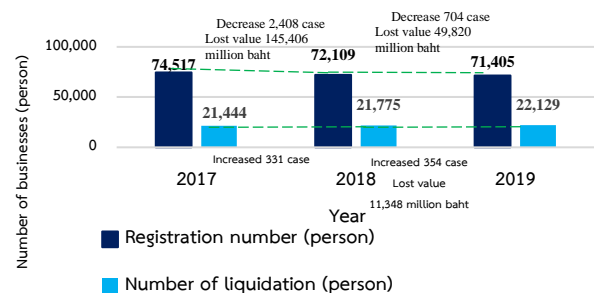
The objective of this article was to study the current state of factors in the development of small and medium enterprises in Northeast Thailand. This study had compiled various research articles, research papers, and related reports both at home and abroad during the years 2012-2020. By doing so, the researcher aimed to use the acquired information as guidelines or possible measures in the development of small and medium-sized enterprises, so that such enterprises could function in accordance with the 20-year National Strategy (2018 - 2037), especially in the Second Area, the Ability to Compete Against Competitors, Issue 5 : Economic Development on the Basis of Modern Entrepreneurs and the Creation of Smart Entrepreneurs; the Provision of Opportunities to Access Financial Services, Market, Data & Information; and the Role Adjustment of Entrepreneurs and State Institutions and Opportunities for Accessing Government Services. Over the last few years, the economy had begun to fluctuate. It was found that from 2017-2019, the total number of legal entities has decreased and the number of dissolved legal entities has continued to increase. The northeastern region, which has the most area in Thailand, was found to have the number of legal entities in the third order, accounting for only 10.67% and the number of liquidated legal entities is in the second-order, accounting for 10.77%. There were eight provinces listed in the last ten provinces with the lowest GPP values, namely Chaiyaphum, Bueng Kan, Buriram, Amnat Charoen, Sakon Nakhon, Mukdahan, Nong Bua Lam Phu, and Yasothon. From the mentioned economic conditions, this study of the current state of the related contributing factors was then conducted and found that there were five related factors: management planning, finance and accounting, the vision of the organization's leader, business knowledge, and product development.

**Keywords:** Small and Medium Business, SME, GDP, factor to development business, GPP, failure business.

## 1. INTRODUCTION

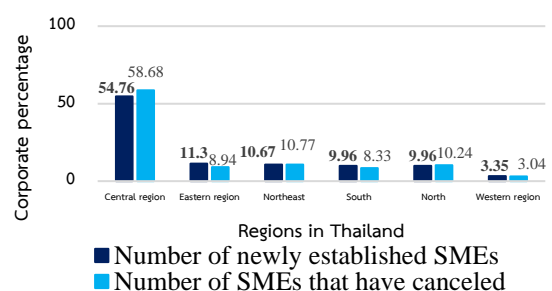
In the last few years, the economy had fluctuated. From 2017 to 2019, there was a continuous decline in the registration of legal entities. In 2018, 72,109 legal entities were registered – 2,408 less than the number in 2017, equaling a lost value of 145,406 baht. In 2019,

there were 71,405 legal entities registered, which decreased from the year 2018 by 704, representing 46,820 baht of lost value, as shown in graph 1. Besides, there are statistical reports that the number of registrations for entity liquidation had increased steadily in the years 2017-2019. In 2017, 21,775 legal entities went out of business. When the number is compared to 2016's 21,444 entities, that means there were 331 more legal entities registered for liquidation. In 2019, there were 22,129 businesses registered for liquidation, compared to 21,775 in 2018. The means the number of liquidation registrations has increased by 354 [1] as shown in graph 1.



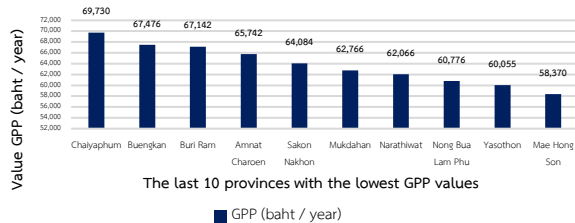
**Graph 1** Number of registration and dissolution of business in 2017-2019

Thailand is divided into 6 regions: Central, North, South, West, East, and Northeast. The northeastern region is the region with the largest area in Thailand (approximately 168,854 square kilometers) and has a total of 20 provinces. However, the number of new business establishments in the region is in the third rank, accounting for just 10.67%. The number of liquidated entities in the region comes in the second-order, with 10.77%. The net profit of the legal entities is in the third rank, worth 42,014 million baht [2] as shown in graph 2



**Graph 2** Number of SMEs newly established and dissolved in each region

Thailand has a GPP per capita of 228,398 baht. The regions with a GPP per capita higher than the national average are the Eastern region, with 500,676 baht, Bangkok and metropolitan with 449,881 baht, Central region with 267,162 baht. At the same time, the remaining four regions have lower than the national average GPP, namely the Western Region, with 149,826 Baht, the Southern Region with 148,066 Baht, the North with 103,760 Baht and the Northeast with 80,352 Baht. Concerning the GPP per capita of the Northeast, it was found that eight provinces were in the last ten of the country, namely Chaiyaphum, Bueng Kan, Buriram, Amnat Charoen, Sakon Nakhon, Mukdahan, Nong Bua Lam Phu, and Yasothon [3] as shown in graph 3.



**Graph 3** The lowest GPP of the last 10 provinces

Therefore, the study tried to identify the current state of relevant contributing factors related to the development of small and medium enterprises. The researcher compiled relevant articles and various researches on factors affecting the operation of small and medium enterprises in the Northeast and analyzed the acquired data. The study could benefit both government agencies and private sectors, as well as the study of the factors in the future.

## 2. EXPERIMENT

### 2.1 Literature Review

There are five factors needed for small and medium enterprises (SMEs) to be successful: management planning, finance and accounting, the vision of the organization's leader, business knowledge, and product development [4]. There are a total 18 relevant factors: [5]

- 1) Business Choosing [5]
- 2) Planning [5]. It was found that bakery businesses in Bangkok had a concrete working process in every step and focused on long-term planning [4].
- 3) Setting Goals [5]
- 4) Choosing Location [5]
- 5) The entrepreneurs have a broad vision and proper management [8] This is in accordance with a study on entrepreneurs in Ubon Ratchathani Province. It was found that there are mainly two factors affecting the success of the business, which are the qualities of entrepreneurs themselves and their business strategy. Thirteen variables were used in the study of entrepreneurs: their self-confidence, enterprise strategy, patient, monthly income, business strategy, age, the length of the operation period, innovative thinking, gender, investments, demand for success, the size of the business, and their positions, respectively. [19]
- 6) Experiences of entrepreneurs [5,7,15] However, there is research that studied a sample group of small and medium enterprises in Bangkok. According to the study, a total of 500 entrepreneurs view that

entrepreneurial performance is not a key factor that leads to successful results [6]

7) Knowledge and Ability of entrepreneurs [5,6,15] A survey of the successful merchants in the Don Wai Floating Market, Nakhon Pathom province, found that entrepreneurs must have additional education in management or must have studied cases from other businesses to proficiently apply strategies to their businesses and improve them to be more efficient and able to meet customer needs. [18] A study on the success factors of social enterprises found that factors affecting the success of a knowledge management system were an organizational factor, an information factor, a human resource factor, and an infrastructure factor. However, to have well management of this knowledge, the contents used need to be correct, appropriate, complete and easily understandable. They should also create understanding and motivation of staff [12].

8) Good work management principles [5] and studying the factors of Thai SMEs entrepreneurs, it is found that the strategy of the best organization is the most important and will help lead the business to success [6,8] A study on the factors of Thai SMEs entrepreneurs found that good corporate strategies are the most important factor that will help the business to be successful [6,8]

9) Flexible working conditions [5]

10) Products that meet standards and qualifications [5,15] From a survey of bakery business entrepreneurs in Bangkok, it has been found that a quality inspection system and modern equipment are still needed [4]. The second most important factor for successful businesses, in this regard, are competition, organizational potential towards the operations of small and medium enterprises in Bangkok [6] and production inputs [8].

11) Partnerships [5] A business should network and keep in contact with other relevant businesses [14].

12) Good human relations [5,14]

13) Clear and concrete target [5] This factor should be addressed as soon as possible. A delay will eventually cause failure to the business [16]

14) Ability to meet customers demands [5,15,17] Customer demands are the third priority to be taken into account, [8] as well as differentiating the business from other competitors to survive – especially in the current unstable situation – and to increase operational potential [13,14].

15) Financial resource management [5,6,11] the management of financial resources can strengthen relationships between entrepreneurs and economic growth in developing countries. According to the study of samples in forty-four developing countries during the year 2005-2014, it was found that good financial management can strengthen relationships between entrepreneurs and domestic growth. This varies from region to region [7]. In the Philippines, economic growth has been found to play a key role in income and economic development. Entrepreneurs have an impact on economic development but have no impact on poverty and income inequality [7]. There is also a construction business that is essential to control the cost of materials and capital changes. [13,16]

16) Effective accounting system [4,5]

17) Having good credit [5] The is to ensure a business' credibility and financial stability as a preparation for business expansion [4]

18) Separation of income and expenditures [5]

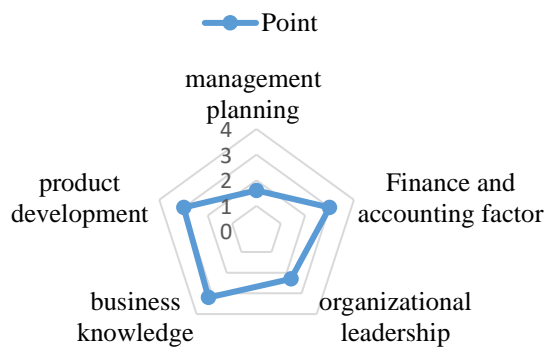
In addition to all 18 factors mentioned above that affect the success of entrepreneurs, there are also other external factors involved. The research found that six more factors directly affect the decision to start a business: political factors, economic factors, social factors, technological factors, legal factors, and environmental factors [9]. A Related study looked at business failures in Nigeria and found that corruption is one of the factors that increase business risk, by increasing the cost of doing business, which is considered a financial threat [14]. A study on the OTOP

community food product group in Satun Province found that the success factors were group income and external support [11]. A study on the success factors of the fabric-products making group in Phetchabun Province found that external factors consisted of financial support, distribution channel support, and equipment support from the government and provincial organizations. Strategies must be established to support local groups of various professions [18]. External factors also include support from civil society organizations, advertisers, and distributors [17] The research data mentioned above is compiled as shown in Table 1.

**Table 1** Review research

| Ref. no      | Year | Management planning  |                      |                |           |            | Finance & Accounting |              |        |            | leadership  |           |         | Business knowledge |      |           |                                  |   | R&D | More |
|--------------|------|--|----------------------|----------------|-----------|------------|----------------------|--------------|--------|------------|-------------|-----------|---------|--------------------|------|-----------|----------------------------------|---|-----|------|
|              |      | Choose a business location   | Good management Plan | Flexible order | financial | Accounting | Credit               | Income - Pay | Vision | Good point | Expeirience | Knowledge | Partner | Relations          | Goal | Customers | Quality                          |   |     |      |
| [4]          | 2012 |  |                      | /              |           | /          | /                    | /            | /      | /          |             |           |         |                    |      |           | /                                | The business type should be separated.                |     |      |
| [5]          | 2016 | /  | /                    | /              | /         | /          | /                    | /            | /      | /          | /           | /         | /       | /                  | /    | /         | /                                | -   |     |      |
| [6]          | 2016 |  | /                    |                | /         |            |                      |              |        | /          | /           |           |         |                    |      |           |                                  | Experience is not necessary                           |     |      |
| [7]          | 2019 |  |                      |                | /         |            |                      |              |        |            |             |           |         |                    |      |           |                                  | The business type should be separated.                |     |      |
| [8]          | 2016 |  | /                    |                |           |            |                      |              |        |            |             |           |         |                    |      |           |                                  | Should have additional variables                      |     |      |
| [9]          | 2017 | External factors such as economic, social, science, technology, law, environment |                      |                |           |            |                      |              |        |            |             |           |         |                    |      |           | Collect data through google form |   |     |      |
| [10]         | 2018 | External factors such as the reduction of corruption                             |                      |                |           |            |                      |              |        |            |             |           |         |                    |      |           | -                                |   |     |      |
| [11]         | 2016 | External factors such as support from the public / private sector                |                      |                |           |            |                      |              |        |            |             |           |         |                    |      |           | -                                |   |     |      |
| [12]         | 2016 |  |                      |                |           |            |                      |              |        |            | /           |           |         |                    |      |           |                                  | -   |     |      |
| [13]         | 2019 |  |                      |                | /         |            |                      |              |        |            |             |           |         |                    |      | /         |                                  | -   |     |      |
| [14]         | 2014 |  |                      |                |           |            |                      |              |        |            |             | /         | /       |                    | /    |           |                                  | The relationship of each parameter should be studied. |     |      |
| [15]         | 2014 |  |                      |                |           |            |                      |              |        | /          | /           |           |         |                    | /    | /         |                                  | Study additional external factors.                    |     |      |
| [16]         | 2019 |  |                      |                | /         |            |                      |              |        |            |             |           |         | /                  |      |           |                                  | -   |     |      |
| [17]         | 2013 |  |                      |                | /         |            |                      |              |        |            |             |           |         |                    | /    |           |                                  | Study additional external factors                     |     |      |
| [18]         | 2015 |  |                      |                |           |            |                      |              |        |            | /           |           |         |                    |      |           |                                  | Should have additional variables                      |     |      |
| [19]         | 2018 |  |                      |                |           |            |                      |              | /      |            |             |           |         |                    |      |           |                                  | Should have additional variables                      |     |      |
| <b>Total</b> |      | 1  | 1                    | 3              | 2         | 1          | 6                    | 2            | 2      | 2          | 3           | 1         | 3       | 5                  | 2    | 2         | 2                                | 5   | 3   |      |
| <b>Total</b> |      | 1.6  |                      |                |           |            | 3                    |              |        |            | 2.3         |           |         | 3.2                |      |           |                                  |   | 3   |      |

### 3. ANALYSIS



**Graph 4** Figure 4 shows the current state of factors involved in the development of small and medium enterprises

Figure 4 shows the current state of factors involved in the development of small and medium enterprises. The state can be sorted, according to the research articles, from the highest to least importance as follows:

The most important factor is business knowledge, consisting of 5 factors, namely knowledge and ability of entrepreneurs, partnerships, good human relations, clear and concrete target, and ability to meet customers' demands. Today, technology is changing rapidly causing businesses to always adapt themselves by training personnel about new knowledge and technology, as well as, to have a good personality and good human relations. This will greatly help in the development of the business. However, one should consider topics that are beneficial to business development.

The second most important factors consist of two factors: 1) product development consisted of one factor, namely having products that meet standards. The process of product development requires many bits of knowledge. Entrepreneurs need to invest in research and development to produce and develop new products. Most research results are intangible, so this factor is to use products from research and development to create new and different products, by combining technology and marketing opportunities. The products that are produced from this research and development stage can be sold or to be patented to generate more income. In achieving all this, it requires more knowledge beyond the product itself. Therefore, additional aspects should be added to the study, such as market opportunities, which need to be scrutinized prior to the research and development stage, and strategies to introduce the product in a new market and make it stand out etc. 2) Finance and accounting factor consist of 4 aspects: financial resources management, effective accounting system, and a clear separation of income and expenses. This factor shows the business's financial liquidity. To achieve this factor, a good foundation system is required and make each process clear. What should be paid more attention to is that most entrepreneurs ignore the importance of separating their personal accounts from their corporate accounts. This includes forgetting to count one's wages, which leads one to believe that one's company is profitable.

The third most important factor concerns organizational leadership which consists of 3 factors: having a broad vision, setting a concrete goal, and possessing experiences. This factor is somewhat important. Organizational leaders play an important role in the administration of the organization. They also have to be good role models for their employees, be able to drive staff to work to their full potentials to reach the goals of the organization. In one article, the experience of organizational leaders is said not need to be necessarily considered, because some entrepreneurs have just started their businesses. This shows that to study the factors regarding experience, there need to be definite criteria for determining the entrepreneur's experience level.

The fourth most important factor is management planning which consists of 5 factors: business selection, location selection, good work management principles, planning, and flexible working conditions. This is the starting factor required for doing business. It is like a manual for operating businesses systematically. All aspects must be met before starting a business, and during the operation of the business, as there may be other hidden factors, so the owner is not able to see. Therefore, entrepreneurs must brace for the unforeseeable and be ready to adjust themselves accordingly. This study analyzes the current state of the factors and found that entrepreneurs in many research ignored this factor. That might be a reason that pushed businesses in the wrong direction, which could lead to the failure of the businesses in the future. However, factors in this area should be re-studied, by collecting data from real operators and entrepreneurs who have failed or have failed before to get more perspective on the subject.

Therefore, business operations should take into account the factors of business knowledge, product development, finance and accounting, organization leadership, and management planning, respectively. This will ensure business' stability and decreasing the risks of business failure. Further studies of each factor are required, to achieve more comprehensive information on the relevant factors. There should also be additional studies of external factors such as studies of laws related to business operations because some businesses have closed down or be closed down due to legal matters; studies of market opportunities before selling products to assess the initial readiness before developing a product. There should also be clear classifications and categorization of businesses. This is because each business has different operating conditions. Classifications and categorizations would result in less error in the analysis of data.

### 4. RESULTS AND DISCUSSION

In addition to these 18 factors, many studies are examining external factors that may affect the business operations of entrepreneurs, for example, supports from the government and the private sector, by providing funding or training. Some external factors like economic and social factors that can be problematic for many entrepreneurs are also addressed in many studies. Some businesses had to be shut down because they were

unable to tolerate the challenging economic situation. Technological factors also play an important role. Due to their always-changing nature, entrepreneurs need to adjust themselves accordingly. To help them survive in the technological age, it requires the government's support. There are also additional external factors such as legal and environmental factors. This is because some businesses may be restricted by law or environmental requirements, such as farm businesses. There is an environmental requirement that prohibits farms from emitting a bad smell to the villagers nearby. If such action has been committed, the business will be prosecuted according to the law, etc. There require more studies on such topics, which can be done by focusing on the real experiences of entrepreneurs, to get more insight needed for further research.

## 5. CONCLUSIONS

Currently, there are eighteen factors in five aspects for small and medium business development in the Northeast region, which can be prioritized as follows: Group 1: Business knowledge consisting of five aspects: knowledge and ability of entrepreneurs, partnerships, good human relations, clear and concrete target, and ability to meet customers' demands; group 2: Product development consisting of one aspect, having quality products, and finance and accounting consist of four aspects: financial resources management, effective accounting system, and a clear separation of income and expenses; group 3, organizational leaders consisting of 3 aspects: having a broad vision, setting a concrete goal, and possessing experiences; group 4, management planning consisting of 5 aspects: business selection, location selection, good work management principles, planning, and flexible working conditions. Many studies have suggested additional factors in each area, as well as additional external factors, such as government support, law, etc. To create a variety and depth of studies that can lead to efficient data analysis and the development of management guidelines for small and medium enterprises, it is necessary to study from entrepreneurs who have real, first-hand experiences in both business success and failure. If studies in this regard are enough in number, they can be used in the comparison of information. If the information suggests a correlation, then they are reliable and can further be used to create a development guideline for leading small and medium enterprises into prosperity in the future.

## ACKNOWLEDGMENT (10pt, Capital, Bold)

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## NOMENCLATURE

### Subscripts

*SMEs* : Small and Medium Business

*GDP* : Gross Provincial Product

*GPP* : Gross Provincial Product

## PHOTOS AND INFORMATION



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