



Investment Situation of SMEs

Chapter 6

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6.1 Investment Promotion for SMEs

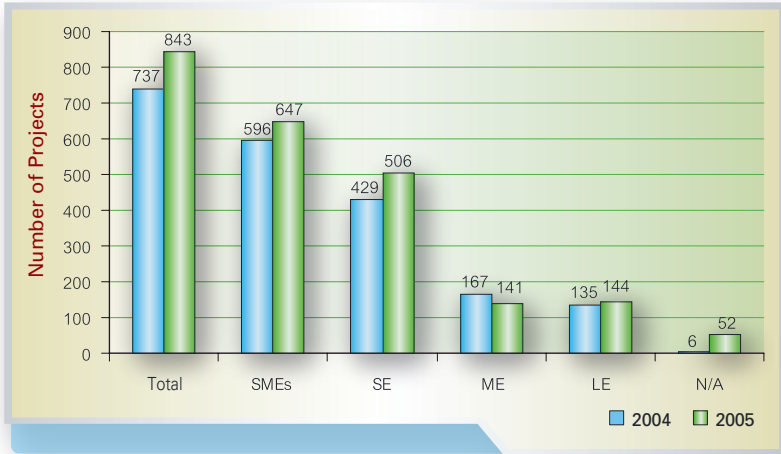
Generally, in granting investment promotion privileges, the Board of Investment (BOI) prescribes a minimum level of investment capital of one million baht (excluding the cost of land and working capital). According to the BOI's Announcement No.6/2546 Re: Policies and Criteria for SME Investment Promotion of Thailand dated 16 October 2003, the Office of the BOI has formulated policies to promote and support Thai SMEs in line with the government's SME development strategy. These include the enhancement of tax and duty privileges and the relaxing of conditions so as to help processors of agricultural goods and innovative industries which add value to products. Such promotion comprises an exemption from import duties on machinery regardless of location; exemptions for 8 years from corporate income tax regardless of location; and the absence of any set proportion on this corporate income tax exemption. Apart from these conditions, processors of agricultural goods and innovative industries are granted a relaxation of conditions in that investment promotion will be granted to their projects with a minimum level of 500,000 baht in investment capital (excluding the cost of land and working capital). The promotion is given both to existing operations and to new investments for capacity expansion or production efficiency improvement. As a result, SMEs can more easily apply for investment promotion.

In 2005, the Office of the BOI granted investment promotion to 1,254 projects with a total investment value of 570,000 million baht, of which promotion was reportedly given to 843 projects with investment sizes of less than 200 million baht each and with an aggregate investment value of 59,499.8 million baht, an increase of 106 projects or 14.4 percent from 2004. However, given that SMEs are defined as having fewer than 200 employees and net fixed assets (excluding cost of land) of less than 200 million baht, the above-mentioned BOI-promoted enterprises were partly the projects of large

enterprises. Out of these 843 BOI-approved projects, if the definition of SMEs is used, only 647 or 76.7 percent of the projects were SME-operated. At the same time, 628 SMEs owned these projects, an increase of 55 over 2004.

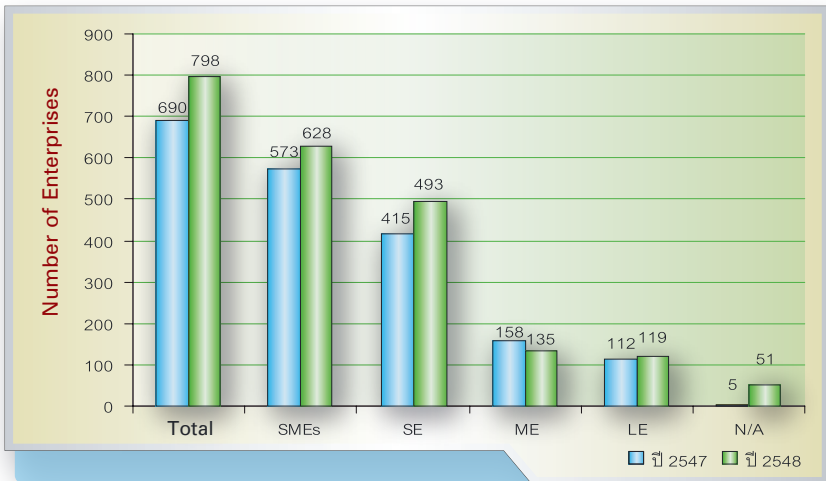
When going into the details of BOI-promoted firm size, small-sized enterprises (SEs) gained more investment promotion in 2005 than in 2004 in term of both the number of projects and the number project owners. Promotion was granted to 493 SEs in 2005, an increase of 78 from 2004 while 506 projects were approved, an increase of 77. For medium-sized enterprises (MEs), approvals decreased slightly: promotion was granted to 135 MEs in 2005, a decline of 23 over 2004 while the number of projects approved was 141, down 26 from 2004 (Figure 6.1 and 6.2).

Figure 6.1 BOI-Approved Projects with Investment Size of Under 200 Million Baht, by Enterprise Size, 2004 and 2005



Source: Office of the Board of Investment
 Compiled by: The Office of Small and Medium Enterprises Promotion

Figure 6.2 BOI-Approved Enterprises with Investment Size of Under 200 Million Baht, by Enterprise Size, 2004 and 2005



Source: Office of the Board of Investment
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Table 6.1 BOI-Approved Projects with Investment Size of Under 200 Million Baht, by Enterprise Size, 2004-2005

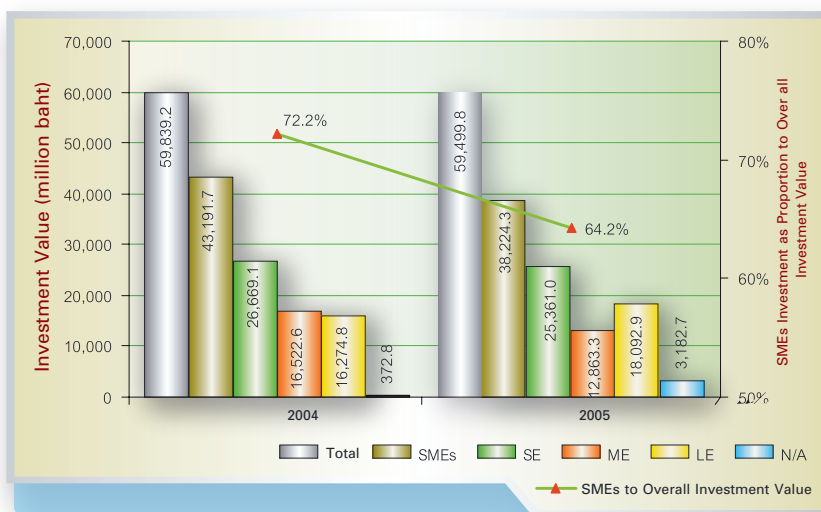
Enterprise Size	2004		2004		2004		Change Rate	
	Number of Projects	Number of Enterprises	Investment Value (Million baht)	Number of Projects	Number of Enterprises	Investment Value (Million baht)	Investment Value (Percent)	Number of Projects (Percent)
Total	737	690	59,839.2	843	798	59,499.8	-0.6	12.6
SMEs	596	573	43,191.7	647	628	38,224.3	-13.0	7.9
SE	429	415	26,669.1	506	493	25,361.0	-5.2	15.2
ME	167	158	16,522.6	141	135	12,863.3	-28.4	-18.4
LE	135	112	16,274.8	144	119	18,092.9	10.0	6.3
Not specified	6	5	372.8	52	51	3,182.7	88.3	88.5

Source: Office of the Board of Investment
 Compiled by: The Office of Small and Medium Enterprises Promotion

6.2 Investment Value of Small and Medium Enterprises

The BOI-approved projects with investment size of under 200 million baht in 2005 were worth 59,499.8 million baht in total. This amount included the SMEs' investment value of 38,224.3 million baht, a 4,967.4 million baht or 13.0 percent decline from 2004. This investment value was comprised of the medium-sized enterprises' investment value of 12,863.3 million baht, down 3,659.3 million baht or 28.4 percent from 2004, and that of the small-sized enterprises at 25,361.0 million baht, down 1308.1 million baht or 5.2 percent from 2004 (Figure 6.3).

Figure 6.3 Value of the BOI-Approved Investments by SMEs, 2004 and 2005

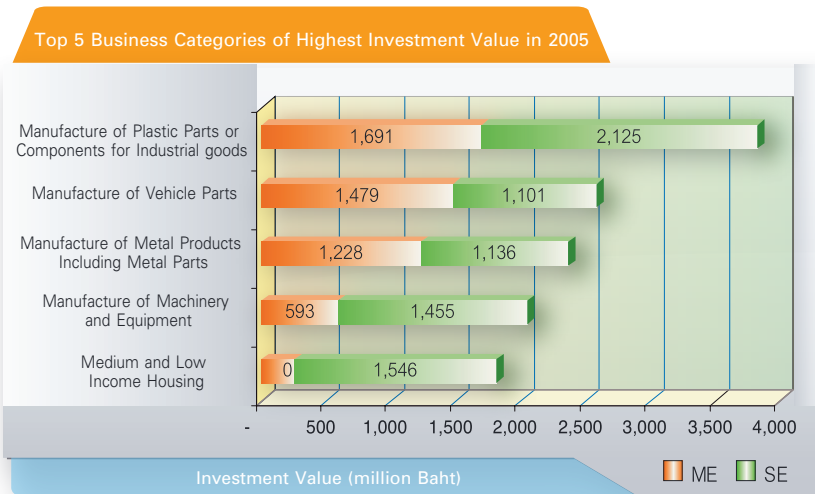


Source: Office of the Board of Investment

Compiled by: The Office of Small and Medium Enterprises Promotion

When considering SMEs Investment according to different business activities in 2005, the highest value of investment was in the manufacture of plastic parts or components for industrial goods which valued 3,816.5 million baht. The next four highest categories were the manufacture of vehicle parts, 2,579.7 million baht; manufacture of metal products including metal parts, 2,364.1 million baht; manufacture of machinery and equipment, 2,047.6 million baht; and the construction of medium and low income housing, 1,805.7 million baht respectively.

Figure 6.4 – The Top Five SMEs Business Activities with Investment Size of under 200 Million Baht as Approved by the BOI in 2005



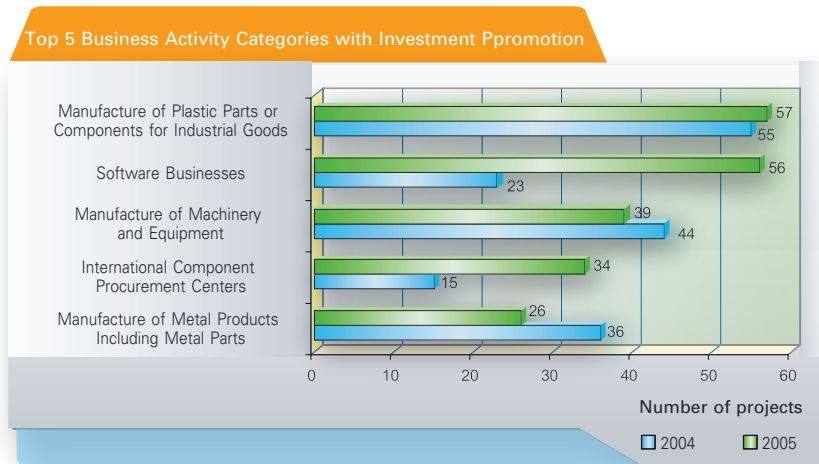
Source: Office of the Board of Investment

Compiled by: The Office of Small and Medium Enterprises Promotion

6.3 Business Activity Categories Receiving BOI Promotion

When considering investment projects approved by the BOI in 2005, the five business activities with the greatest number of SMEs projects were: the manufacture of plastic parts or components for industrial goods, software businesses, the manufacture of machinery and equipment, business activities of international component procurement centres, and the manufacture of metal products including metal parts. These top five business activity categories comprised 57, 56, 39, 34 and 26 projects respectively. In comparison with 2004, the software business was the category with the greatest growth in project numbers.

Figure 6.5 The Top Five Business Activity Categories for SMEs Projects under 200 Million Baht Enjoying Investment Promotion, 2005



Source: Office of the Board of Investment

Compiled by: The Office of Small and Medium Enterprises Promotion

In formulating SMEs promotion policy, the Office of the Board of Investment declared the following business types as eligible for the promotion: processors of agricultural products and innovative industries. The afore-mentioned businesses with the highest number of projects were not the targeted categories according to the SMEs promotion policy, but rather the target of normal investment promotion. This implies that most of the SMEs enjoying investment promotion applied for normal promotion rather than the ones according to the SMEs promotion policy. Moreover, according to Table 6.2, it is apparent that of the projects worth under 200 million baht, there were few projects in the SMEs promotion policy categories compared to those in the top categories receiving BOI approval. Business categories under the SMEs promotion policy with the highest number of projects and value were: 1.11 manufacture or reservation of food or food Ingredients using modern technology (except drinking water, candies, and ice-cream), and 1.13 grading, packaging and storage of plants, vegetables, fruits and flowers.

Table 6.2 Number of SMEs Projects enjoying BOI-Promotion and their Investment Values by Activity, 2005

Activities	Number of Projects			Investment Value (Million Baht)		
	SE	ME	SMEs Total	SE	ME	SMEs Total
Top Five Activities with the Greatest Number of Projects						
- Activity no. 6.9.2 Manufacture of Plastic Parts or Components for Industrial Goods	39	18	57	2,125.2	1,691.3	3,816.5
- Activity no. 5.8 Software Businesses	54	2	56	464.2	57.8	522.0
- Activity no. 4.2 Manufacture of Machinery and Equipment	29	10	39	1,454.7	592.9	2,047.6
- Activity no. 7.8 Business of International Goods/Component Procurement Centres	31	3	34	779.1	49.9	829.0
- Activity no. 4.3 Manufacture of Metal Products Including Metal Parts	14	12	26	1,136.3	1,227.8	2,364.1
Activities under the SME Promotion Policy						
Processing of Agricultural Products						
- Activity no. 1.11 Manufacture or Preservation of Food or Food Ingredients, Using Modern Technology (Except Drinking Water, Candy and Ice-Cream)	20	6	26	804.7	557.2	1,361.9
- Activity no. 1.13 Grading, Packaging and Storage of Plants, Vegetables, Fruits or Flowers	11	2	13	935.0	66.0	1,001.0
- Activity no. 1.20 Manufacture of Products from Herbs	1	0	1	34.0	-	34.0
Innovative Industries						
- Activity no. 3.1.3 Manufacture of Fabrics	1	2	3	180.0	236.4	416.4
- Activity no. 3.1.6 Manufacture of Garments	8	2	10	741.4	100.0	841.4
- Activity no. 3.6 Manufacture of Toys	1	0	1	6.5	-	6.5
- Activity no. 3.7.2 Manufacture of Souvenirs	0	0	0	-	-	-
- Activity no. 3.7.3 Manufacture of Artificial Goods	2	2	4	31.0	59.8	90.8
- Activity no. 3.10 Manufacture of Stationery or Parts	1	0	0	12.9	-	12.9
- Activity no. 3.11 Manufacture of Furniture or Parts	8	0	0	258.6	-	258.6

Source: Office of the Board of Investment

Compiled by: The Office of Small and Medium Enterprises Promotion

6.4 Characteristics of Shareholding in BOI-Approved Projects

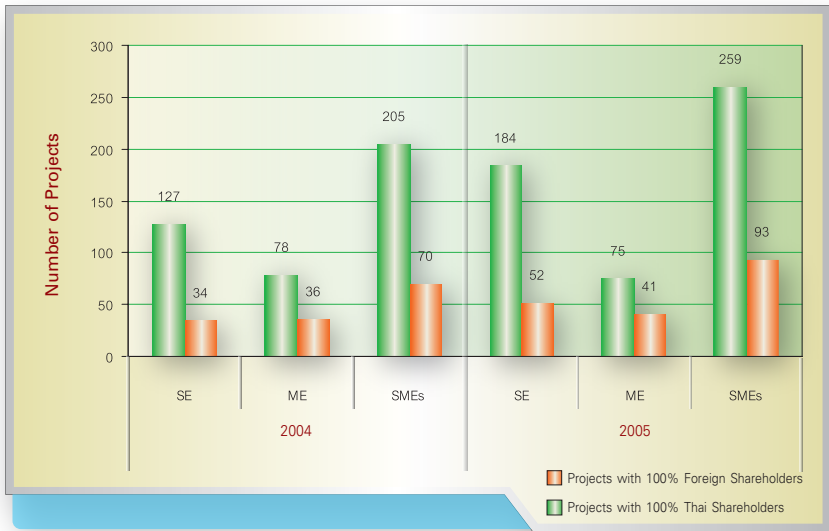
Of BOI-approved projects with investment sizes of under 200 million baht in 2005, 259 were SMEs projects owned by Thai shareholders while 93 were owned by foreign shareholders, the figures showing increases of 20.9 percent and 5.7 percent respectively over 2004. There were 130 Thai and foreign joint-venture projects, up 38.4 percent up from 2004. When classified by enterprise size, there were 83 small-sized joint-venture projects, up 66 percent from 2004, and 47 medium-sized joint-venture projects, up 6.8 percent from 2004. Such a situation is a good sign for Thai entrepreneurship, as it reflects increased opportunities for technology transfers from abroad that should lead to more efficient local manufacturing and services.

Table 6.3 Number of BOI-Approved Projects with Investment Size of Under 200 Million Baht, by Shareholder Type, 2004 – 2005

	Number of Projects in 2004			Number of Projects in 2005		
	SE	ME	Total SMEs	SE	ME	Total SMEs
Projects with 100% Thai Shareholders	127	78	205	184	75	259
Projects with 100% Foreign Shareholders	34	36	70	52	41	93
Thai-Foreigner Joint-Venture Projects	50	44	94	83	47	130

Source: Office of the Board of Investment

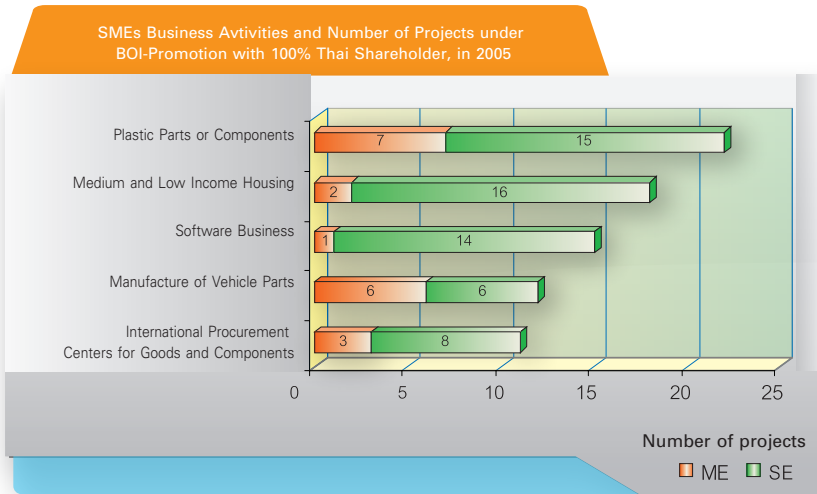
Compiled by: The Office of Small and Medium Enterprises Promotion

Figure 6.6 Number of BOI-Approved Projects by Shareholder Type, 2004 – 2005

Source: Office of the Board of Investment

Compiled by: The Office of Small and Medium Enterprises Promotion

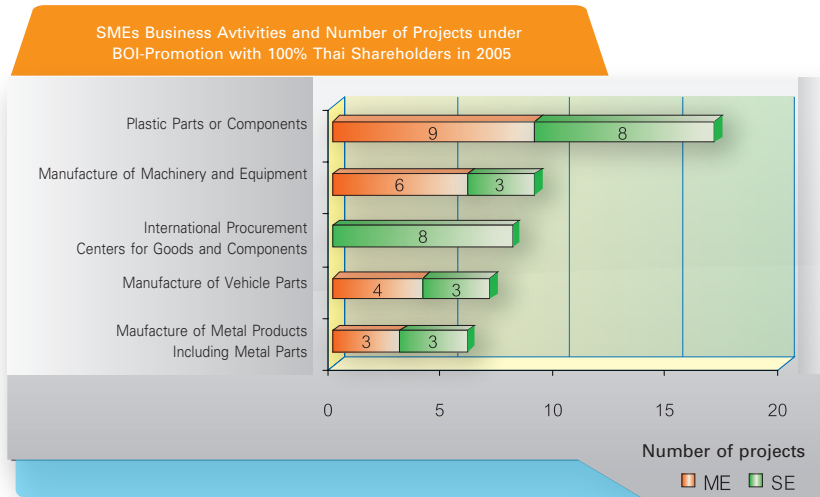
**Figure 6.7 Top Five BOI-Approved Wholly Thai-owned SMEs Business Activities
(Investment Size of Under 200 Million Baht), 2005**



Source: Office of the Board of Investment
 Compiled by: The Office of Small and Medium Enterprises Promotion

According to Figure 6.7, the top five business activities of BOI-approved SME projects with wholly Thai shareholders and an investment size of under 200 million baht included the manufacture of plastic parts of components for industrial goods followed by medium and low income housing construction and software businesses respectively. Figure 6.8 presents the top five business activities for BOI-approved SMEs projects with wholly foreign shareholders, and again the manufacture of plastic parts of components for industrial goods was the activity with the greatest number of projects, but was followed by the manufacture of machinery and equipment, international procurement centres, the manufacture of vehicle parts, and the manufacture of metal products including metal parts.

**Figure 6.8 Top Five BOI-Promoted Wholly Foreign-owned SMEs Business Activities
(Investment Size of Under 200 Million Baht), 2005**



Source: Office of the Board of Investment

Compiled by: The Office of Small and Medium Enterprises Promotion