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DISCUSSION PAPER

No. 137

A STUDY ON SMEs IN THAILAND: A GENERAL OVERVIEW

by

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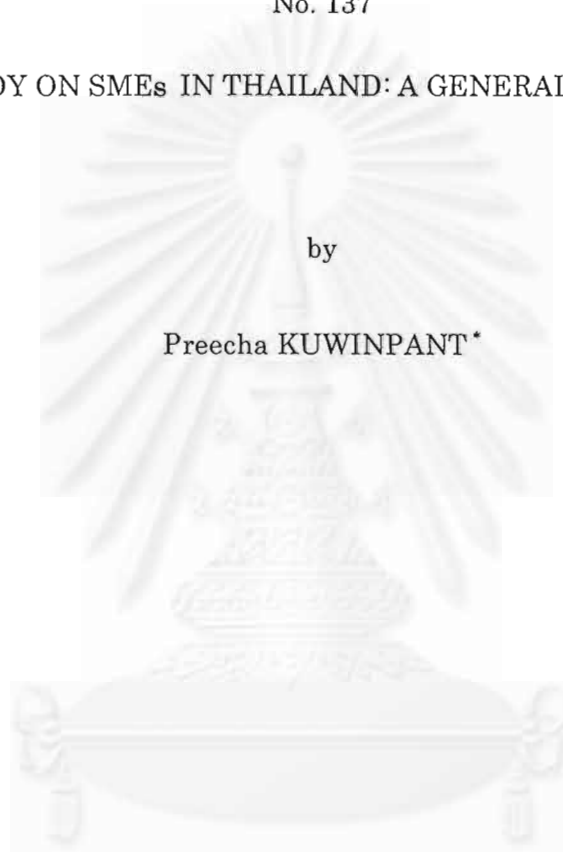
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# **A Study on SMEs in Thailand: A General Overview**

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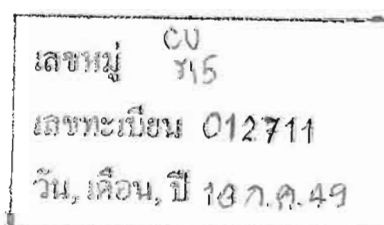
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## A Study on SMEs in Thailand: A General Overview

Preecha Kuwinpant

### 1. Introduction

As has been pointed out clearly by Mr. Shiro Mizutani (1999) in his report to the Thai Ministry of Industry that the economic recession in 1997 had a negative repercussion on the growth and expansion of Small and Medium Enterprises (SMEs) in Thailand, particularly in terms of job employment and income distribution. Indeed, SMEs are not new in Thailand. They have been in existence for more than five decades even though the Institute for Small and Medium Enterprises Development has just been set up in 1999, as a central organization for cooperation and coordination among various existing government departments for the promotion of SMEs in the country both in rural and urban areas.

In 1997, for example, the medium enterprises (with 50-199 labour workers) and small enterprises (with 1-49 labour workers) constituted 49% of the total labour employment in the production sector. Nevertheless, economic crisis led to the collapse of a large number of SMEs which means a large number of workers lost their jobs as well. Many of them return home to their villages just to find that there are not enough jobs for them and there are too many people to work on lands. The gap of income distribution between urban and rural areas has been widened.

In order to solve the problems along with the realization of the government on the importance of the roles and functions of SMEs in stimulating the development of the Thai economy,<sup>1</sup> the government has thus given priority to the promotion and expansion of the SMEs. The tasks have been assigned to various government departments and agencies of several related ministries, such as Community Development Department of the Ministry of Interior, Department of Industrial Promotion of Ministry of Industry, etc. Mizutani finds that oftentimes these government departments, though not apparently in dispute, have very little to do with one another. There is no integrated plan for cooperation and collaboration among those departments concerned; each has its own jobs and plans, and justification and responsibility regardless of the others (Mizutani 1999). Each unit operates in its own way without any kind of overall coordination (Bangkok Post, Sept. 26, 2001, p.1)

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<sup>1</sup>Mizutani has emphasized the importance of the roles and functions of SMEs in terms of economic development in various countries, particularly in the case of Thailand. Their functions are on market creation and competition (the niche market, for example), and social and economic development in rural area, i.e. the fair share of income distribution between Bangkok and other big cities and the rural area.

Most of the SMEs are scattered around Bangkok and other big cities. These include weaving factories, food industries, electrical parts and supply factories, furniture and miscellaneous. It is important to note that the entrepreneurs or owners of these various enterprises are mainly Chinese or Sino-Thai who have involved with marketing and trades one way or the other for quite some time.

In the rural area, Thaksin Government has launched a new scheme of SMEs in 2001. It was called "One Village One Product" (OVOP) based on the Japanese model of One Village One Product of the Oita Prefecture. The OVOP was later expanded to cover a wider area comprising several villages and named as One Tambon One Product (OTOP).<sup>1</sup> During his official visit to Japan in 2001, Prime Minister Thaksin Shinawatra visited Oita Prefecture and an agreement had been reached between the Thai government and this Prefecture. Japanese government offered technical and economic assistance to Thailand under which a team of specialists from the Prefecture would be sent to deliver on-the-job training to the Thai villagers. Though many countries, developed and developing alike, have been very successful in the promotion and operation of SMEs, the Thai OTOP has eventually been directed and guided by the Oita model of Japanese rural small enterprises and other SMEs activities. How far can the Oita model be applied to the Thai case remains to be investigated? Nonetheless, a number of OTOPs has been proved successful whereas others are still struggling for survival and viability (Bangkok Post, Sept. 26, 2001, and Feb. 17, 2002).

To this extent, I propose to discuss the OTOP project in a village called Ban San Pa Mung in Muang District, Phayao Province in northern region of Thailand, as a case in point. Factors facilitating the success of OTOP project in Ban Sa Pa Mung village will be given as well as those factors, which seem to be the hindrance for the development of the project, will also be presented and discussed.




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<sup>1</sup> Tambon is an administrative unit one level above village (Mu Ban) and actually consisting of several villages.

## 2. Theoretical Framework

Two basic units of Thai local administration are Mu Ban and Tambon. Mu Ban, variously translated as 'Village', 'Administrative Village' or 'Administrative Hamlet', refers to a formal administrative division sometimes arbitrarily imposed. It may combine or divide existing communities, however defined, or even create a wider social framework where none had existed. To grasp this idea, I will follow Jeremy Kemp in his original discussion on the concept of 'Community' in Southeast Asia in general and Thailand in particular (Kemp 1988, 1993). He notes, "It is now evident, not just in Thailand but far more generally throughout Southeast Asia, that the image of the traditional peasant village as a closely organized, corporate, territorially defined community is a myth. ...there is no necessary connection between a 'village' and a community" (Kemp: 1993, 83).

To Kemp, the assumption of a traditional Thai village as a community was just a response to the external forces and the imposition from the central government to create a 'nation state', the notion yet imposed by the colonial power from the West. Thus, peasant village community was in fact a 'product' of the state and process of state formation.

Kitahara (1996, 16-17), in his discussion, though different in emphasis, on local community, has made a distinction between the empirical descriptive community and the normative ideal community. The first represents village community as it is in an empirical sense, whereas the latter carries with it a romantic, close-knitted connotation of community. He writes, "the community has often been discussed as an ideal society at the normative level..., and this idealized community is different from an empirical, objective small community". In other words, arguments sometimes have been dominated by the notion of small community which is the product of modernity and to a certain extent of western influences.<sup>1</sup>

Chayan (1993, 20) has confirmed that "it is quite clear from reading through village studies that there is a distinction between a village (or Mu Ban) as an administrative unit and natural community. ...a village community should be conceived of as a social space (not territorially) which consists of social relations of various types." If one concentrates on the system of production and distribution, one comes up with a specific, independent set of social relations which may extend beyond the village territorial space. At the same time, the religious community may exist on its own and does not coincide with economic network of social relations. The 'wholeness' of community, its boundary and scope, depends very much on social relation which is being studied: kinship network, political alliance, economic exchange and production, or spirit cult membership. To what extent that the success of OTOP has anything to do with village structure and individual performances, is the question to be raised in this paper.

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<sup>1</sup>. See for example Redfield's notion of little community.

Tambon, on the other hand, is also an administrative unit of another level. It consists of a number of Mu Ban arbitrarily demarcated by state administrative mechanisms. Within one Tambon, cultural and ethnic differences may exist between component villages (Mu Ban).

Cooperation between these various Mu Ban is made possible only through the administrative forces and regulations. Nevertheless, Tambon nowadays may, to a certain degree, carry with it a sense of Tambon-ness, or being people of the same Tambon as is expressed 'khon Tambon dieo kan'. In the North and the Northeast, people of different villages within the same Tambon may inter-marry and thus creates a social bond of kin relations. Administratively, each Tambon is governed through the Tambon Council (สภาตำบล), comprising village headmen of the dependent villages with Kamnan (Tambon head) as its chairman.

The above description provides basic groundwork for posing some questions concerning the OTOP activities, particularly its social and cultural context within which OTOP operates. Firstly, whether the village and Tambon administrative units spatially provide a suitable and sufficient social foundation for cooperation among villagers for the viability and sustainability of OTOP activities. If so, how wide supports will obtain from villagers and through what mechanisms? And finally, who will benefit from such activities?

It must be noted, however, that during the past decade administrative power has been decentralized through another local representative organization called องค์การบริหารส่วนตำบล, i.e. Tambon Administrative Organization (TAO), members of which are locally elected by villagers. It is an independent organization with its own staff and budget. During Thaksin government in 2001, one million Baht was allocated to each village through the management of the TAO without having anything to do with the government officials at the district level who are representatives of the central government. Approximately 50% of the total villagers in the country have been advanced with these one million Baht. The rests have not as yet proposed qualified projects.

Another further question can be raised here is whether the TAO<sup>1</sup> is qualified to include OTOP into its administration. Or even harder, whether the TAO itself can support its own needs and make itself viable and financially independent from the central government. As mentioned earlier, the village and Tambon administrative units do not necessary coincide with the natural communities neither at Mu Ban nor Tambon levels. Where does the OTOP gain support from and, particularly what is the politics of resources allocation within the TAO in general and in OTOP in particular? These are all the interesting questions.

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<sup>1</sup>. See Phaisal (2,000) for the organization chart of both central and local governments.



Political factions, both within the Tambon and Mu Ban, are not uncommon. Competing for resources and power can be but a barrier for the improvement and development of the OTOP that needs to be attended to. Full supports of coordination and collaboration from all concerned, in the village and Tambon alike, are much sought of. The success of Meiho village in Gifu Prefecture in Japan depends very much on a thorough support and cooperation from all villagers (population of 2,114) as well as the wisdom and insights of community leaders. Meiho is not merely a village but a community to which a strong sense of community spirit is observed.<sup>1</sup>

The final theoretical issue, which should also be considered, will be discussed here. A point of long theoretical debate among anthropologists during the past three decades has always been on the issue of structuralism versus interactionism. The former refers to an approach that takes structure as a departure point. Society holds a structure --the pattern of social relationships that exists in the mind of people-- the cognitive map which directs all thinking and acts of individual members into a general single form. In other words, society with its beliefs, values and norms dominates the mind and behaviour of individual members. Change can occur only at society level, not at that level of interpersonal relationships of individuals.

Recently, however, anthropologists have turned their interests to the other approach --interactionism which gives individual more room to act and change the structure (Bailey 1969). Structure, after all, is constructed through individual repetitive acts based on an assessment of the daily situation. Individual is an agency (Giddens 1979, 1997) which constructs and reconstructs the shape and form of social structure. Structure then is created and recreated from time to time by the interactions of its individual members. It is also undeniable that individual, while recreates structure, is at the same time constrained by cultural norms and rules of the society. Individual and society are thus considered to be involved in the same structural process and reinforcement of each other.<sup>2</sup>

Attempts to bridge the two approaches are a matter of incorporating the micro-macro approaches into one single framework (Cohen 1969). Community (in this case --village and Tambon) forces and frames individual action and thought into a single uniform. At the same time, individuals, in their daily lives, alter and elaborate rules and norms for their own interests under a certain level of social and cultural constraints. Thai village social structure had once been perceived as loosely organized structure leaving room for individuals to act and choose only for their own advantages (Embree 1950). It is asserted that the Thai are individualistic. Anyway, the concept of Thai loosely structured social system has long been discarded in later works of both Thai and foreign scholars (Evers 1969).

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<sup>1</sup>. Observation from the author's personal visit to Meiho Village, Gifu Prefecture in April 2002.

<sup>2</sup>. For a full discussion see Giddens 1979, 1984 and 1997).

Once the structuralism and interactionism have been incorporated into a single framework, as has been suggested in Giddens's social action theory (1997), the concept of loose structure can thus be disregarded as unnecessary. Thai social structure is flexible to the extent that people, in pursuing of their interests, can choose and act according to their own assessment of situation. The Thai realize well socially and culturally, of the ways of doing things without causing any serious threat to the social order. In other words, changes gradually occur at the level of social structure through the carrying out of people's day-to-day business. It is a matter of choice and decision-making.

In his "Peddlers and Princes", a study of development of the two Indonesian towns, Geertz (1963) contrasts a bustling Muslim commercial market town in Java with a sleepy Hindu temple town of nobles and peasants in nearby Bali. The Muslim Javanese town was dominated by individualist entrepreneurs, and culture encouraged rational maximizing; whereas the Hindu Balinese were enmeshed in traditional social relations, and the culture stressed on group cooperation and harmony. Economic growth caused different problems in the two settings. In the Javanese town, there was not enough cultural constraint on the economy, and there was not enough trust among people. It thus derived with too much open competition and struggle. The Balinese town possessed the opposite problem, i.e. too many cultural constraints, limitations and obligations which bogged down enterprises and forced them to become inefficient. Geertz concludes by arguing that both Java and Bali were developing but on its own way because each had a unique history, religion social system and culture. He, however, finds similarities in the process of modernization that linked the twos together.

Thai people, in the Thai social and cultural context, are said to be too individualistic in pursuing their self-interest to the extent that cooperation for the common good of the public is not possible. Nonetheless, there are certain examples of many public works which people do cooperate for the good of the community, particularly in the North and the Northeast. Traditional irrigation system in the North has long been in existence up to the present time (Abha 1979). It requires the involvement of people in a large-scale and rather complicated organization. On the other hand, the failure of many cooperatives is also evident owing to the pragmatic and self-interest in the part of their members. These cases should not surprise us at all for human beings act, sometimes, for the good of society and, sometimes, for their own benefits. Each situation can be characterized and assessed through an empirical fact finding, specifically designed on a case by case basis.

I will, in the following sections, describe and elaborate the case of OTOP in Ban San Pa Mung in the North in order to clarify the theoretical arguments raised so far concerning the nature and characteristics of village community in the rural area in which OTOP is operated.

### 3. SMEs: An Overview<sup>1</sup>

It is generally well recognized by the government and private sectors alike that SMEs are presently the most important and fundamental organizations for accelerating national economic recovery; and a growth engine for Thailand's economic and social development. SMEs are the industrial enterprises that produce goods and products for domestic consumption as well as for exports to the international market that would generate incomes to the country. Finally, SMEs also provide jobs and job training programs for people in the rural and urban areas. Incomes are thus more evenly distributed, reducing gap between rural and urban economies.

Additionally, SMEs in Thailand play crucial roles and functions in supporting the large industrial enterprises in increasing production efficiency by supplying the large industrial enterprises with primary spare parts and equipment, e.g. electronic and automobile parts and supplies. Having been connected with large industrial enterprises also offers SMEs opportunities to learn and experience the technical know-how paving the way for them to enter into the higher echelon of industries in the future. SMEs are also related to other business and economic sectors, such as trade, production and services and agricultural sectors.

SMEs hold adaptable characteristics in that they are small-scale, easily to be set up and closed down, adjustable to practical production process and new machines, and able to switch to other new products and services in the ever changing industrial environment of the present day business. These characteristics offer them an outstanding position as the most flexible and adjustable industrial firms in the present economic situation. The Thai government realizes that during the economic downturn, only the SMEs that can adjust themselves better and easier than those of the large-scale. The country's economic recovery can be best attained through the enhancement and promotion of the small and medium enterprises. Viability of the SMEs helps raise the increasing rate of employment, augment the foreign currency flow from their exports, and strengthen the consumption power in agricultural sector. All these factors, in turn, will help recover and accelerate the viability of the large-scale industrial enterprises. Finally, the growth of SMEs themselves has diffusive functions in generating economic growth in the rural area at large. The Thai government has put much emphasis on such crucial roles of SMEs and thus gives priority to the promotion of SMEs in every regions of the country in the hope of recovering and generating growth of the industrial sector as a whole.

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<sup>1</sup> Most of the information in this section have been drawn from 8 Institutes Newsletter, August 2000, 1<sup>st</sup> Year, Vol.3, Bangkok

Indeed, during the economic recession the competitive function of the Thai SMEs in international market, has been tremendously affected. They cannot compete with products from other countries in the world market. What needs to be dealt with promptly is the replacement of the obsolete engines and the slow production process. SMEs have to improve both quality and quantity of products that are going to be produced as well as lower the production costs so as to be able to compete with products of other countries with better adaptive ability.

In effect, the Thai government has drawn a major "Industrial Restructuring Plan: 1998-2002" aiming to increase the industrial capacity and enlarge industrial roles in the reconstruction of social and economic conditions of the country.

### 3.1 Definition

The term "enterprises" (วิสาหกิจ) covers a wide range of economic activities concerning the process of production, marketing and trades (both wholesales and retails) and services. From the "Law on the Promotion of Small and Medium Enterprises: 2000", the enterprises that can be categorized as SMEs are those which possess either with a certain amount of properties, a certain number of work force, or with a certain amount of registered capital. Anyway, this will be determined flexibly and loosely by the regulations of the Ministry of Industry, depending on the changing economic conditions --the conditions of which are those of the existing state of monetary funds, changes in technology, production and the new kind of business activities accordingly.

The 1996 National Statistical Office Survey categorized SMEs as enterprises with maximum of 200 workers. Most are the retail and wholesale trades, restaurants and hotels, services, construction companies and others. According to this survey, there were 854,064 SMEs which were divided into the following categories:

| <u>Type of Business</u> | <u>Total No.</u> | <u>Accounted for (%)</u> |
|-------------------------|------------------|--------------------------|
| Retail Trades           | 259,310          | 30.4                     |
| Industries              | 157,363          | 18.4                     |
| Services                | 141,991          | 16.6                     |
| Restaurants & Hotels    | 82,309           | 9.6                      |
| Wholesale Trades        | 27,116           | 3.2                      |
| Constructions           | 9,083            | 1.1                      |
| Others                  | 176,892          | 20.7                     |

As for the industries, data collected by the Ministry of Industry at the end of 1999 shows that there were 128,304 industrial plants registered with the Ministry. Out of this number, 125,177 plants had been categorized as SMEs (with maximum of 200 labour workers) which accounted for 98.0 % of the total registered plants.

### 3.2 Ministry of Industry and the Promotion of SMEs

The most important state agency directly involved with SMEs is the Ministry of Industry. Law on the "Promotion of SMEs"<sup>1</sup> was proposed by this Ministry in 2000 and was promulgated in the same year. The three major components of this law are as follows:

- (i) The establishment of Office of SMEs Promotion to be responsible directly to the National Committee for the Promotion of SMEs. This office acts as a liaison or a coordinating unit in drawing up a major operational plan for the promotion of SMEs among all levels of government agencies, state independent promotion units, and relevant private organizations. It functions to manage and administer SMEs promotion funds as well.
- (ii) Provision of SMEs Promotion Funds. These include the provision of loans lent to the newly set-up SMEs and also loans for the improvement and expansion of the existing private SMEs, R & D projects, technical and financial consultations, as well as seminars and workshops.
- (iii) Formulation of major Promotion Strategic Plan and Policy. This five-year (2000 – 2005) plan was formulated by the Ministry of Industry in the year 2000. Seven strategic steps to increase the strength and efficiency of SMEs have been laid down as follows:
  - Strategy 1. To increase the operational efficiency of SMEs on technological and managerial capacity;
  - Strategy 2. To improve the human resources development and entrepreneurial skill of SMEs' operators;
  - Strategy 3. To create and expand marketing opportunities for SMEs;
  - Strategy 4. To increase the capacity of both public and private financial institutes as well as enlarge the availability of funds granted to SMEs;
  - Strategy 5. To improve the existing business conditions;
  - Strategy 6. To support the development of small-scale enterprises and community enterprises in both rural and urban areas;
  - Strategy 7. To set up the networks and clusters of SMEs.

In order to fulfil all the strategies proclaimed, the government has already provided several foundation bases for the accomplishment and materialization of each strategy. These are

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<sup>1</sup>. 8 Institutes Newsletter, August 2000, 1<sup>st</sup> Year, Vol. 3, Bangkok, p. 5

### **3.2.1 Financial Support Base for SMEs**

1. In the year 2000, the total amount of 35,000 million Baht loan had been raised for the promotion of SMEs with the cooperation of the Ministry of Finance through various state financial agencies, such as Bank for Agriculture and Agricultural Cooperatives (BAAC) and Industrial Finance Corporation of Thailand (IFCT). In 2001 the government approved a total amount of 45,300 million Baht loan to the SMEs and another 4,000 million Baht as down payment for loans provided to the SMEs.
2. A joint financial loan program with the Siam City Bank has been established. Similar attempt has also been made with the Bangkok Bank.
3. Similar financial contacts have also been made with domestic financial institutes and international financial corporations, such as the Asian Development Bank, Overseas Economic Cooperation Fund, etc.

### **3.2.2 Increase the Capacity of SMEs**

1. Institute of Small and Medium Enterprises Development (ISMED)<sup>1</sup> was set up in 1999 as an independent institute, responsible for the enhancing and increasing the capacity of both the existing entrepreneurs and the newly potential entrepreneurs. This institute gives support to those two groups in terms of experiential learning process and the consultation and supports on research information. It is an institute under the joint collaboration of the Department of Industrial Promotion of Ministry of Industry with eight state universities scattered throughout the country, noting Chulalongkorn University, Thammasat University, Khon Kaen University and Chiang Mai University.
2. Industrial Restructuring 5-Year Plan (1998-2002) was also drawn up. Collaborations have been made among government and private sectors to improve and increase industrial capacity in the production and distribution process as well as manpower utilization and industrial equipment and technology.
3. Industrial Settlement Zones were demarcated with the objectives to provide public infrastructure necessitated for the promotion of SMEs and other basic facilities. Standardization of land use, factory plants and industrial assemblies will be determined to meet demands from various types of SMEs, such as food production, textile, wooden crafts, furniture factories, and other public services.

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<sup>1</sup> Detailed description of the ISMED will be provided in the following sector.

### 3.3 Institute for Small and Medium Enterprises Development (ISMED)

The Institute for Small and Medium Enterprises Development (ISMED) was established, with financial support from the government on April 5, 1999 under the supervision of the Ministry of Industry. Its main purpose is to develop and strengthen the skills and capacity of SMEs to become viable and sustainable. Specifically, they are

1. to act as a primary center in supervising and supplying information on where and what kind of assistance that entrepreneurs, who seek help, can gain access to. This is known as "SMEs Service Centre Programme";
2. to provide further services on
  - training courses in administration, management and technology,
  - supervision and consultation,
  - business information services,
  - forming SMEs network and clusters to overcome technical and human resources problems and to enhance the business performances.

#### 3.3.1 Provision of Services

At present, ISMED has in action provided a wide range of services to those who have just been entering into the businesses and also those who have already set up SMEs businesses. Services offered include:

##### a) SMEs Service Centre Programme

It is a service and information center aiming at providing and assisting SMEs entrepreneurs to obtain a close-circuit information as well as to gain access to information and services of various government and private service agencies (both in promoting and developing the enterprises and in supervision and administration for solution in some specific problems). The programme is intended to be the first primary center to assist those entrepreneurs who seek helps. Other services, such as business transactions, business correspondences, and business partnership both within and between countries are also included.

##### b) Training Programme

Specific training programmes are provided directly to the target groups in order that the trainees would gain skills and knowledge corresponding to their specific businesses in a short period of time. There are short, medium and long-term training courses under a wide range of topics as follows:

1. General management --marketing, personnel management, finance, accounting and business tax;
2. Business operation (close-circuit trainings) --numerous professional training courses, e.g. hotel management, restaurants and food shops, etc.;
3. Specific business management --production, marketing and services, and agro-businesses;
4. Specific business operation --such as shipping and exporting, commercial electronics, etc.;
5. Business facilities --business plan, negotiating and bargaining;
6. Promotion of new entrepreneurs --training of young generation entrepreneurs, venturing in new business, business adjustment in the period of economic downturn, and also community business enterprises.

#### c) Counselling and Supervision Programme

Services include solving business problems and enhancing the business enterprises on various options. These are:

1. Introductory supervision by full-time specialists of the Institute aiming at giving an in-depth analysis to improve the enterprises or else refer them to the affiliated agencies (more than 40 agencies attached) for further guidance and assistance.
2. Supervision on business planning, such as drawing the alternative financial loans from private and government financial agencies, or to improve the existing business system.
3. Supervision on business judgement and improvement to facilitate the market competition.
4. Supervision on special matters, such as packaging, market promotion and cost reduction.
5. Business clinic for small enterprises on various aspects by a group of specialists.

#### d) Information Services

The Institute provides a wide range and extensive information through Internet, fax, and phone numbers for public inquiries.<sup>1</sup> Information provided covers the followings:

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<sup>1</sup>. Source: Institute for Small and Medium Enterprises Development, Gymnasium 1, Thammasat University, Rangsit, Prathumthani 12120, Thailand  
Tel: 66 (0) 2564-4000 Fax: 66 (0) 2564-2737

Web site: [www.ismed.or.th](http://www.ismed.or.th)

E-mail: [info@ismed.or.th](mailto:info@ismed.or.th)



1. Information is provided on buying and selling and/or servicing the enterprises in advertising their products and looking for potential customers who seek for information on specific products and services. The Institute will act as a mediator providing with information on more than 100,000 products and name lists of involved entrepreneurs.
2. General information on SMEs technical conducts is covered, including rules and regulations, taxes and the setting up of business, etc. How to run a successful business is closely supervised and recommended. Information on successful case study is also extensively included.
3. Information on all involved agencies is provided. The Institute occupies all necessary connections with agencies involving with SMEs. Introductory letters can be provided to those who need further information and assistance from relevant agencies.

#### e) Business Upgrading Services

Development and achievement of business firms are crucial to the SMEs and this service is under the responsibility of the ISMED. To achieve and upgrade a shophouse to be a mini-mart, for example, the Institute is readily to help. This includes the supervision on how to manage the store and to acquire products, as well as to train staff. Introducing other relevant agencies for further development, such as financial agencies, is not disregarded. Additionally, in terms of the SMEs network and cluster, the Institute also provides assistance in looking for new prospects in international market, finding partner companies abroad as well as marketing channels to export their products to foreign countries, for example. In order to improve the level of specialization and creation of demand, the Institute does cooperate with the local SMEs to set up networks and clusters with another level of SMEs' strength and cooperation.

#### f) Other Services

The ISMED promotes the SMES activities by organizing the SMEs Day at least once a year whereby the entrepreneurs can get together and exhibit their products. More than 100,000 items of goods and products are on display in this exhibition. In addition, radio and TV programmes on SMEs are also widely broadcasted and televised. This also includes newsletters and other published materials on SMEs.

As mentioned above, the ISMED has also created the connections with universities in Bangkok and in four other regions of the country to represent them in their works and services described above. The Institute therefore is easily attainable by all entrepreneurs in every part of the country.



### 3.4 One Tambon One Product (OTOP)<sup>1</sup>

One of the best-known local SME projects that has been strongly promoted by the Department of Industrial Promotion, Ministry of Industry is the "One Tambon One Product". This project has been laid out on a nationwide scale. The rationale is that cottage industry has long been related to the traditional way of life of the rural Thai people for a far back history and has been in existence along side with agriculture --a backbone sector of the country. Traditionally, the products were consumed and made use of within the household and family. With accumulated local wisdom and knowledge passing through generations, local materials and resources had been turned to local products for family consumption and daily use. Some products were very well-known for their quantity and extensive uses, while others were unique in their artistic designs and decorations in that they had become well-known for their aesthetical beauty. Thai silk, for example, has become a symbol and identity of Thai society and culture. Similarly, many cottage industries produce goods and souvenirs which have become symbols of their village image and identity.

Later on, these products have captured the eyes of some local entrepreneurs and government officials. The quality and quantity of the products have been consistently improved. Production training for the villagers along with the enhancing of the product quality, with the help of some modern techniques introduced by both the local government officials and local entrepreneurs, make a wide scale of marketing possible. Under the OTOP project, cottage industries are known as community industries and small industrial enterprises-where local arts and objects are exhibited. Economically, this industry helps generating income and creating labor employment to villagers. It allocates evenly income distribution to the rural economy, brings in foreign currency through exporting, and eventually makes Thailand famous and well-known internationally in worldwide market.

A survey conducted by the Thai National Statistical Office has indicated an increasing trend of local industry. In 1999 there were 1.2 million household industries throughout the country, showing a 21.5 per cent increase from the year of 1995. This figure shows that a large number of various industrial products have been produced in the countryside. The government thus sees it a necessity to have a nationwide marketing plan for the distribution of such products. Without the specific plan, each individual household product can be produced in redundancy with no clear direction. This will definitely lead to an over-production of one single goods and product. Marketing is thus considered to be an important process in determining the amount of products and specialization of each community in producing certain kind of product. Each Tambon should be specialized in producing one single item, specifically reflecting and representing its local arts and culture. Marketable product will be selected and planned to avoid the redundancy. Quality of such product has also to be upgraded.

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<sup>1</sup>. Information on this topic is derived from "One Tambon One Product, Department of Industrial Promotion 2002".

“One Tambon One Product” has been set as an immediate and urgent project for the present government. Based on local wisdom and knowledge, each village has been encouraged to produce one single product that ideally reflecting its local identity with a specific brand name to catch the market. This is certainly in accordance with the policy of the Ministry of Industry which has long been taking an active role in promoting local household and community industries. The Ministry adopts two approaches in promoting local enterprises. Firstly, it supports and enlarges the production capacity of the existing enterprises. And secondly, it promotes and helps create new enterprises that have their base on local knowledge of arts and culture in producing goods from the available local resources and materials. Each village then produces its own unique product depending on the ecology of the area. The Ministry further helps to find a market within and outside the country which consequently resulting in a long-term and sustainable development of the rural economy.

#### **3.4.1 Three Main Principles in the Operation of OTOP Project**

1. To encourage local people to employ their local knowledge with the support of modern technology to produce and develop high quality and marketable local industrial products.
2. To enhance the spirit of entrepreneurship among local people and to achieve cooperative attempt to set up networks and clusters for a long-term and sustainable development and self-reliant business community at the local level.
3. To encourage a strong sense of community spirit and pride in an end result of the product. Such business and training of young generation entrepreneurs to take over and sustain local entrepreneurs will be given priority.

#### **3.4.2 Seven Strategies for the Improvement of OTOP**

To make the “One Tambon One Product” project materialized and viable, the Ministry of Industry puts much emphasis on the importance of ‘human resources’ in rural development. Trainings on skill development and technological know-how, management and marketing have been intensively and regularly provided. Seven strategies have been implemented. These are

1. Marketing Strategy. This is to support marketing research and planning, price strategy, marketing promotion, e.g. product design and packaging, etc.
2. Financial Strategy. This includes financial planning, and funds seeking from financial sources and other services, citing circulation of funds from financial institutes.
3. Production Strategy. This strategy aims to improve the quality of products by introducing and applying appropriate technology to reduce production costs which will further enable the competition with products from other countries.
4. Organization Strategy. This strategy is to assist the organizations by providing knowledge on accounting, and staff training in organization management in order to keep pace with international standards, and for the improvement of welfare system among all levels of personnel.

5. Information Strategy. This strategy introduces modern information technology in all management systems for the improvement of inter and intra-communication systems.
6. Foreign Strategy. This strategy provides assistance in looking for international potential market, and in setting up foreign market network, including exhibition of local Thai products in the world market.
7. Coordination Strategy. This strategy helps coordinate all the works and plans of various government and private agencies, set up networks and clusters of producers and buyers, eliminate hindrances of regulations, and find solutions favorable to One Tambon One Product business.

### **3.4.3 Some Precedent Conditions for OTOP**

To be successful, there are some precedents which have to be taken into considerations by all concerned. These are:

1. The project has to be initiated by and under the responsibility at every steps of the local community. Government agencies will take part only as supporters and assistants.
2. Provincial Governor acts as the major central coordinator at the provincial level for the One Tambon One Product project and is responsible for marketing management.
3. One single wholeness of all combinations of activity at all levels is the prime target of this project. They should all work as a team.

In the following section, a case study of One Tambon One Product in Tambon San Pa Moug will be described. It aims only to make a general overview of the Tambon so that one can grasp a general idea about the composition and social context of the village within which OTOP is operated. Further information has to be gathered before an in-depth analysis can be offered.

สถาบันวิทยบริการ  
จุฬาลงกรณ์มหาวิทยาลัย

#### 4. One Tambon One Product: A Case Study of Tambon San Pa Moung, Phayao Province

##### 4.1 Phayao Province

Set up in 1977, Phayao is the 72<sup>nd</sup> province of the Kingdom of Thailand. It used to be a district under the administration of Chaing Rai province in the upper northern part of the country. It is situated at 735 kilometres along the highway to the north of Bangkok. With the area of 6,335.06 square kilometres, it is bordered to the north with Chiang Rai province and to the south with Lampang and Prae provinces (see Map 1)

Administratively, Phayao is divided into 9 districts as follows:

1. Muang District
2. Dok Kham Tai
3. Mae Chai
4. Pong
5. Chiang Muan
6. Phu Kham Yao
7. Chun
8. Chiang Kham
9. Phu Sang

The topography of the area is characterized by both the plain and the mountainous areas. Forty-six (46) per cent of the total area are covered with forests while the remaining areas are the agricultural plain (27.0 %). Two main rivers cut across the area are the Chao Phraya River and Mekong River.

With the total population of 508,916, there are 255,657 males and 253,259 females. Most of the population are ethnically Thai living mainly in the lowland. In the upland, there are several hill tribe people, composed mainly of the Yao, Hmong, Lisu and Tai Lue. Most of them have Thai nationality.

Around 82.5 – 87.5 % of the total population are agricultural farmers. Of this 317,487 are in the workforce, out of which 307,010 are employed and the remaining 10, 477 (3.5 %) are unemployed. The average income is 28,167 Baht/year/head (approximately 84,500 Yen).<sup>1</sup>

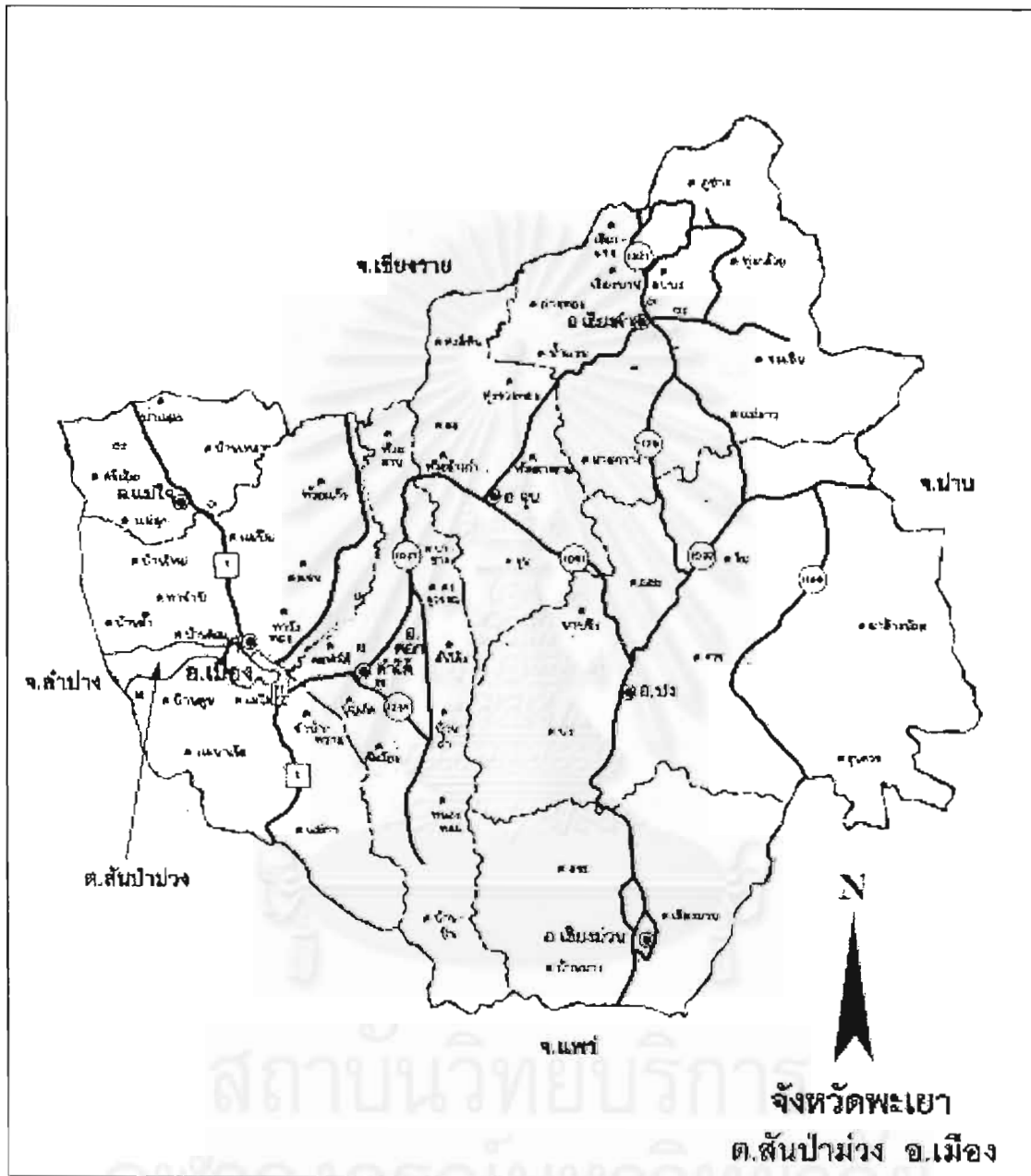
##### *Economy*

Phayao economy depends very much on agriculture. The main provincial income in 1997 was mainly derived from agriculture (24.80 % of the total income or 3,543.5 million Baht), wholesale and retail trades (19.43% or 2,765.9 million Baht), and services (19.14% or 2,725.8 million Baht).

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<sup>1</sup>. 100 Yen is equivalent to 30 Baht

Map 1: Tambon San Pa Moug,  
Muang District, Phayao Province



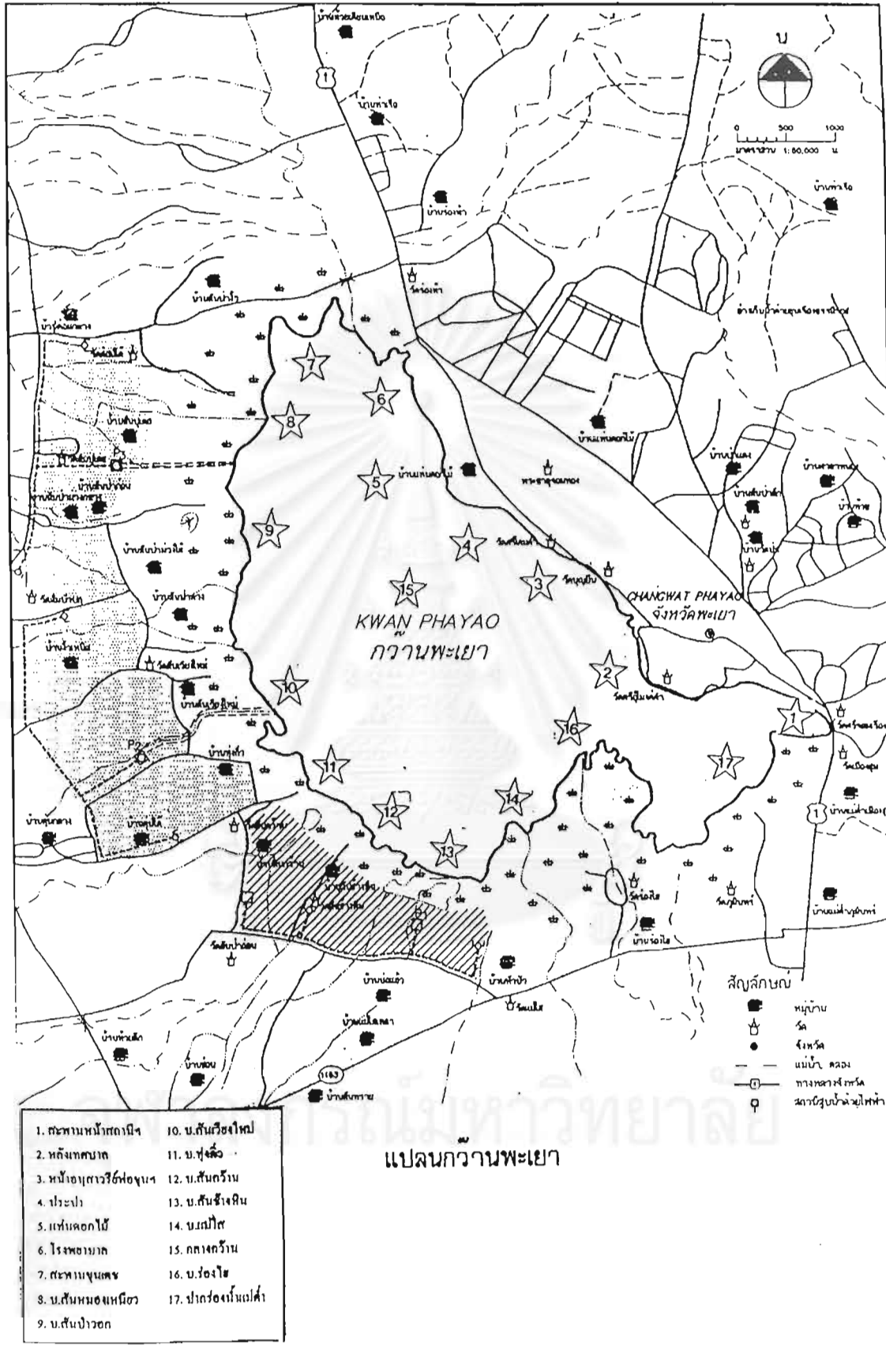
The agricultural land for rice production was 675,717 rai.<sup>1</sup> In 1999 the total rice yields were 386,492 tons. The average land holding per household was actually in a small piece of about 5-10 rai due to the limitation of the available agricultural land (27% of the total land of Phayao province). Other cash crops included maize (total area was 256,584 rai with the total yields of 181,668 tons), ginger (total area of 2,200 – 4,800 rai with 5,000 – 7,000 tons of yields), garlic, red onion, lychee and longan.

Animal raisings are in small-scale scattered around the province, mainly for local consumption. These are cattle, pig and poultry. Fishery is another main source of income for people in Phayao. The most fertile and largest pond is the well-known "Kwan Phayao" or Phayao Giant Pond. It is located in the city of Phayao with the total area of 12,831 rai. People living around the pond earn their extra income from fishing (see Map 2). In addition to the Kwan, Phayao also has a number of small and large rivers passing through the province. The main rivers are Mekong River, Ing River and Yom River which are the main sources of water supply for agriculture and fishery. Private fishing ponds have also been introduced since 1995 as another extra sources of income. It is estimated that in 1999 about 7,220 households operated their own private fishing ponds in the area of 5,798.9 rai. The total number of fishing ponds in the province are approximately 10,006 ponds. In 1999 the total of 54,676,500 Baht were generated from all kinds of fishery throughout the province.

Because most of the population are engaged in agricultural rice farming, the main industry is rice mill. In the village, most rice mills are small in scale lending their services to individual household in a small amount at a time. Usually, these mills are owned and operated by rather well-off farmers. The service is free of charge but the rice mill owners will keep the bran of which they will later use it to feed their rearing animals, i.e. pigs, chickens and ducks. Anyway, it is not unusual to find pig-raising operating along with the rice milling business. Large-scale rice mills will be found around the city of Phayao and other big districts. They are mainly commercial enterprises. The big rice mills buy rice from farmers in the area, mill it and then export it to Bangkok or other buying centers. The operators are mainly Chinese or Sino-Thai.

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<sup>1</sup>. One rai is equivalent to 0.2 acre.





Cottage industries, which can be categorized as small-scale industries and have been promoted as One Tambon One Product, are not uncommon. Weavings and handicrafts have long been the traditional household industries and well-known in the area. Woodcarving products and furniture can be found anywhere in the province, and some of them are exported to Bangkok and other provinces. More than half of the total areas are covered with forest and accordingly woods are easily found and sought.

Production of artificial flowers has been introduced from outside and become popular in many areas. Women and children are hired in their free time for doing such job. They earn some extra cash without having to leave their villages. Trainings are provided without charge by the community development workers through village women group. The course will actually take 2 weeks. Materials are bought from the provincial market. This is another product managed under the One Tambon One Product scheme aiming at promoting free time activities for village women and children to earn extra income.

The other main household industries which have recently been introduced into many villages around the Kwan Phayao is water hyacinth (Phak Top Java or Java weed) fiber products. The plants have been brought from Indonesia (Java) into the country during the reign of King Rama V. Later on, they are spread with high speed into other areas all over the country. Once grown, they are not at all easy to get rid of. Instead, it grows very fast and soon any pond will be covered by this plant. Recently, it has just been discovered that water hyacinth plants when become dried can be used to make handbags, baskets, dish plates, and various kinds of hand weaving products. At present, many villages, in particular Village No. 4 Ban San Pa Mung, around Kwan Phayao, has adopted such industries as activities under One Tambon One Product scheme. Their products are famous and are distributed to all over the country, and also exported to several foreign markets such as Japan and Europe. The project is well received and responded positively by villagers for two reasons:

1. to get rid of the weeds and clear Kwan Phayao to become a tourist attractive spot; and
2. to offer villagers an extra job to earn income as part-time career.

Nevertheless, the problem faced now is that there is not enough plants available from Kwan Phayao. They have to be imported from other villages either within or outside the province to make production viable throughout the whole year. As such the wider market is so required.

Tracing back, Phayao had a long history as far back as 1,069 B.C. It was an old kingdom with a related history with Sukhothai and Chaing Mai. Thus, many old temples (Wats) and historic archaeological sites have attracted a lot of tourists each year. With forest hills and waterfalls, Phayao has become popular and scenery attractive. Kwan Phayao is another tourist spot. Restaurants and eating places are scattered around the pond. Major income of the province is thus come from tourist industry. Phayao is considered to be a very potential province for the promotion of tourism for the northern part of the country.

#### 4.2 Muang District (see Map 3)

Amphoe Muang or Muang District comprises 13 Tambon with the total population of almost 100,000 (see Table 1).

Table 1: Number of Tambon, Population, Villages and Area

| Tambon            | Population |        |        | No. of Villages | Area (km <sup>2</sup> ) |
|-------------------|------------|--------|--------|-----------------|-------------------------|
|                   | Male       | Female | Total  |                 |                         |
| 1. Mae Sai        | 3,168      | 3,325  | 6,493  | 11              | 29.96                   |
| 2. Ban Tam        | 3,108      | 3,113  | 6,221  | 13              | 88.9                    |
| 3. Ban Tom        | 6,194      | 6,574  | 12,768 | 16              | 56.95                   |
| 4. Ban Sang       | -          | -      | -      | -               | -                       |
| 5. Tha Cham Pi    | 4,352      | 2,140  | 6,492  | 11              | 32.0                    |
| 6. Cham Pa Wai    | 4,277      | 4,313  | 8,590  | 13              | 163.0                   |
| 7. Mae Na Rua     | 4,308      | 4,360  | 8,668  | 17              | 117.73                  |
| 8. Tha Wang Thong | 7,172      | 6,600  | 13,772 | -               | 39.29                   |
| 9. Ban Tun        | 2,755      | 2,790  | 5,545  | 11              | 29.97                   |
| 10. Ban Mai       | 2,577      | 2,638  | 5,215  | 9               | 60.96                   |
| 11. Mae Ga        | 5,186      | 5,412  | 10,598 | 17              | 131.69                  |
| 12. San Pa Moug*  | 1,593      | 1,651  | 3,244  | 8               | 36.0                    |
| 13. Mae Pum       | 4,421      | 4,516  | 8,937  | 9               | 96.0                    |

Source: Report on Phayao: Social and Economic Conditions. Naresuan University, Phayao Campus, 2000.

#### 4.3 Tambon San Pa Moug

Tambon San Pa Moug is consisted of 8 villages with the total population of 2,696 (see Table 2)

Table 2: Number of Villages, Households and Population of Tambon San Pa Moug

| Village No. | Name                  | No. of Households | Population |
|-------------|-----------------------|-------------------|------------|
| 1           | Ban Pha Chang Mup     | 119               | 439        |
| 2           | Thung Ton Si          | 87                | 297        |
| 3           | Ban San Pu Loei       | 147               | 509        |
| 4           | Ban San Pa Moug Tai   | 97                | 352        |
| 5           | Ban San Pa Moug Nua   | 82                | 297        |
| 6           | Ban San Pa Bong       | 78                | 303        |
| 7           | Ban Mae Tom Nai       | 57                | 204        |
| 8           | Ban San Pa Moug Klang | 84                | 295        |
| Total       |                       | 751               | 2,696      |

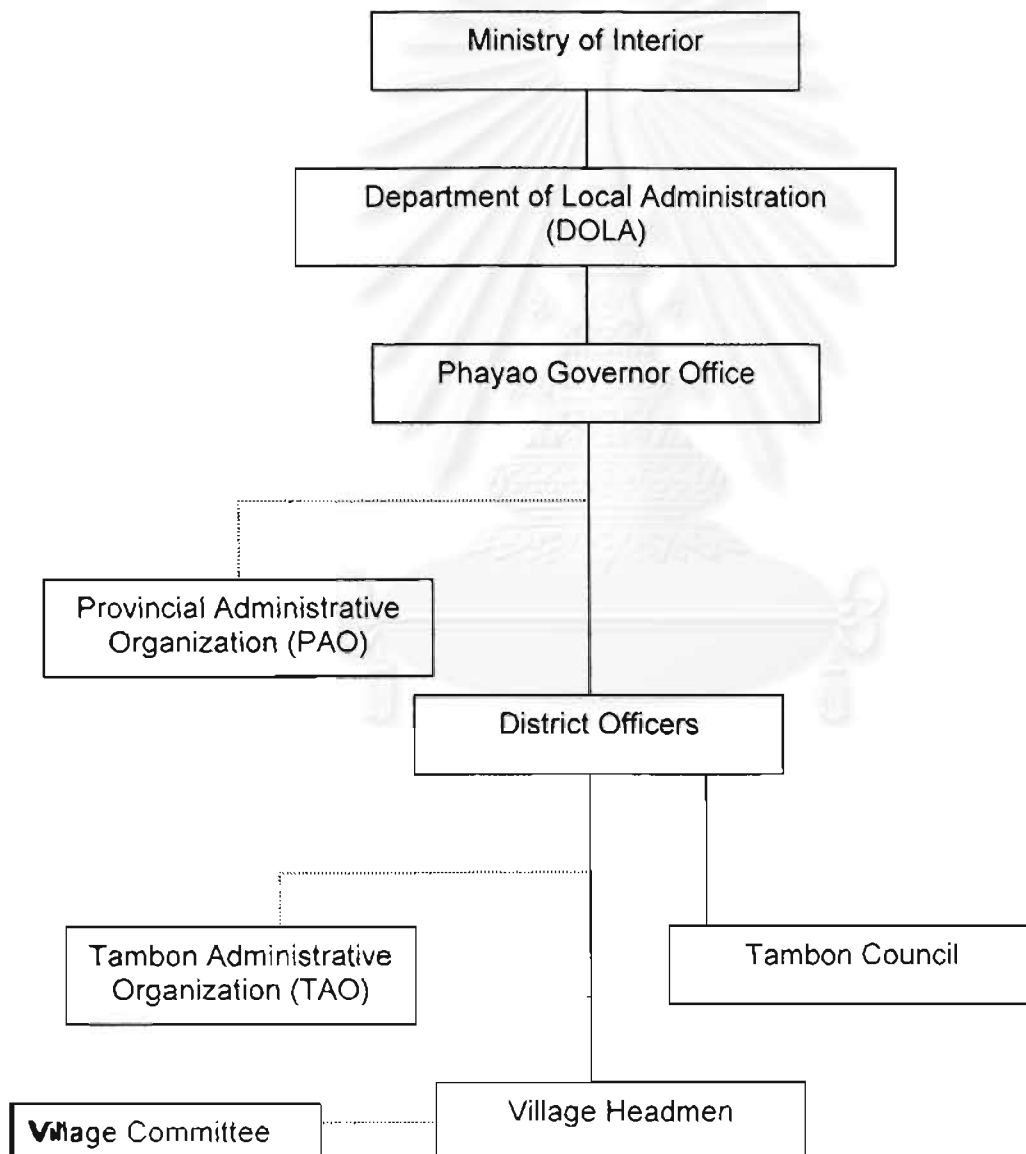
Source: Report on Phayao: Social and Economic Conditions. Naresuan University,



According to the new Decentralization Law, the former Tambon Council was elevated to be the Tambon Administrative Organization (TAO) in 1997 with 22 locally elected members. Of this total number, 7 are elected to form a Tambon Administrative Council. It must be noted that all villages affiliated with the Tambon are subject to the authority of TAO in all concerned activities.

A village is under the responsibility of a village headman (Phu Yai Ban) who is also elected within its administrative area. A number of appointed members --who are normally consisted of school teachers, village health officer, and other respected men and women --forms a Village Committee to assist village headman in general activities (see Chart 1 for Organization Chart).

Chart 1: Organization Chart of Phayao Local Government Administration



Most of the villagers are farmers (630 households) with the total rice farming area of 2,850 rai. The average yields of rice are 580 kilogrammes per rai. Other cash crops include soybean, mango, longan, and tamarind.

The major local cottage industry of the Tambon is that of water hyacinth fiber production such as handbags, baskets, and the likes. The total number of 150 households (19 % of the total households) involves in this industry. Average incomes generated from such products are 3,000 Baht per month per household. The industry is under the One Tambon One Product Project of the Tambon. The most well-known of such industry is that of Village No. 4 which is named after the Tambon, i.e. Ban San Pa Moug. Other similar local industries are also found in Villages Nos. 1, 4, 6 and 8. There are other three women groups involved in local small-scale enterprises in the Tambon --these are artificial flowers production in Villages Nos. 1, 2 and 7. All these activities are promoted locally by both local government officials and entrepreneurs.

#### 4.4 Ban San Pa Moug, Village No. 4

There are three Ban San Pa Moug in the Tambon, i.e. Ban San Pa Moug Tai (Village No. 4), Ban San Pa Moug Nua (Village No. 5) and Ban San Pa Moug Klang (Village No.8). The first two villages (No. 4, 5) had split up from the main original village, Ban San Pa Moug Klang (No.8), when the total number of population had increased and more lands were needed. Basically, this is not an unusual phenomenon in the process of traditional village settlement. When a village is over-populated or when more lands needed for rice farming were far-off from the main original village, people barely moved out to set up a new group of households not remote to their lands. This new land was later designated officially as an administrative village.<sup>1</sup>

Anyway, we need more information as to whether the three administrative villages can be considered altogether as a single community by the fact that villages within the three villages are still related to each other through kinship links. Administratively, however, each has its own village headman and a body of village organization responsible for its internal affairs and representing the village in its relationship with others outside the village. Such division becomes apparent when people talk about Village No. 4, they mean Ban San Pa Moug, Mu 4 as a separate organization from the other two Ban San Pa Moug.

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<sup>1</sup>. See further discussion on land reclamation and newly village resettlements in Kitahara (1996), pp. 54-59.

In the following description, Ban San Pa Mung refers to Village No. 4 with its own village leader and activities, excluding the other two villages.

Ban San Pa Mung is a medium size village with the total population of 379 as follows:

Table 3: Population by Age and Sex of Ban San Pa Mung

| Age     | Male | Female | Total | Per Cent |
|---------|------|--------|-------|----------|
| 0 – 4   | 4    | 9      | 13    | 3.43     |
| 5 – 12  | 15   | 20     | 35    | 9.26     |
| 13 – 14 | 6    | 9      | 15    | 3.95     |
| 15 – 44 | 80   | 84     | 164   | 43.3     |
| 45 – 59 | 43   | 37     | 80    | 21.1     |
| 60 –    | 29   | 43     | 72    | 18.99    |
| Total   | 177  | 202    | 379   | 100.0    |

Source: Village Survey by the Village Headman, 2000

The number of households is 101 comprising 111 families. Population can be further grouped by occupations as follows:

Table 4: Occupations of Ban San Pa Mung

| Occupations        | No. of Households |
|--------------------|-------------------|
| Farming            | 46                |
| Fishery            | 15                |
| Cottage Industries | 40                |
| Others             | 13                |

Source: Village Survey by the Village Headman, 2000

With the total area of 665 rai of agricultural land, villagers are mainly engaged in agricultural farming, noting rice, beans and other fruit trees. Fishing is a subsidiary occupation for villagers living along the banks of Kwan Phayao. Nonetheless, with the limitation of land and occupational opportunities, many villagers leave the village during the off-farm period to find jobs in Bangkok or other big cities to earn extra income. Under the leadership of village headman, a women group for water hyacinth fiber weaving was set up in 1997 under the assistance of several government agencies, particularly the Provincial Community Development Office and Office of Industrial Promotion of the province. Villagers earn subsidiary income at least 3,000 Baht a month more for one household. Other women groups are housewife voluntary group and clothes-making group. All these three women groups have been initiated and organized under the leadership of a village headman, Mrs. Phongsri Preechaphongmitr.



#### 4.4.1 Leadership

The success of various women groups and their activities in Ban San Pa Moung depends largely on the leadership role of the village headman, in this case village headwoman. Mrs. **Phongsri Preechaphongmitr** was born on 24 April 1959 in Ban San Pa Moung, the village of which she is now the head. She is now 42, and married to a local officer of the Office of Phayao Municipality with two children aged 21 and 14, respectively. She received her primary education at Ban San Pa Moung School and later her high school education (Mathayom Suksa 6) at the city of Phayao.

With a charismatic leadership personality, she went into Tambon politics and was elected a member of Tambon Administrative Organization of Tambon San Pa Moung in 1997. Equipped with good family and educational background, she became the village headman by election in 1998 and has been in the position ever since. She has obtained leading position both within and outside her community which can be listed as follows:

1. Member of Tambon Administrative Organization on May 11, 1997;
2. Village headman, Ban San Pa Moung Village No. 4, November 13, 1998 – present;
3. Chairman of Women Development Group of Tambon San Pa Moung, 2000 – present;
4. Member of Women Development Group of Muang District, Phayao in 2001;
5. Chairman of the Occupational Group Networks of Muang District, Phayao;
6. Chairman of Women's Water Hyacinth Fiber Production Group of Ban San Pa Moung, Village No. 4;
7. Chairman of Village Boy Scout in 1997 – present;
8. Member of the Under-privileged Fund Seeking Group of Tambon San Pa Moung;
9. Member of the Foundation of Elementary Education of San Pa Moung School;
10. Member of the Wat (Buddhist temple) Committee;
11. Secretary of the Steering Committee of Agricultural Products Selling Centre, Phayao Province;
12. Chairman of Village Welfare Centre, Ban San Pa Moung;
13. Chairman of Village Library, Ban San Pa Moung;
14. Member of Production and Distribution Centre of Women Cooperative Group; and
15. Member of the Steering Committee of Village Boy Scout of Muang District, Phayao Province, 1999 – present.

With all these positions, she has been extensively invited to participate in the training courses, workshops and seminars in Bangkok and other nearby provinces and the city of Phayao itself. Her experiences are far beyond those of any villagers in the Tambon. She secures crucial connections with high-ranking officials in the province as well as in Bangkok. In 2001, she was elected a representative of the top women leaders in the activities concerned with local government of Muang Phayao to compete with those from other provinces on the Women Day in Bangkok. She was very proud to show her picture taken with the Minister of Interior on that particular occasion.

In addition, the Women's Water Hyacinth Fiber Production Group of Ban San Pa Mung, founded and chaired by she herself, has also won the first prize in the women occupational group contest at the provincial level. The contest was organized by the Department of Community Development, Ministry of Interior which has supported the group all along since its establishment in 1997. Several other group activities held and supported by her had also won so many prizes. These are, for example, Best Village Health Centre of the Tambon San Pa Mung in 2000; Best Village Welfare Centre of the Muang District in 2000; and second prize for Best Ban San Pa Mung School Band under her support in Phayao in 2000, etc. All such activities have helped to promote Phayao province in general and Ban San Pa Mung in particular as a prominent and famous place for handicrafts and products of water hyacinth fiber. Indeed, the Thai Airways International Magazine, "Sawasdee", has devoted several pages for an article on productions of water hyacinth plant in Ban San Pa Mung, Phayao province, the credit of which must be given to her.

#### **4.4.2 Women's Roles in the Economy**

It is apparent that the Phu Yai Ban (village headman) of Ban San Pa Mung is a highly praised leader with charisma. She possesses all qualified personality as a leader and representative of the village in contacting with the outside people, i.e. government officials, either in Phayao or Bangkok, for all the village activities. Ban San Pa Mung is, by no means, a closed village. Villagers are exposed to the outside world through radio, TV and newspapers. It is situated just only 10 km. to the city of Phayao. Some villagers have been working in Bangkok and other cities. It is also through the headman that the village is connected to the outside.

In the Thai social and cultural context, the relationship between Phu Yai and Phu Noi (superior-inferior relationship) is the major type of social relationship. It is the relationship between those who possess higher status and those who are inferior.<sup>1</sup> Thai society is a hierarchical society characterized by unequal social relations between individuals of higher and lower status. In this case, the Phu Yai Ban occupies the top position in the village hierarchy. She is a Phu Yai (superior) and villagers are Phu Noi (inferior) or Luk Ban (children of the village). At the same time Phu Yai Ban is Phu Noi in her relationship with outside government officials, e.g. district officer, provincial governor and other high ranking officials.

The relation is reciprocal in that Phu Noi pays respect to Phu Yai and socially assists Phu Yai in activities as requested. Phu Yai, on the other hand, looks after the general well being of the Phu Noi, such as awarding the Phu Noi with appropriate position or money when they are due. Mrs. Phongsri, the Phu Yai Ban, through her wide experiences can communicate socially well --in terms of Phu Yai and Phu Noi relationship-- with high ranking government officials from outside. She can get things done as requested or instructed by officials. Above all, the accomplishment of village activities on several government projects under the responsibility of local officials would enhance their credit and also achievement of their duties.

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<sup>1</sup>. For further discussion on such relationship see Hanks (1962, 1975).



Government officials, in turn, prefer to work with and officially offer various projects and benefits to the Phu Yai Ban which makes the headman respectable in the eyes of villagers. As they says, "the Phu Yai are capable of working with government officials and thus financial as well as technical supports are easily handed down". The success of various village projects is made possible through such personal connections and cooperation. For clarification, the case of products of water hyacinth plant as part of the wider One Tambon One Product will be illustrated.

As the headman, Mrs. Phongsri found that there were housewives who were unemployed during the post-harvest season and were forced to leave the village to seek jobs in other area. At the same time, the provincial office wanted to clean the Kwan Phayao from the weed plants and thus make the Kwan to be more attractive site for tourism. They wanted to get rid of the water hyacinths to improve the scenery of the Kwan. Consequently, Mrs. Phongsri, with assistance from the provincial office, set up a Women's Water Hyacinth Fiber Production Group. The group had been technically trained to make baskets and the likes using hyacinth plant. With supports from various government agencies, namely: Provincial Community Development Office, Local Industrial Promotion Office, Provincial Agricultural Office and several others; Centre for the Promotion of Production and Distribution of Water Hyacinth Fiber Products, Ban San Pa Moung was set up in 1997 using Mrs. Phongsri's house as the office.<sup>1</sup>

A number of village housewives (10 members) had been appointed as a committee to be responsible for specific duty. Mrs. Phongsri acted as a chairman. The project went well and in 2000, the Centre took the initiatives and leading role in establishing the Association of Water Hyacinth Fiber Producers at the provincial level of Phayao province with supports from several government agencies. Every village and Tambon that produce hyacinth products are members of this Association.

Five main objectives of the Centre are as follows:

1. To set the quality standard of the water hyacinth fiber products;
2. To fix the standard prices;
3. To train members on technical and management knowledge;
4. To offer financial supports for the production of water hyacinth fiber products; and
5. To secure a certain amount of income for members throughout the year.

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1. Centre for the Promotion and Distribution of Water Hyacinth Fiber Products is situated at No. 30 Village No. 4, Tambon San Pa Moung, Muang District, Phayao Province. Tel. No. 054-458-633.

Each individual household is responsible for its own production process. The finished products will be sold to the Centre through which the products will then be exhibited and displayed in various exhibitions/fairs all year round throughout the country. At present, the Centre receives the orders and designs directly from within the country and abroad, such as Japan and Europe.<sup>1</sup> Five (5) Baht will be deducted from the price set for each product to be collected and included in the accumulation fund for the Centre. The initial fund was granted by the government in 1999 at the amount of 64,870 Baht. To date, the fund has accumulated up to 150,000 Baht.<sup>2</sup>

Nevertheless, the business does not run without problems. Problems faced by the Centre<sup>3</sup> are:

- (i) scarcity of raw material as the production has been expanded;
- (ii) high cost of production;
- (iii) limitation of the capital flow;
- (iv) products are affected with a mold fungus during the rainy season.

To overcome these problems, attempts have been made among local governmental agencies. It is agreed that another 50 rai of Kwan Phayao will be allocated for the growing of hyacinths in a wider scale. Importation of water hyacinths from other areas means the higher cost of production. An expansion of the existing market has to be locally and internationally sought, and production capacity has to be enhanced and developed through the provision of technical and skilful training courses. The more advanced production process and modern technology are to be introduced and implemented. The target is for the Center to be able to employ full-time the present number of 50 housewives members. Domestic demand of the products has to be fully promoted so that the enlargement of product supply is made possible.

To conclude, the role of women in the household and community has been recognized more remarkably. In the Thai context, women have been traditionally active in the economic domain. There is no barrier to prevent women from economic activity. Contrarily, women are always encouraged to take active role in the economy, whereas men have been more active in religious and political activities. Nonetheless, as the case of Mrs. Phongsri, women nowadays have also been involved in politics, though in a rather limited scale. In the family, the husband, however, still maintains his position as the head of the family. Anyway, the husband has to listen more to his wife's ideas and opinions. The husband, by no means, can make decision on matter concerning the welfare of the family even without the consent of his wife. The decentralization of power initiated by the government at all levels of social hierarchy has made the role of women in the household as well as in the community more pronounced.

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<sup>1</sup>. E-mail address is <[www.novica.com](http://www.novica.com)>

<sup>2</sup>. From interview with Mrs. Phongsri by phone call on May 2, 2002.

<sup>3</sup>. Kittiphun Khongsawatkiat (2002) has also pointed out these technical-economic problems in the "One Tambon, One Product" in the Northeast.

In education, women have gained access to higher level of education as men. Such the changing role of women constitutes an interesting ground for further investigation and analysis. This is in accordance with the national and global trends where gender has been a promisingly interesting area of studies. Women are active in all the OTOP activities in the village.

## 5. Theoretical Reappraisal

Anthropological debate in 1970's concerning Thai village studies was on whether a village, as an administrative unit, was also a community in the Redfieldian sense. Jeremy Kemp has convincingly asserted that the two units are different and do not necessarily coincide. A village, as a community, is merely the product of the expansion of authority of the central government in the process of state formation during the colonial period. Traditionally, there was no village communal land ownership. It was not land, but the control of people that power and authority was derived. Akin (1969) has shown cases of freemen and slaves who fed away from their Nai (master) into the jungle to set up a new village. Chayan (1993) has further suggested that we look at social relations involving around some specific activities. We then find that each activity involves a certain set of individuals or groups. Each set or group of people does have its own rules and norms specifically designed for specific purposes or activities.<sup>1</sup>

Certainly, there exists the overall acceptable rules, norms and values applicable to all members of the wider rural village society. People distinguish rules and norms influencing the relationship between kin, friends and acquaintances. Relationships within the activity-based group are definitely enforced by the rules and norms of the wider society. Adjustments of such rules and norms, however, have to be made from time to time within the group. Members choose as well as are chosen by others. Decision has to be made among alternative ends. The group will last as long as its members' agreement and responsibility are maintained. Leadership is crucial here. It is not unusual that the group dissolved when its leader ceases to function because of leader's inability or because members have lost their interests in the activity.

Instead of concentrating on a village either as an administrative or natural social unit, another anthropological concept on "social network" seems to be more applicable and promising in the study of Thai rural village social organization. Network is ego-centric and dyadic in the sense that it involves a pair of individuals. Each individual is related to other, and yet, other individuals and so on. Network is then unbounded. It may extend beyond the village boundary to include people from outside who, in a sense, also participates in the activity as the case in point.

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<sup>1</sup>. See also Charles Keyes' article (2002) on "Development in Northeastern Thailand" for the discussion of rational man and moral agency in determining people's action in the recent era of economic development in Northeast Thailand.

Take, for example, the case of the Centre for the Promotion of Production and Distribution of Water Hyacinth Fiber Production, the Phu Yai Ban, Mrs. Pongsri's network covers the whole members of the Centre. But her network extends further to include government officials outside the village. In other words, she has a wider network far beyond anybody else in the village. Her connections with high ranking government officials offer her some kind of power in the eyes of her fellow villagers. On the other hand, the supports render to her from her personal networks in the village, created around the water hyacinth fiber production activity, provides her with a readymade village grouping --a group which the government officials try to look for in order that the One Tambon One Product can be promoted and implemented as part of their duties.

Network analysis considers an individual as a rational profit-seeking human being.<sup>1</sup> Self-interest then draws people together in order that the benefits will be enlarged. Thai people are as much pragmatic and profit seeking as any other people in other societies. They join the group to enhance their material gains. Nonetheless, they do so under some cultural constraints imposed on them by the society. Thus, their profit seeking is not merely a matter of individual gain but also a cultural bound interest. Social network and profit seeking is not cultural free. It is governed by rules and norms of the society. To what extent that profit seeking of individual is considered selfish or cultural proper, rational or irrational, is a matter for further investigation. It is within such theoretical considerations and framework that the study of SMEs, particularly on that of One Tambon One Product as a profit seeking organization, should be located in and therefore is the most promising. At present, my information does not allow me to go further. Fieldwork is further required to test the assumption and to make the study socially and culturally more meaningful. A study of One Tambon One Product will be fruitful if it is put in a social and cultural context. Why one village fails while the other is successful is an economic and technical question as much as a social and cultural question. Both have to be taken into account simultaneously and concomitantly.




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1. Wilk (1996) offers a full discussion on three aspects of human beings: social, cultural and the individual.

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