

# Chapter 1

## Sustainable Approach towards Thai SMEs: The Effects of Country Philosophy of Sufficiency Economy and Government Support

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### ABSTRACT

*This study examines issues surrounding the sustainability of SMEs in the context of Thailand. Sufficiency economy philosophy and government support are seen as important covariates that could foster sustainable performance of SMEs. A sample of 119 SME entrepreneurs in the South of Thailand participated in this study. Exploratory factor analysis and hierarchical multiple regression were conducted and the results demonstrated that some dimensions of sufficiency economy philosophy and government support are critical predictors of economic and social performance. Moreover, knowledge and morality are found to promote the principle of sufficiency economy philosophy, as such SME entrepreneurs should be cognizant of the potential effects of this philosophy. The appropriate practices can be equipped and nurtured through the values of sufficiency economy philosophy, which shed light on means to achieve firm sustainability.*

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## INTRODUCTION

The recent rise in sustainable development has attracted the attention of scholars, policymakers, business practitioners, and the community alike. The interest in sustainability, especially within the commercial sphere, is not only the focus of developed nations but also of developing countries like Thailand. SMEs are explicitly viewed as key players in promoting sustainability of the society. The importance of SMEs in both developed and developing countries is widely scrutinized, especially due to the fact their composition is huge, they create employment to the society as well as viewed as a source of income generation to the economy of a country (Tambunan, 2008). Researcher also mentioned, SMEs act as providers to the much-needed inter-firm linkages in supporting large enterprises to ensure that they remain competitive in the market. In the context of Thailand, all in all, approximately 99% of all enterprises can be classified as SMEs. Given the significant contribution of SMEs to the economy and social-well being of the society, SMEs are deemed to be the main actor to promote the economic and social sustainability.

In fact, the World Bank referred to Thailand as the fastest growing economy during 1986-1996 (Warr, 2009). Some key facts of Thailand economy are shown in Table 1.

However, the country plunged into severe economic crisis when the economic bubble collapsed in 1997. Big businesses were affected and most employers resorted to downsizing as a solution. The unemployment rate increased tremendously. Although this solution was deemed practical at that time, it could derail the effort towards enhancing economic and social sustainability in the long run. It is a worse scenario if one looks at Thai small- and medium-sized enterprises (SMEs). The available evidence indicates that Thai SMEs suffer from problems relating to lack of knowledge, ability, experience (OSMEP, 2006; Tambunan, 2008), moderate competencies among SMEs in Asian countries (Export-Import Bank of Thailand, 2012), insufficient capital, labour shortage, and marketing-related skills (Wiboonchutikula,

*Table 1. Key facts of Thailand*

| Sector                          | Amount                  |
|---------------------------------|-------------------------|
| Population                      | 65 million              |
| Literacy rate                   | 96%                     |
| Minimum wage                    | 300 baht per day        |
| GDP (2014)                      | 373.3 Billion US dollar |
| Trade Balance                   | US\$ 24.6 billion       |
| Current Account Balance (2014)  | US\$ 14.2 billion       |
| International Reserves          | US\$ 157.1 billion      |
| Capacity Utilization            | 60.48%                  |
| Manufacturing Production Index  | 168.2                   |
| Consumer Price Index (May 2015) | 106.53                  |
| Corporate Income Tax            | 10-20%                  |
| Withholding Tax                 | 0-15%                   |
| Value added Tax                 | 7%                      |
| Currency rate 1 US\$            | 33.55 baht              |

Source: Thailand Investment Review by Thailand Board of Investment (2015).

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