

A study of the benefits and barriers of Thai SMEs with BOT
policy supporting SMEs

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การศึกษาประโยชน์และอุปสรรคของ SME ในประเทศไทยต่อนโยบายของธนาคารแห่ง
ประเทศไทย



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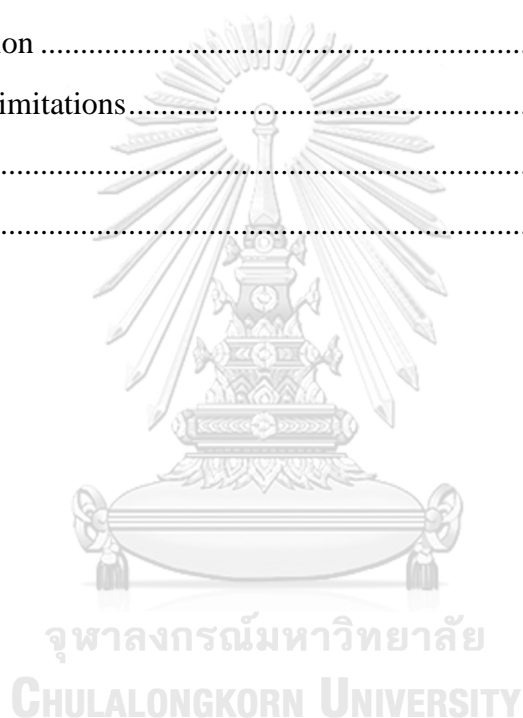
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Chapter 1

Introduction

It is undeniable that nowadays the small and medium-sized enterprises (SMEs) are the main type of national enterprise and over countries in every levels of development. They play avital role in both entrepreneurial and economic activities by creating jobs – they employ around 60 to 70 per cent of workers in most countries. (WTO Report, 2016). The increase in the number of SMEs venturing in the international economic growth over the past years was remarkable despite varieties across the world economies. According to Ayyagri, Beck and Demirguc-Kunt (2007), SMEs comprise almost 60 per cent of manufacturing employment. This might be assumed that they are a significant source of economic activity as well as significant contributors to a dynamic private sector, both in the advanced and emerging market economies. As SMEs are a key contributor to the economic progress of many countries, Thailand is one of those countries where SMEs take an essential part in the economic expansion of the country.

While SMEs become the important part of economy in every country, accessing to financial resource is considered to be one of the most obstacles for them (Hughes, 2009). According to Beck and Demirguc-Kunt (2006), the financing of SMEs has been a subject of great interest to many researchers as well as policymakers since providing the financial resource for SMEs is considered to be a great obstacle compared with large firms, in financial institute's view (Valverde, Fernandez & Udell, 2009). Therefore, in many countries, small and medium firms face considerable difficulties in accessing bank financing. It is a hard work for small and medium enterprises to be able to invest in new innovations for increasing their competitive potential without bank financing.

Since SMEs have been certainly important to Thai economy, it is then necessary to support their resilience and steady providing financial support is one way to significantly increase their resilience. Thus, to know the actual reasons why Thai SMEs slowly access financial resources from financial institutes is very important and expresses some interesting issues in the meantime. Then the objective of this study is to investigate the perspectives of Thai SMEs toward Bank of Thailand (BOT) policies on supporting Thai SMEs to find out what are the benefits and obstacles of Thai SMEs

in accessing financial support from BOT or any financial institutes and to analyze the factors affecting policy adoption among Thai SMEs. The results of this study could be used in the development of proposed practical framework to illustrate how policy implementation should be carried out from a strategic perspective. Furthermore, not only financial institutes but also the policymakers could apply this information to develop their policies for encouraging more Thai SMEs to fully access financial resources and to adjust the policies to be more practical for Thai SMEs which is the target group of the policies.



CHAPTER 2

RELATED LITERATURE

SMEs

The definition of SMEs varies across the world based on diverse economic circumstances or fiscal realities. For some institutions, the amount of employee is more significant while the turnover of enterprises has more importance for some. This makes the definition of SMEs is varied. World Bank defines SMEs based on the number of employees. According to the Organization for Economic Co-operation and Development (OECD), an SME is an enterprise employing less than 250 employees. In the US an SME is defined as a firm with less than 500 employees. Besides, the European Union (EU) clearly provides explanation by categorizing a small-sized enterprise as a firm with less than 50 employees and a medium-sized enterprise as one with less than 250 employees. In the United States, the Small Business Administration (SBA) characterized small businesses relying on several components which are ownership structure, amount of employees, earning and business industry. In Southeast Asia, the definition varies across countries. For instance, the Ministry of Trade and Industry of Singapore declared SME as a company which has an annual sales turnover under S\$100 million, or the number of its worker is less than 200. In Thailand, an official definition of SMEs which is offered by the Ministry of Industry, characterizes by the total number of employees which is less than 200 and total fixed assets value (excluding land) must be under 200 million baht. Moreover, the Department of Industrial Promotion divided SMEs into three different categories; (i) SMEs involved with production and manufacturing including agricultural processing and mining (ii) service business (iii) trading sector including retail and wholesale. Ministry of Industry is responsible for the first two sectors SMEs while the Ministry of Commerce is responsible for SMEs in trading sector. Thus, it could be stated that the standard and official definition of SMEs does not really exist.

SMEs and Economic Expansion

SMEs play a vital role in economic development since they make up most of business and employ the majority of workers in both manufacturing and services sectors (McKay

and Marshall 2004). Regard to the World Trade Organization, SMEs account over 90 per cent of the enterprise population and take most parts of GDP in developed countries. According to OECD research, SMEs are accounted for approximately 99 per cent of all companies. They provide the principal source of employment, accounting for around 70 per cent of jobs provided on average, and also are major contributors to value creation, generating between 50 per cent and 60 per cent of value added on average (OECD, 2016). In emerging economies, SMEs contribute up to 45 per cent of total employment and 33 per cent of GDP as well as cater mostly to their domestic market and their contribution to GDP (WTO 2013). Furthermore, SMEs generate to over 50 per cent of employment and GDP in major areas irrespective of income levels when taking the contribution of informal businesses into account (IFC, 2010). In addition, developing SMEs not only increase the diversification but also the resilience of economy. This is especially relevant for the countries with rich-resources then it would be particularly unstable to commodity price fluctuations.

SMEs and Financial Barrier

There are several researches which studied the challenges faced by SMEs and several literatures provide diversified reasons behind the SMEs' limitation on accessing to bank loans. According to an OECD-APEC study (2006) stated that both policymakers and SMEs defined the shortage of working capital to finance exports is one of obstacles as critical impediments to international markets. The research conducted by the APEC Policy Support Unit (2010) noted that barriers differ relying on SME experiences; however, financial access is one of the barriers for SMEs. Furthermore, Piette and Zachary (2015) stated that the banks' perception on SMEs seemed a higher risk during crises, which their credit conditions became tighter. This, nevertheless, resembled that the tighter credit conditions mainly less affected to SMEs which were a part the existing corporate clientele before crisis. In addition, the study by Lee, Sameen, and Cowling (2015) showed that SMEs in innovative sector struggled on accessing finance during crises more than others. Their study showed that it was harder to access financing for all SMEs during economic crisis; however, the innovative firms experienced relatively worse and were specifically to completely encounter credit rationing. In Thailand, the

last sectoral SMEs survey by the National Economic and Social Development Board finds that problems in technological uses, administration and finance are significant barriers for Thai SMEs growth (NESDB Survey 2004). As financial development eases financial constraints on all kinds of enterprise and allows them to grow, the Boston Consulting Group (2004) proposed that supporting infrastructures and policies by government would best aid SMEs to solve their financial crisis.

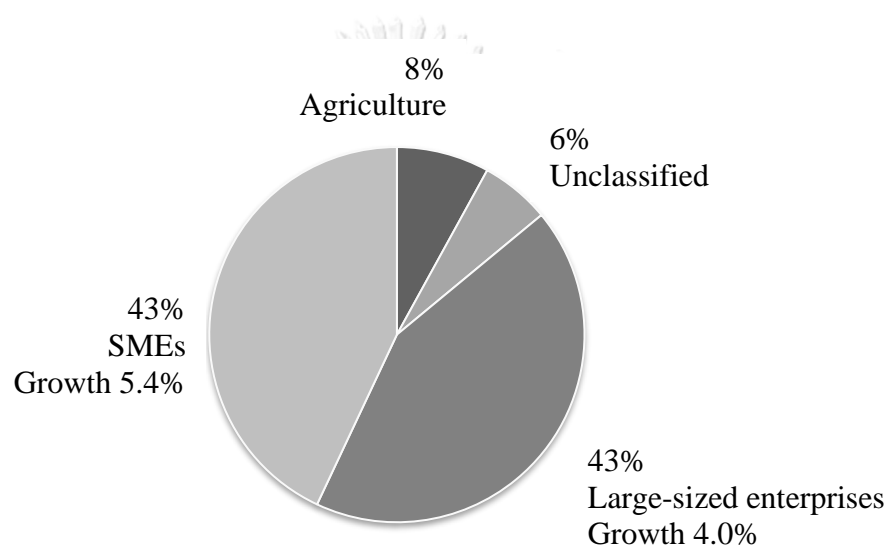
SMEs and Thai economy

Thailand is called as upper middle-income country which acts as a supporter for other economies in the region and has the large economic share among ASEAN countries (APEC, 2016). As small and medium-sized enterprises (SMEs) are vital generators or called as backbone to economic activities and employment across the globe, and Thailand is included. The Office of Small and Medium Enterprises Promotion (OSMEP) indicated that SMEs represented most firms and employed the vast proportion of the domestic workforce. According to Department of Business Development, Ministry of Commerce (2019), there were roughly 3 million firms classified as SMEs in Thailand which accounted 99.8 per cent of all firms. Besides, SMEs also generated for approximately 14 million jobs, or 86 per cent of employment rate throughout country.

In terms of the number of employments, the OSMEP (2018) reported that SMEs generated job to 14 million, which counted at 86 per cent of the total employment in country. By comparing to last year, the employment rate of SMEs grew by 4.7 per cent. The employment rate was seriously concentrated in the services sector accounted 43 per cent, while the least concentration of SME employment was the agriculture business sector accounted only 1 per cent. For trading sector and the services business, the growth proportion among them was not large different, whereas SME employment rate in services sector was slightly bigger than the Rate of trading business sector. This information might use for adapting in policy establishment process to the policymakers when carefully determining about implementing policies supporting SMEs since it might have an effect on income distributed among business sectors as well as employment rates throughout different business sectors.

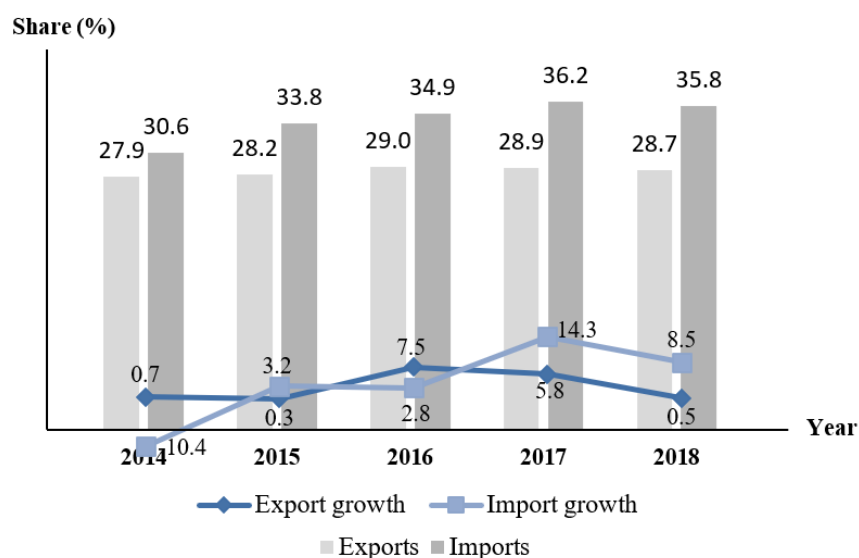
As earlier stated, the SMEs is the backbone of economic growth in many countries including Thailand. When studying in-depth details of Thai SMEs' proportions in national GDP found, the OSMEP report found that SMEs had shared the most composition of Thailand's GDP in 2018 accounted 43 per cent with 5.4 per cent of growth rate. The large-sized enterprises were the second top group accounted 43 per cent with 4 per cent of growth rate. The agriculture sector and the other unclassified sector are the minority of the national GDP respectively as figure 1.

Figure 1: Composition of Thailand's GDP by enterprise size, 2018 (B trillion)



Another aspect of relationship between SMEs and economic growth is the proportion of SMEs in export and import GDP. According to the OSMEP report in 2019, the share of Thai SMEs in exports and imports, and expansion rates slightly declined last year comparative to 2017 as figure 2.

Figure 2: Share of Thai SMEs in exports/imports and expansion rates, 2014-2018



Source: Adapted from the OSMEP (2019)

Government Measures for SMEs in Thailand

The World Bank is another powerful influencer in forming Thailand's SME policy, which specifically includes this sector under its private sector promotional program around the world (World Bank, n.d.). Thai government has started defining SMEs as an additional mechanism for economic recovery and sustainable growth after economic crisis in 1997 which many large-sized companies in Thailand were overwhelmed with huge foreign debts and high Non-Performing Loan (NPLs) as well. In 2001, the government established the Office of Small and Medium Enterprises Promotion (OSMEP) for promoting and evaluating Thai SMEs which is an independent governmental agency, taking responsibilities on being a focal point of planning all involved strategic plans and policies as well as coordinating with all related sectors of SMEs development in every level. The OSMEP had established the five-year SME promotion masterplans since 2002. The masterplan is created to mainly manifest the current economic situation of each period and provide SMEs' readiness for current and coming opportunities and future changes. In addition, the SMEs Bank was established a year later as a financial institution which specially acted in supporting both existing SMEs and newcomers in term of finance.

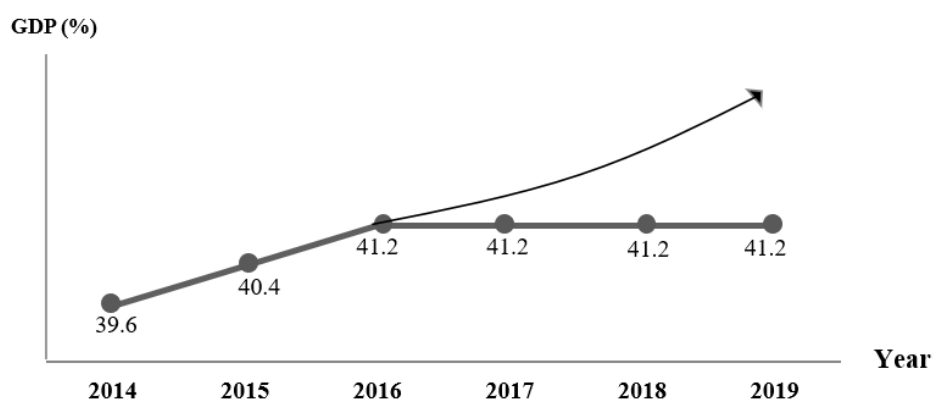
The OSMEP divided Thai SMEs into two groups which are the competitive and inclusive growth. The first group, competitive growth, refers to innovative SMEs, tech startup and creative SMEs which are high growth firm and high value added. This group will be mechanism of increasing national economic growth and creating sustainable economic expansion i.e., job creation and qualified investment. The latter group, inclusive growth, refers to micro and community enterprises. Supporting SMEs in this group will distribute income and reduce economic inequality.

The ASEAN Report (2017) stated that Thai government launched “Thailand 4.0” scheme to encourage, elevate and support public and private sector specifically micro, small and medium enterprises (MSMEs) including entrepreneurs. The objectives of this scheme are to adopt and apply more innovative and technological tools to increase business’ potential and competitiveness. With Thailand 4.0 scheme, the policymakers aimed to improve Thai MSMEs to become ‘innovation-driven MSMEs’. This scheme was clearly measure by the indicators such as initiating creative and innovative models for business, supporting digital adoption with useful information from research and development (R&D) provided. In addition, the government would like to increase MSME’s participation in the international market. Consequently, the government primary focused on SMEs promotion strategy for improving technology, digital models, and innovative.

Nowadays, the government takes more and deeper focus on SMEs with medium-long term plans for supporting this business group. The fourth SME promotion masterplan during 2017–2021 highlighted the importance of SMEs as a competitive growth mechanism and an inclusive growth engine. Furthermore, the masterplan’s objective is to increase GDP contributed by small and medium firms to accomplish around 50 per cent of the total national GDP by the end of 2021. The goals of this plan are to ease financial access for SMEs, raise the existing SMEs’ competitiveness as called ‘Smart SME’. Besides, this masterplan also provides assistances to new SMEs specifically SMEs in innovative sector i.e., tech start-ups and creative start-ups in order to make this business sector becomes high-value start-ups. Relied on this vision, the OSMEP starts developing three strategies which are namely (i) issue-based development and support programs for SMEs, (ii) business or industry-specific competitiveness

enhancement, and (ii) the development of systematic growth-driven mechanisms for SMEs. According to the OSMEP, Thai GDP stably increase at 3.5 per cent per year and SME GDP remains at 41.2 per cent. The 2017-2021 SMEs promotion masterplan is principally focused on increasing SME GDP to over 50 per cent as figure3.

Figure 3: The forecast SMEs GDP proportion to national GDP in 2014–2021 regarding the OSMEP’s SMEs promotion masterplan



Impact of COVID-19 pandemic to SMEs in Thailand

This contagion becomes the largest unprecedented public health crisis throughout the world in decades and it causes calamitous effects to the global economy. The Office of National Higher Education Science Research and Innovation Policy Council (NXPO) stated that the initial results of a survey collecting information about the effects of COVID-19 for SMEs in Thailand. The survey was launched online, and the respondents were 100 SMEs across the country and throughout all industries. Most respondents indicated that their income sharply decreased over 50 per cent and had to lay off their employees to continue their businesses. The challenges which these respondents are encountering are order cancelling, sales reducing, lack of working capital, shortage of some raw materials due to inability of importing affected by the COVID-19. The survey found that there were three aspects of support which Thai SMEs would like the policymakers provide for them, as identified the following: (i) Financial support: bank loans, funds and tax cut especially on import tax for raw materials and

machineries, and corporate tax (ii) New market access (iii) Digital and technological support: new technological tools to increase competitiveness; business operation consultant, production and services; and infrastructure.

Policy priorities under COVID-19

Both SMEs and large-sized companies are encountering disruptions in global value chains during the pandemic of coronavirus disease, COVID-19. However, SMEs are referred as the most vulnerable since they are relatively less financial liquidity and more labor-intensive. Small firms are finding it more complicated than ever to take participation in the value chains. Some SMEs are attempting to continue or maintain in GVCs even though it is improbable that small firms are able to be completely receive benefits from their participation under the current economic situation. According to Krung Thai Bank (2020), there were around 1.33 million of SMEs in Thailand, counted as 44 per cent of the GDP contributed by SMEs. All small companies were affected by COVID-19 and approximately 4 million employees were risky to lose their jobs. If the economic situation kept being protracted until the end of the year, SMEs' revenue was forecasted to dramatically decrease more than \$110 million, especially in the services business and tourism industry. Thus, policies supporting SMEs priority should be listed as primary priority during the current economic crisis because immediately supporting and sustaining SMEs meant supporting domestic economy. The policies which should be implemented were stimulus and relief business packages. Nonetheless, short-term assistance was an important measure should be provided to SMEs and the short-term assistance should not obstruct the government from continuously providing prompt support to SMEs to participate in global value chains after the economic recovery domestically and worldwide. Regarding Asian Development Bank Institute (2020), the government could issue measures empowering SMEs through diversified policy tools i.e., by enhancing the digital competencies of SMEs, increasing more flexibility of financial access to commercial bank credit, providing corporate tax incentives, and offering high-quality services supporting business. With these infrastructures and capacity building of enhancing SMEs' productivity and financial liquidity, the small and medium sized firms would be able to engage in the value chains and had more

ability to recover from future crisis. Besides, the policymakers might consider preparing a tool for SMEs and all involved organizations to collaborate in developing a national strategy for recovering post-pandemic economy and establishing measures to deal with the possible risk of new disruptions in the future.

Furthermore, the OSMEP established some measures and policies to support and promote SMEs. These measures and policies covered almost all sides in order to enhance SMEs' competencies and development such as financing, digital and technology, marketing, innovation, manufacturing, human resource management, and laws and tax adjustment. Some financial policies issued to support BOT policies Financial Policies which currently implemented by public sector. In addition, the OSMEP found that the current financial policies which mainly focused on loan extension through commercial banks had not completely met the needs in financing of SMEs. Another policy was fund mobilization via security market including mutual funds establishment for supporting SMEs and micro firms. Furthermore, the OSMEP had established SMEs advisory center for specifically providing assistance to SMEs in Thailand.

BOT Roles in Supporting Thai SMEs

With financial sector masterplan, the BOT currently acts in supporting SMEs are on restructuring the Thai financial institutions to provide them more financial access in the medium and long terms. In addition, the BOT also aims to assist providing direct financial access to SMEs via financial institutions. The masterplan is mainly proposed to extend general access to financial services and to raise efficiency of financial sectors which directly and indirectly support credit access among SMEs.

The BOT first issued the SMEs financial assistance program in 2000. The program aims to broaden working capital for SMEs with low interest rate loans via Specialized Financial Institutions (SFIs) and commercial banks.

BOT Measures Supporting SMEs

According to the BOT Press Release No. 20/2020, BOT has closely cooperated with the Ministry of Finance to develop and implement policies to lower the impact from the

uncertainty of the global pandemic outbreak of COVID-19 on household and business levels. As the COVID-19 outbreak is longer than previously thought, the additional measures to alleviate the effects of this economic crisis for business sectors especially SMEs are necessities because this business group is the mainstay of the Thai economy and plays an important role in labor market as a primary generator of employment. Consequently, it is essential to keep SMEs floating during this crisis of pandemic outbreak for successful recovering economic situation in a country.

Measure 1: A 6-month loan payment holiday for SMEs with a credit line not exceeding 100 million baht, to increase SMEs liquidity as much-needed

As SMEs seem to be at risk of shutting down because their liquidity is low due to less consumer spending, this measure allows SMEs to postpone their debt payment which aims to assist SMEs by providing a payment holiday of 6 months. SMEs with line of credit with any financial institutions below 100 million baht are able to apply to this financial policy and will be automatically qualified to break payments of interest rates and principle of a loan during the defined period. In addition, pausing payment regarding this policy will not be counted as a missed payment. That means the payment holiday will not be affected the credit record. With this payment holiday policy, the BOT expects that SMEs will have more liquidity due to having more cash on hand to continue their businesses as well as support their necessary expense such as wages. Moreover, the BOT also momentarily relieves liquidity-related the policy in order to encourage commercial banks to serve more liquidity to borrowers. The BOT has lessened its conditions for restructuring debt, providing SMEs more opportunity of debt repayments to be in line with SME's future revenue.

Measure 2: Soft loans for supporting liquidity of SMEs whose credit line not under 500 million baht, with an interest rate of 2 per cent per annum and free of interest for the first 6 months

The BOT will provide soft loans of 500 billion baht to commercial banks at 0.01% interest rate per annum to financial institutions for 2 years. Then small and medium firms can borrow those commercial banks at an interest rate of 2 per cent per annum. Although, the eligible SMEs have to meet the following requirements under this measure; (i) domestic operation, (ii) are not listed in the Stock Exchange of Thailand

or the Market for Alternative Investment (MAI), (iii) credit line not exceeding 500 million baht, and (iv) have a normal status of loan performing repayment with or unpaid debts of not exceeding 90 days (non-NPL) as of the end of 2019. The ceiling amount of withdrawing the soft loan is 20 per cent of the outstanding balance as of 31 December 2019. The SMEs which interested in this policy can register for soft loan at commercial banks they.

Measure 3: Restructuring debts

The coronavirus has changed the global economy in profound ways. The businesses which are adaptable to new conditions and flexible to unpredictable situations in formerly reliable sources of revenue will survive. This measure objective is assisting to adjust finance of the small and medium businesses. The BOT then has relaxed its conditions for debt restructuring, offering SMEs the opportunity to repay their debt due to future incomes of their companies.

In the beginning of 2020, the BOT lessen conditions and rules to encourage financial institutions to take charge of SMEs preemptive debt restructuring especially for SMEs with loans are not yet in default, but they have been proved as in trouble making debt repayment status. For SMEs whose debt has defaulted already, the new rules assure that reserve funds for them will not preclude debt restructuring. Moreover, this measure consists of mechanism for debt relief; for example, prolonging installment periods, decreasing interest rates, raising working capital and transforming debt into low interest rate long-term loans.

CHAPTER 3

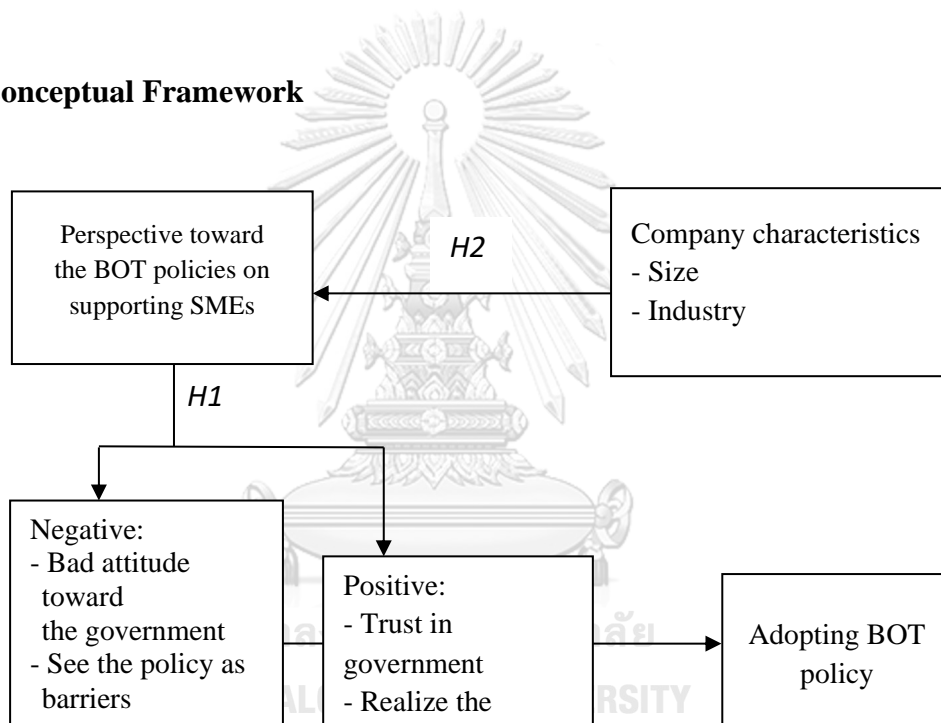
DATA AND METHODOLOGY

3.1 Hypotheses

H1: SMEs in Thailand realize on the benefit of BOT policy which has an important role to expand their businesses

H2: SMEs in different size/industry in Thailand realize the benefit of BOT policy at the different levels

3.2 Conceptual Framework



As explained earlier, the study aims to identify and classify the perspectives of Thai SMEs toward BOT policy on supporting SMEs. The above conceptual framework of this study is divided into two sides related to the hypotheses of the study. The left side is to find out the answer of *H1: SMEs in Thailand realize on the benefit of BOT policy which has an important role to expand their businesses* which could be either negative or positive, but both could have an effect to e-commerce adoption policies. Another side is to answer *H2: SME in different size/industry in Thailand realize on the benefit of BOT policy at the different levels*. There are three main factors which can significantly impact the decision of policies on BOT policy implementation. Company

characteristics of business size and industry are important to be concerned as well as the internal factors of the company such as IT department readiness, cost/value added, and its employee skills. Finally, it will show That SMEs perspectives towards the policy supporting SMEs from BOT and the reasons behind those points.

3.3 Methodology

In-depth interview is the research methodology of this study. The study will use primary data collected via an interview to measure attitude by measuring the extent to which they agree or disagree with giving the reasons supporting their answers to a particular question or statement. The participants were selected by snowball and convenience sampling interview base on the database from two public agencies which are the Office of Small and Medium Enterprises Promotion and Department of Business Development.

The 10 participants come from various industries with different age of owner and company. Each participant held the title of assistant to owner or the owner. The in-dept interview were mainly conducted by phone and collected some further details via email in some points from some participants in February and March 2021. Each interview took approximately around 20 minutes and the thematic questions were asked of each participant to gain the information and generate further discussion as follows;

1. What are the resources of fund to launch the business?
2. What are the specific factors affecting decision of choosing financial institutions?
3. What are SMEs' perspectives toward the previous financial policies?
4. What should BOT further issue to support SMEs?

The collected data will be firstly classified into company characteristics including company size and industry. Then the data will be analyzed into three groups based on participants' perspective which are positive, neutral, and negative toward BOT policy. With data collected from in-depth interview, the researcher will classify the data into the table to see the comparison between the companies which think the policies are beneficial to SMEs and ones which do not see the common and different points for further discussion and analysis.

CHAPTER 4

RESULT AND ANALYSIS

4.1 Demographic characteristics

The demographic characteristic of participants is classified into owner and company part as follows;

Table 1: Characteristic of owners

Characteristic of owners	Frequency
<u>Owner age</u>	
25 – 35 years old	5
>35 years old	5
<u>Gender</u>	
Male	5
Female	5
<u>Education</u>	
Diploma	3
Bachelor's Degree	5
Master's Degree	2

Table 2: Characteristic of companies

Characteristic of companies	Frequency
<u>Employees</u>	
<15	4
<25	4
<50	2
<u>Company age</u>	
1-10 years	6
11 - 25 years	4
<u>Registered capital</u>	
≤1 THB mil	5
≤5 THB mil	2
≤ 10 THB mil	3

<u>Business sectors</u>	
Vehicles/automotive	2
Restaurant	2
Medical products and devices	2
Accommodation	1
Computer and electronics	2
Catering	1

The number of employees is divided regarding the SMEs classification defined by Ministry of Industry. The rest of demographic characteristics are divided based on participant's information in the study.

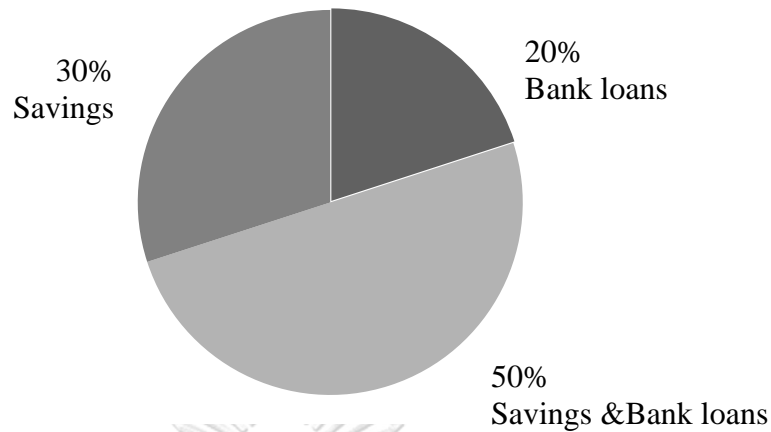
4.2 Perspectives

After asking the 4 thematic questions to generate further discussion for gaining perspectives toward financial access from financial institutions and policies supporting SMEs, the answers can be grouped into 4 points regarding the questions as follows;

Question 1: what are the sources of fund to start the business?

After looking in deeper details, the answers to the funding source question can be categorized into three groups. The majority proportion, using savings and bank loans, shares some owner and company characteristics i.e., educational level, up to 15 employees, and registered capital not exceeding 1 million baht. The minority proportion which uses only bank loans as source of fund when starting business shares some owner and company characteristics i.e., doing business more than 20 years, having more than 20 employees, and 10 million baht. For the 30% of participants who using only savings, the owner and company characteristics are varied. In addition, the participants who used only savings when starting business explain more details about their funding source that they also used bank loans for expanding their businesses later. Thus, all participants have experience in borrowing cash from financial institutions.

Figure 4: The funding sources participants used for starting their businesses



When comparing the participants' demographic characteristics and their funding sources, the data showed that only the participants using savings and loans significantly shared some common characteristics such as the number of employees, company age, registered capital, and owner's educational level. For the participants who used only savings for starting business, the characteristics are varied. For the minor group who used only bank loans when starting business, the participants in this group also had some common characteristics such as company age, registered capital and business sector.

Table 3: The participants' common demographic characteristics regarding their source of fund

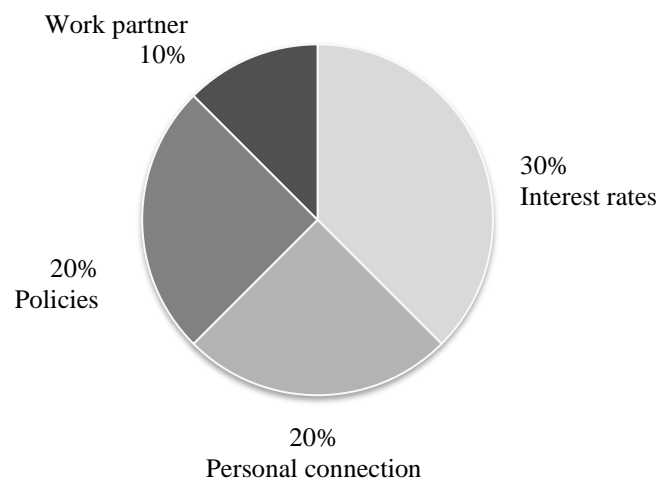
Characteristics	Sources of fund		
	Savings & Loans	Savings	Loans
<u>Employees</u>			
<15	/	/	
<25		/	/
<50		/	/
<u>Company age</u>			
1-10 years	/	/	
11 - 25 years		/	/

Characteristics	Sources of fund		
	Savings & Loans	Savings	Loans
<u>Registered capital</u>			
≤1 THB mil	/	/	
<5 THB mil			
5 - 10 THB mil		/	/
<u>Owner's educational level</u>			
Diploma		/	/
Bachelor's	/	/	
Master's		/	/
<u>Business sectors</u>			
Vehicles/automotive	/		/
Restaurant	/	/	
Medical products and devices	/	/	
Accommodation			/
Computer and electronics		/	
Catering	/		

Question 2: What are the specific factors affecting decision of choosing financial institutions?

As the first question shows that all interviewees have experience in borrowing cash from financial institutions, the further discussion then can be generated to gain information about bank selection influencing factors.

Figure 5: The factor affecting decision of choosing financial institutions



The interest rates are the most concerning factor for selecting commercial banks or financial institutions. There are 30 per cent of interviewees mentioned that they would firstly compare the interest rates between financial institutions. The other factors do not affect to decision of selecting financial institutions.

Personal connection, financial policies supporting SMEs, and services are mentioned factors which equally counted at 20 per cent for each. The participants also clarified that interest rates are important, but they valued the ease of documentary processes over the interest rates. Saving time and less complicated dealing with banking processes are their preference. Then selecting the financial institutions which serve better services is the first thing to focus for these participants.

As above mentioned, some participants made decision on the financial policies supporting SMEs. When asking them to clarify or define the policies, the answers can be categorized into two groups. The first group is the policies directly issued by BOT. Another one group is the policies cooperated with private sector in specific industry to support SMEs in that industry; for example, financial program which together developed by KBank and Grab Food for supporting SMEs involve with food delivery.

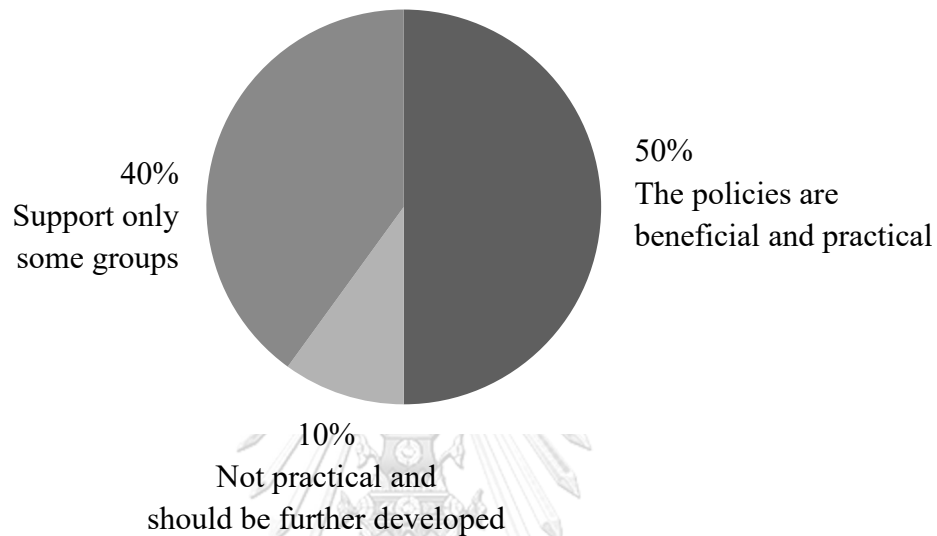
Only one participant, 10 per cent, selected the financial institution due to work partner. This participant explained that there is only one choice then it could be stated that this participant could not select other financial institutions. In addition, this participant gave more additional explanations that the interest rates and bank's requirements would be the primary factors affecting bank selection, without work partner condition. Thus, the interest rates are the most important factor as expected but the other factors which are unexpected also important as well.

Question 3: What are SMEs' perspectives toward the previous financial policies?

The first two questions were discussed for eliciting to the third question. This question was asked to see whether how much they knew the financial policies supporting SMEs or not. Furthermore, this question would lead to further discussion on interviewees' perspectives toward the policies.

The answers showed that the majority of interviewees knew the policies and recognized the policies as beneficial tools supporting their businesses; however, the policies were not that working for some. Then the answers for the third question can be divided into three aspects as figure 4.

Figure 6: SMEs' perspectives toward the financial policies supporting SMEs



Half of the interviewees had positive aspect toward the financial policies supporting SMEs. They saw the policies beneficial and practical to their businesses. The policy they all mentioned was a payment holiday of 6 months. This may relate to the current situation when participating the interview of the study.

40 per cent of interviewees thought that the existing policies only support some SMEs. In their view, the policies mainly focus on cluster group, agriculture, and technology regarding the Thailand 4.0 measure. Therefore, this can be referred that interviewees in this group recognized the benefits of the policies, but the policies did not literally support them. This group then is defined as neutral perspective towards the policies.

Only a person of interviewees thought that the current policies are not practical and should be further developed. When seeking the reasons behind their answer by discussion, the interviewee stated that the policies did not cover all sectors and the tourism industry was left behind. This can be stated that this interviewee had negative perspective towards the existing policies.

Therefore, the perspectives toward the financial policies supporting SMEs might directly relate to the business sector or industry. Then it is necessary to further analysis the three aspects toward the policies to see the relation between SMEs' perspectives and their demographic characteristics.

Table 4: The relation between SMEs' perspectives and their demographic characteristics

Characteristic	Perspectives		
	Positive	Neutral	Negative
<u>Employees</u>			
<15	/		
<25		/	/
<50		/	
<u>Company age</u>			
<5 years	/		
11 - 25 years		/	/
<u>Registered capital</u>			
≤1 THB mil	/	/	
<5 THB mil			
5-10 THB mil		/	/
<u>Business</u>			
Vehicles/automotive		/	
Restaurant	/	/	
Medical products and devices	/	/	
Accommodation			/
Computer and electronics	/		
Catering	/		

The above table shows that some company characteristics, especially business sectors significantly affect to SMEs' attitudes on the policies.

The positive perspective group is the companies with less than 15 employees, less than 10 years of company age and the registered capital not exceeding 1 million baht. The interviewees in neutral perspective group have up to 50 employees and do business more than 10 years. The last and smallest group, negative perspective, does business about accommodation which related to tourism.

As stated earlier, every interviewee who had positive perspectives toward the policies did mention a payment holiday of 6 months. All of them are small SMEs employing no more than 15 employees with not exceeding 1 million baht. In addition, the interviewees having positive perspectives are new SMEs which have started doing business less than 5 years. This can be implied that the policy of 6-month payment holiday is considerably beneficial and practical to new and small SMEs as they are the target group of the policy postponing debt payment.

For the neutral perspective group, the demographic characteristics are quite varied. However, they also share some characteristics i.e., having more than 15 employees and doing business more than 10 years. The interviewees in this group did not mention specific policy. Besides, they expressed their view toward the policies supporting SMEs related the national policies. They also provide some suggestion for policy development within the discussion session under this topic.

For the smallest group, negative perspective towards the existing policies supporting SMEs is the SMEs from tourism industry. The perspective towards the policies then exactly related to the current economic situation since the interview was taken during the pandemic time. As the pandemic is over controlled and the policymakers cannot certainly forecast when the situation will be back to normal, the revenue of tourism industry would keep remaining decline.

Question 4: What should BOT further issue to support SMEs?

For the fourth question, the response can be mainly listed as the following,

1. As the pandemic is still going on and there is no more any financial support from the government, it would be much better if the policymaker can extend the payment holiday (6 months)
2. The policies should cover every industry. The current ones mainly focus on cluster group, agriculture sector and technology regarding the Thailand 4.0 measure.
3. Nowadays, the policies mainly focus on large-sized companies. Then the policymakers should start issuing some policies which support existing SMEs to increase their competitiveness.

CHAPTER 5

CONCLUSION AND RECOMMENDATION

5.1 Conclusion

This study is a qualitative investigation of the benefits and obstacles on BOT policies supporting Thai SMEs by using primary data collected from in-depth interview. The participants of the study were selected regarding the enterprise lists from the Office of Small and Medium Enterprises Promotion and Department of Business Development, Ministry of Commerce. The main questions were asked to elicit more information and further discussion. The data gathered from the in-dept interview are used for the study in this paper analyzed by both descriptive and quantitative analysis.

The data of demographic characteristics was analyzed by using descriptive analysis. The analysis result found that the company characteristic i.e., company age, company size, and business sectors had a significant effect on perspectives towards the policies supporting SMEs. However, the owner characteristics i.e., gender, age and education levels did not directly have relationship to the perspective towards the policies.

For the data of perspectives collected from the main question and further discussion, the findings of the study showed that SMEs in Thailand realize the benefit of BOT policy supporting SMEs; however, their perspectives toward the policies are varied. The main factor affecting their perspectives are business sector. As the participants were interviewed during the economic crisis of COVID-19, February – March 2021, the SMEs whose revenue and profits directly depend on tourism situation especially tourists from aboard would have strongly negative perspective towards the existing policies regarded to the current economic situation. Then the economic situation affects to attitude over the policies.

In addition, different company age and size also perceive the benefits of the policies at different levels. The new SMEs in the country with small size of employees seem to certainly gain the benefits of the policy which specially objected to postpone payment. This makes their perspectives towards the BOT policies are positive since they have gained full benefits from the 6-month holiday payment policy.

On the contrary, companies which launched businesses for over 10 years with more than 20 employees stated that the existing BOT policies only support for some SMEs. The policies then are beneficials but only some SMEs group can access those benefits. For the suggestions for policymakers in order to establish future policies supporting SMEs, the characteristics of participants related to the target group of the existing government policies. In addition, some suggestions are related to government masterplan on SMEs promotion as follow;

1. The SMEs who are the target group of the payment holiday of 6 months during the pandemic crisis mainly suggest the BOT to extend this 6-month payment holiday policy since the policy is certainly helpful for their business. In addition, this can refer that the payment holiday policy completely meets the target group.
2. The policymaker should consider every industry when establishing the policies. The current policies mainly focus on cluster group, agriculture sector and technology regarding the Thailand 4.0 measure. This suggestion is related to the national SMEs promotion masterplan and Thailand 4.0 scheme which primary focused on innovative SMEs, tech startup, innovative and digital business because these sectors are the competitive and inclusive growth in the international market. However, the SMEs in other sectors play an important role in economy as well. The further financial support then should be distributed to all sectors and levels.
3. The future policies should more support existing SMEs as the current policies seem to significantly support and enhance new SMEs and large-sized companies. This means the existing SMEs rarely access the government support to increase their competitiveness. Consequently, these SMEs then have to mostly survive in the market by their own strategies. Therefore, this suggestion reveals some interesting aspects. Regarding the last financial masterplan, it aims to raise the existing SMEs' competitiveness as called 'Smart SME' along with provides assistances to new SMEs, specifically SMEs in innovative sectors, and high-competitive firm; however, the study found that some existing SMEs thinks the policies hardly support their group.

Thus, the future policies should clearly establish the practical measures or mechanism to meet the target group obviously in order to completely achieve the policy objectives.

5.2 Recommendation

The findings of the study found that the perceptions toward the policies are positives among some SMEs group. The financial access and support in debt payment and loan providing have a significant impact to SMEs. However, the data collected in this study is still from small participants. Besides, the data is collected during the economic crisis which strongly affects to the SMEs and all businesses. Therefore, it is still highly recommended to expand more study of SMEs perspective towards the financial policies from larger group in order to create more tools for support financing. With the practical and beneficial polices from BOT, SMEs will generate more revenue and GDP to country.

5.3 Problem and Limitations

As the data in this study is collected by in-dept interview during the pandemic of COVID-19, all interviews are taken via phone. The number of participants is small since it is quite difficult to contact and make an appointment. Moreover, some participants are outside while interviewing, so they might not completely concentrate on answering interview questions. If it is possible, the interview should be taken in a form of face-to-face interview to bring out more useful and interesting details in the discussion session which can attract interviewees to pay attention on answering the in-dept interview questions.

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