

Chapter 4

Policies to Promote and Support SMEs

Up to now, the policies and measures to promote and support SMEs cover almost all aspects of SME development including finance, marketing, technology, innovation, management, human resources, and adjustment of laws and taxes.

4.1 Financial Policies

The financial policies currently implemented by the government include the following:

(1) Extension of loans through financial institutions and commercial banks has not fully met the financial needs of SMEs.

(2) Mobilization of fund through security market which includes establishment of mutual funds for SMEs, mutual funds for medium enterprises, and investment in Market for Alternative Investment (MAI). These measures are not satisfactory in spite of tax incentive measures.

(3) SMEs and People Financial Advisory Center (SFAC) gives advises to people three times more than to SME entrepreneurs.

4.2 Policies on Marketing

The government has been trying to solve problems of locating markets by finding markets for SMEs and advertising their products domestically and abroad. The important measures are as follows:

(1) Promoting establishments of product distribution centers. Most of the products are agricultural and agro-industrial products produced in communities in various regions of the country.

(2) Promoting improvement of packaging standard by providing advice on package design, promoting brand names and advertising Thailand brands to make them well known and acceptable abroad.

(3) Developing trade information system and the use of e-commerce.

4.3 Policies on Technology and Innovation

Major policies include the following:

(1) Corporate tax exemption on income in the same amount of the firm's expenditure on research and development on technology and depreciation deduction on machines and equipment used for technological research and development.

(2) Technological data services for improvement of product and research services for manufacturing problem solving and quality improvement.

(3) Promoting technological transfer by setting up conditionality for investment promotion that transnational companies investing in Thailand must transfer technology to Thai supporting industries, and preparing Thai personnel for technological transfer.

4.4 Policies on Management and Human Resources

Counseling services on management and training have been provided to SME workers and entrepreneurs in all sectors through responsible government agencies, for example, the Ministry of Industry, the Ministry of Science Technology and Environment, the Ministry of Commerce, the Tourism Authority of Thailand and the Institute for Small and Medium Enterprises Development (ISMED).

4.5 Policies on Taxes, Privileges, and Regulations

Tax measures for SMEs include the cancellation of 1.5 % value added tax for SMEs whose income exceeds 600,000 bath but less than 1,200,000 annually. There is also the reduction of corporate income tax for SMEs who have registered capital less than 5 million bath. The SMEs of this size account for 85 percent of companies, partnerships, or corporations who submit the tax form. SMEs can receive special deduction for depreciation . This can motivate the expansion of SMEs investment. Regulations that hindered the management of SMEs has

been amended, for example, the exemption of the requirement of accounting standard for the companies that are not public companies.

4.6 Other Policies

(1) Promoting the one stop service (OSS) for SMEs by establishing SME service centers. Its job is to advise and collect information from related agents and guide SMEs to specialized agencies. There should be network centers to coordinate agencies around the country.

(2) Supporting SMEs networking to increase bargaining power and reduce cost of raw materials and marketing, etc. The examples of SME networking are the “buyers-meet-producers project and establishment of Sale and distribution centers.

(3) Decentralizing supports for SMEs outside Bangkok and communities by providing continued supports to community stores. The “One Tambon One Product project” has developed coordination plan for the public and private sectors in the distribution of commodities. There have been, however, complaints on the falling prices.

(4) Promoting tourism is a policy that work well in supporting SMEs because many enterprises in tourism such as hotels, restaurants, etc. are SMEs.

4.7 Appropriate policies to promote and support SMEs in the future.

Current policies can effectively improve the quality of SMEs. However, there should be evaluation both qualitatively and quantitatively with respect to SMEs coverage and capacity building of SMEs.

Policies that are recommended for the future actions include:

(1) Provision of financial supports to encourage the utilization of formal sources of credits by correcting their accounting systems and assisting their business planning. These could be done, for example, by Small Industry Credit Guarantee Corporation

(SICGC) who guarantees SMEs's loans, and SMEs and People Financial Advisory Center (SFAC) who give comprehensive financial advises.

(2) Encouragement of mobilization of fund from the private sector through security market, bonds and promote mutual funds between government and private sectors to encourage SME development.

(3) Promotion of the development of data base systems of the manufacturing, commerce, service, marketing, and technology that are accurate, up-to-date, convenient and timely to support of SMEs and for effective policy formulation.

(4) Promotion of technological development for SMEs such as using of e-business, e-commerce, ICT in order to find more supply and increase efficiency of production, management, sale, and to improve the quality of goods and services.

(5) Encouragement of the co-operation and co-ordination among government, private sector and academic institutions in research and development of low-cost innovation and the appropriate application of local wisdom.

(6) Promotion of education and training in academic institutions at all levels in order to provide educated or trained personnel to promote and support the development of SMEs.

(7) Support of the co-operation among related agencies in various aspects such as technology, industrial standard, marketing, finance, information technology, and accounting, to develop joint-training programs and spread out SMEs trainings to all regions.

(8) Adjustment of wages according to labor productivity.

(9) Review of policies regarding incentives for SMEs such as tax incentives, investment promotion, to assure that SMEs' promotions are not less than those of large businesses.

(10) Division of policy making, supervision, supports, and evaluation between Bangkok and vicinity and the remaining areas.

(11) Promotion of SME networks in local areas in the form of cluster in order for connection or linkages among various production groups.

(12) Encouragement of the establishment of distribution centers at the provincial, regional, central and international levels based on the co-operation between government and private sectors.

(13) Support of a complete entrepreneurs development from the beginning of business, provision of advises, training, and necessary information, loans, and market etc. The support must cover every group of SMEs.

(14) Targetting the government spendings, such as government project procurement and contracting, toward SMEs.