

Situation Report MSME

2022

MSME
2022

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Chapter 1

Gross Domestic Product of Micro, Small, and Medium Enterprises in 2021





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Gross Domestic Product of Micro, Small, and Medium Enterprises in 2021

Gross Domestic Product of Micro, Small, and Medium Enterprise in 2021

In 2021, Thailand's Gross Domestic Product (GDP) was valued at 16,178,719 million baht, an increase of 541,828 million baht or 1.5% from the previous year, following a 9.5% contraction in 2020.

In the same year, the GDP of Micro, Small, and Medium Enterprises (MSMEs) was worth 5,603,443 million baht, representing 34.6% of the total GDP—a 3% increase from the previous year's share of 34.2%. Given this allocation, micro-enterprises accounted for 2.6% or 417,891-million-baht, small enterprises (SEs) 14.4% or 2,340,867 million baht, and medium enterprises (MEs) 17.6% or 2,844,684 million baht (Chart 1.1). Factors that affected the MSMEs' economy in 2021 were:

Negative factors

▼ The Covid-19 pandemic in Thailand and abroad, particularly the Delta coronavirus variant which is highly contagious and more severe than other variants, as well as the highly transmittable Omicron strain during the latter part of the year.

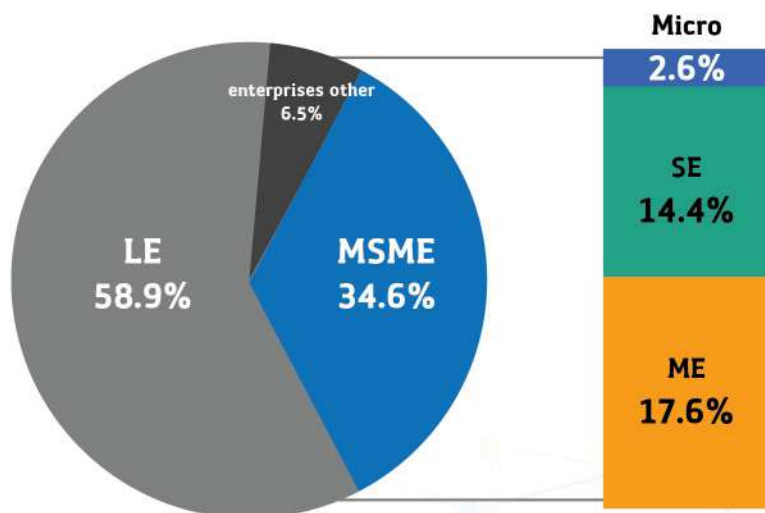
Positive factors

▲ The Covid-19 vaccination has reached the target of 100 million doses; the ease of lockdown restriction and reopening of the country attributed to the growth of MSME contribution to GDP in the last quarter of 2021 by 3.5%.

▲ The stimulation of consumers' spending and traveling significantly supported the economic recovery of MSME and the overall economy of the country.

▲ Most businesses can gradually adjust to the impacts of the pandemic in its later waves. Therefore, the severity of the impact has been lessened than that of in early 2020.

The country's GDP in 2021



Source: The Office of the National Economics and Social Development Council (NESDC) on 15 August 2022, data processed by the Office of Small and Medium Enterprise Promotion

Value and growth of the country's GDP in 2021, divided by type of enterprises

Size of enterprises	Micro	Small (SE)	Medium (MEs)	MSME	Large (LE) and Others	Total
Value of GDP (trillion baht)	0.42	2.34	2.84	5.60	10.58	16.18
Share of total GDP (%)	2.6	14.4	17.6	34.6	65.4	100.0
Growth rate (yoy%)	11.0	-0.9	4.9	3.0	0.9	1.5

Source: The Office of the National Economics and Social Development Council (NESDC) on 15 August 2022, data processed by the Office of Small and Medium Enterprise Promotion

MSME Situation in 2021, divided by type of enterprises



Most severely affected by Covid-19 at the beginning of the pandemic in 2020. However, the businesses can quickly recover since their business structures are not complex and do not require a large amount of funding. The business operators have adjusted themselves with various options including utilizing online channels, reducing expenses, or turning to new businesses. There were also various government stimulation schemes to assist microenterprises directly.

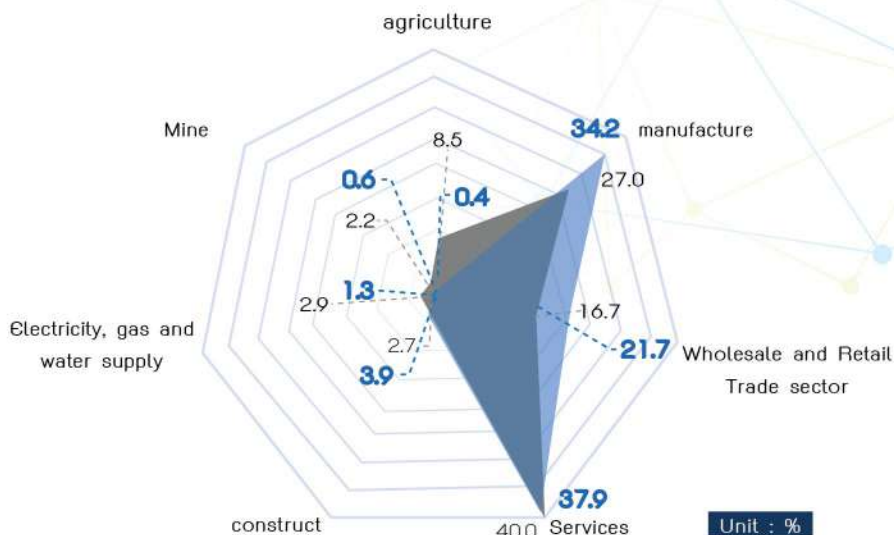


Severely affected by Covid-19, especially in the area of working capital. Though the banks have provided debt relief measures for existing loans, business operators have difficulties in seeking additional funding for their working capital since business performances were earlier affected by Covid-19 while the banks also raised cautions for lending. These caused SE to a slow recovery. Some resorted to liquidating their assets or terminating employment to survive.



Less affected by Covid-19 as compared with micro and SE since they are more financially secured and have sufficient funding. Moreover, the export growth in 2021 for the country and MSME sector by 17.4% and 19.9% respectively, help MEs to recover at the fastest pace among MSME.

Thailand's GDP structure and MSME GDP share in 2021, divided by economic activities



Source: The Office of the National Economics and Social Development Council (NESDC) on 15 August 2022, data processed by the Office of Small and Medium Enterprise Promotion

■ Country

■ SMC

The country's GDP structure in 2021, divided by type of key economic activities, found that the Services sector was the main contributor to the economy, followed by the Manufacturing sector, the Wholesale and Retail Trade sector, with a share of 40.0%, 27.0%, and 16.7% respectively.

For MSME GDP contribution in 2021, divided by type of key economic activities, the Services sector was also the main contributor, followed by the Manufacturing sector, the Wholesale and Retail Trade sector with a share of 37.9%, 34.2%, and 21.7% respectively.

Overview of the country's GDP, divided by type of economic activities

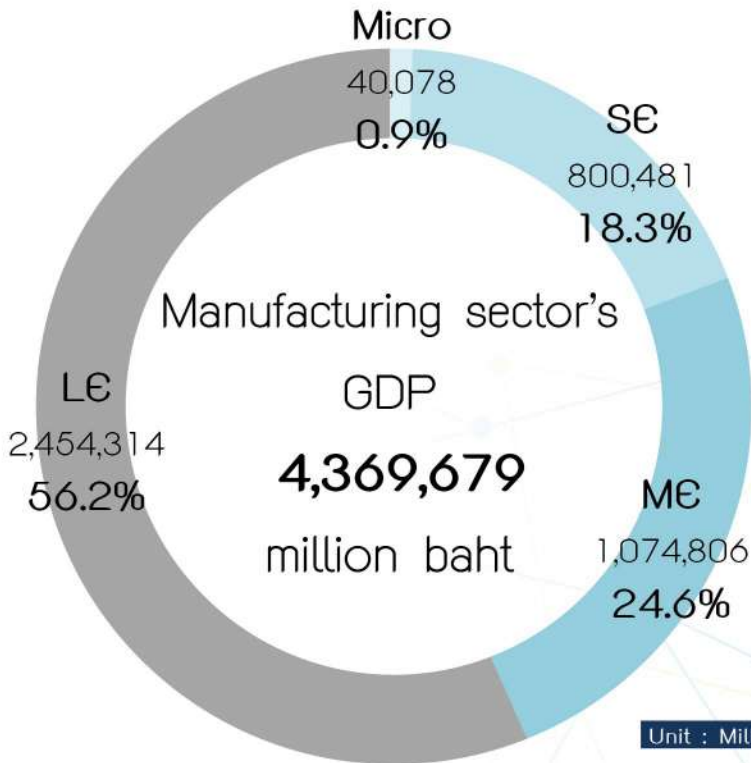
Economic Activities	Country			MSME		
	GDP value (million baht)	Share of total GDP (%)	Growth Rate (yoy%)	GDP value (million baht)	Share of MSME GDP (%)	Growth Rate (yoy%)
Agriculture sector	1,380,331	8.5	1.0	24,356	0.4	7.5
Manufacturing sector	4,369,679	27.0	4.9	1,915,365	34.2	1.0
Wholesale and Retail Trade sector	2,703,123	16.7	1.7	1,217,217	21.7	7.1
Services sector	6,468,526	40.0	0.3	2,125,348	37.9	2.8
Other activities *	1,257,060	7.8	-1.5	321,156	5.8	1.8

Source: The Office of the National Economics and Social Development Council (NESDC) on 15 August 2022, data processed by the Office of Small and Medium Enterprise Promotion Note

* Other activities include the Mining sector, Construction sector, Electricity, Gas, and Water Supply sector.

Manufacturing Sector

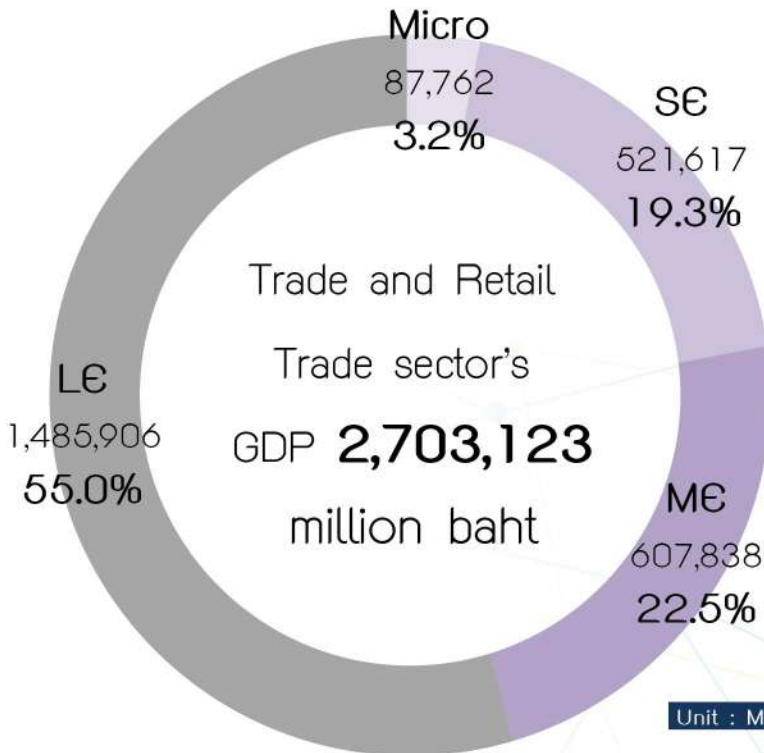
The Manufacturing sector's GDP in 2021



The Manufacturing sector's GDP in 2021 was worth 4,369,679 million baht which constituted 27.0% of the country's GDP. The LE' contribution to the country's GDP amounted to 2,454,314 million baht, or 56.2% of GDP from the Manufacturing sector while MSME contribution amounted to 1,915,365 million baht or 43.8%.

Source: The Office of the National Economics and Social Development Council (NESDC) on 15 August 2022, data processed by the Office of Small and Medium Enterprise Promotion

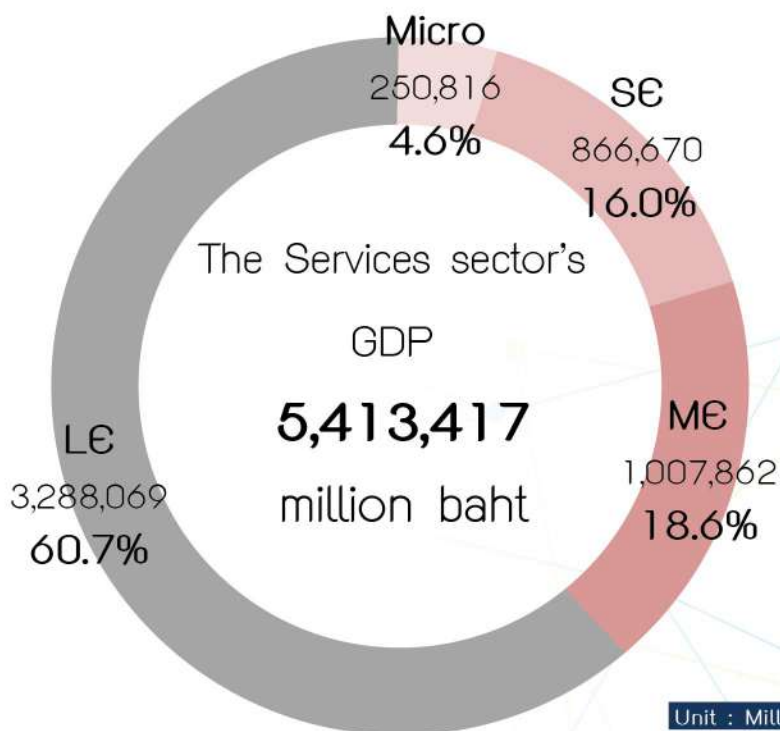
The Wholesale and Retail Trade sector's GDP in 2021



The Wholesale and Retail Trade sector's GDP in 2021 was worth 2,703,123 million baht which constituted 16.7% of the country's GDP. The LE contribution to the country's GDP amounted to 1,485,906 million baht, or 55.0% of GDP from the Wholesale and Retail Trade sector while MSME contribution amounted to 1,217,217 million baht or 45.0%.

Source: The Office of the National Economics and Social Development Council (NESDC) on 15 August 2022, data processed by the Office of Small and Medium Enterprise Promotion

The Services sector's GDP in 2021



The Services sector's GDP in 2021 was worth 5,413,417 million baht which constituted 33.5% of the country's GDP. The LE' contribution to the country's GDP amounted to 3,288,069 million baht, or 60.7% of GDP from the Services sector while MSME contribution amounted to 2,125,348 million baht or 39.3%.

Source: The Office of the National Economics and Social Development Council (NESDC) on 15 August 2022, data processed by the Office of Small and Medium Enterprise Promotion

MSME contribution to GDP in the first half of 2022 and full-year outlook for 2022

The MSME contribution to GDP in the first half of 2022 expanded by 4.1% when compared with the same period last year, accounting for a 35.1% share of the total GDP. The micro-enterprises recorded the highest growth of 13.3%, as a result of the economic recovery including the quick rebound of the tourism sector.



MSME contribution to GDP in the first half of 2022, divided by type of business, showed sectors with clear recovery including the Accommodation and Food Services sector, the Logistics and storage sector, and the Information and Communication sector, due to the recovery of the economic activities. Despite Omicron, the government has eased the restrictions, and people return to spending and traveling. Moreover, the lifting of Test & Go, and Thailand Pass requirements for international travelers has resulted in a surge of foreign tourists. The Office of Small and Medium Enterprise Promotion estimates that the tourism industry and its related businesses will recover by the end of this year, with a growth forecast of MSME contribution to GDP between 3.6% - 4.7%.

Chapter 2

International Trade Value of MSMEs in 2021 and the first half of 2022





Chapter 2

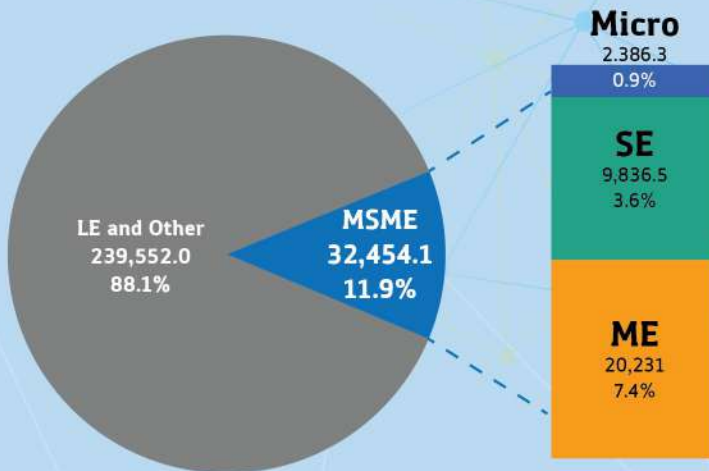
International Trade Value of MSMEs in 2021 and the first half of 2022

International Trade of MSME in 2021

MSME exports

In 2021, the export value of MSMEs was 1,024,482 million baht, or 32,454 million dollars, representing 11.9 percent of the country's total export value and a 25 percent increase from the previous year. Micro-enterprises contributed 0.9 percent, small enterprises 3.6 percent, and medium-sized businesses 7.4 percent to the total exports of MSMEs.

Export Value Classified by Enterprise Size in 2021



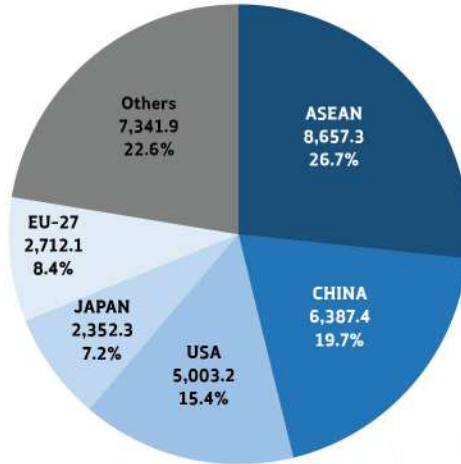
Source: Thai Customs

Compiled by: Office of Small and Medium Enterprises Promotion (OSMEP)

Unit : million USD

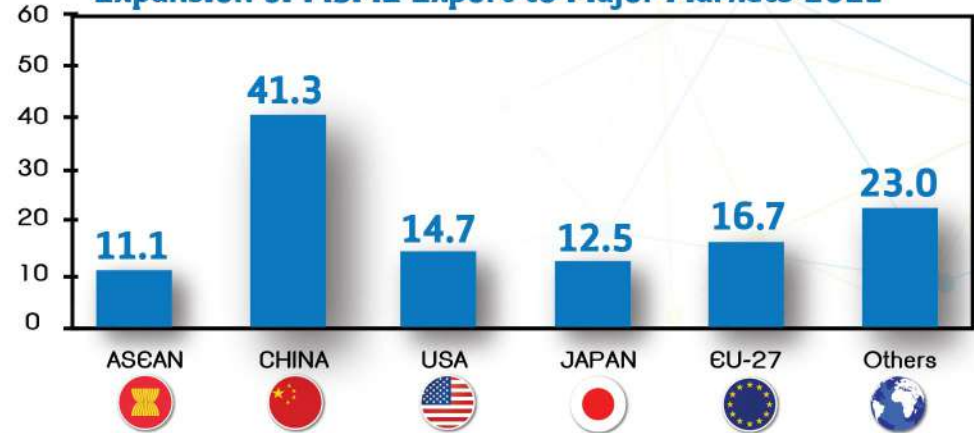
The major export destinations included the ASEAN Region, China, the United States, and the European Union, which accounted for nearly 80 percent of the total export value of MSMEs. Nearly all major export markets for MSMEs grew, primarily due to the low bases from the prior year and the economic recovery of trading partners.

Export Market MSME 2021



Unit : million USD

Expansion of MSME Export to Major Markets 2021



Source: Thai Customs

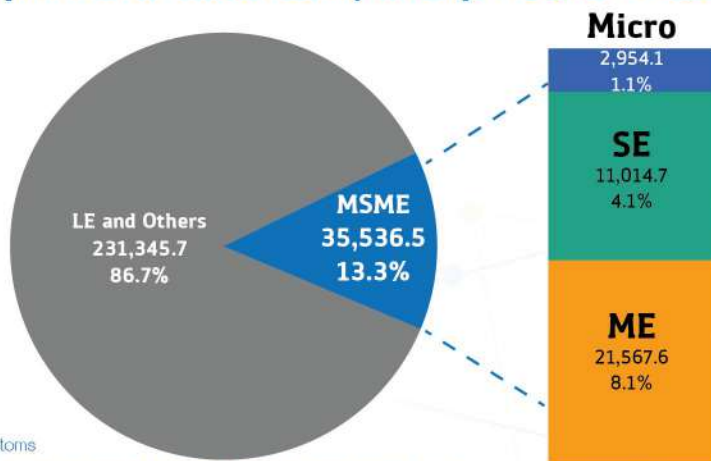
Compiled by: Office of Small and Medium Enterprises Promotion (OSMEP)

In 2021, export volumes of gems and jewelry, wood and wood products, fresh fruits, iron and steel, and plastic and plastic products experienced the highest growth. In the meantime, sugar and sugary confections, automobiles and parts, and rubber and rubber products all experienced volume declines

MSME imports

In 2021, imports from MSMEs totaled 1,135,513 million baht, or 35,536 million dollars, representing 13.3 percent of the country's total imports and a 9.7 percent increase from the previous year. Micro-enterprises accounted for 1.1%, small enterprises for 4.1%, and medium-sized businesses for 8.1% of total MSMEs imports.

Import Value Classified by Enterprise Size in 2021

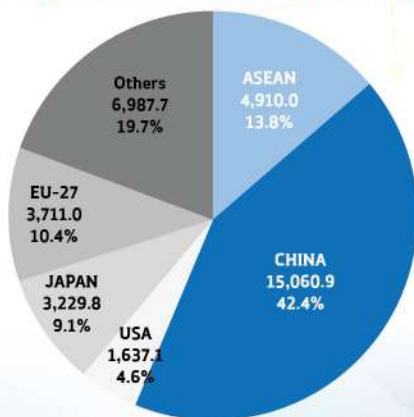


Source: Thai Customs

Compiled by: Office of Small and Medium Enterprises Promotion (OSMECP)

China and the ASEAN region were the leading import destinations for MSMEs, accounting for over 50 percent of their total imports. Imports from China rose by 13.4 percent, whereas imports from ASEAN nations fell by 3.7 percent.

Major import sources of MSME in 2021

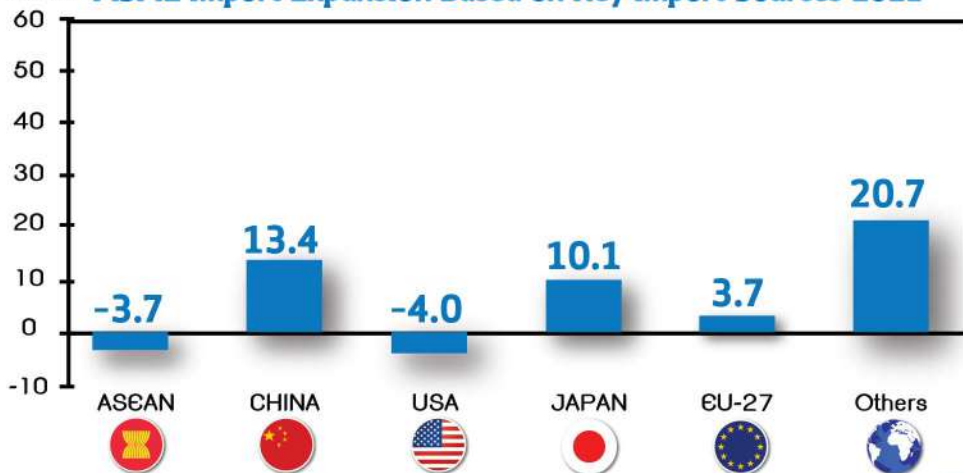


Source: Thai Customs

Compiled by: Office of Small and Medium Enterprises Promotion (OSMECP)

Unit : million USD

% (yoy) MSME Import Expansion Based on Key Import Sources 2021

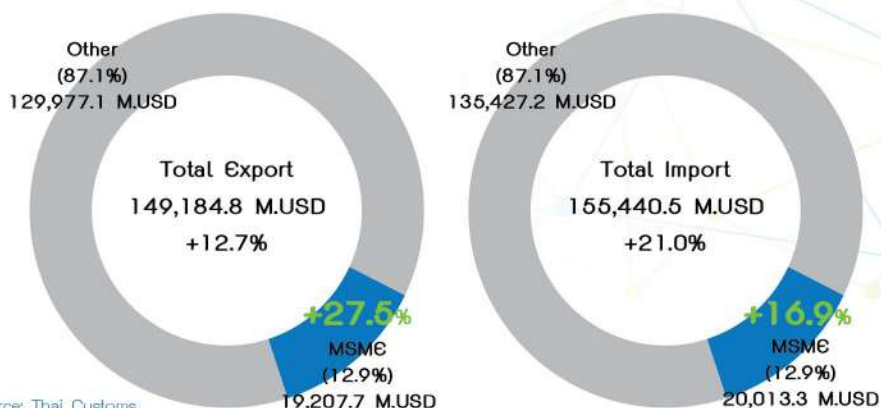


Source: Thai Customs

Compiled by: Office of Small and Medium Enterprises Promotion (OSMEP)

The majority of MSMEs' fastest-growing imports in 2021 were raw materials such as plastic resins, copper, iron, and chemicals, which expanded in tandem with the export sector. In the meantime, investment goods such as mechanical and electrical equipment continued to expand.

International Trade value of MSME in the first half of 2022

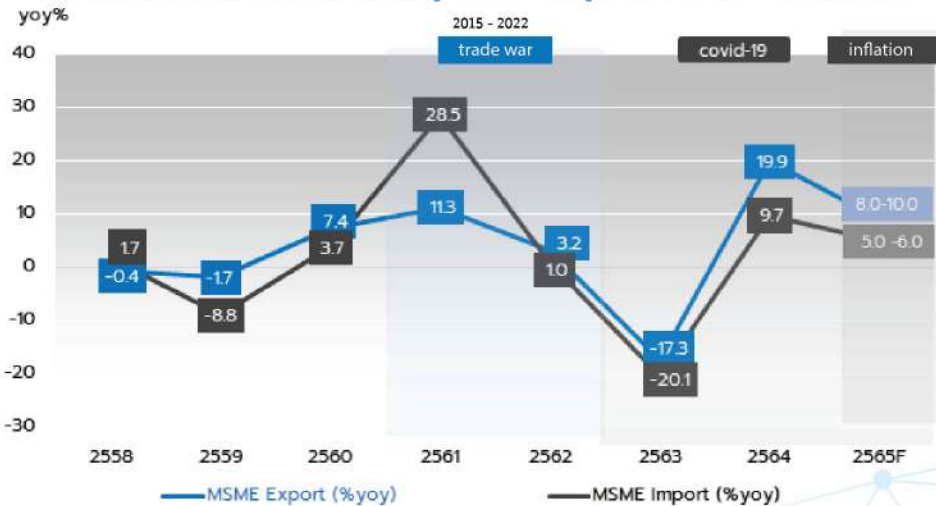


Source: Thai Customs

Compiled by: Office of Small and Medium Enterprises Promotion (OSMEP)

MSME's export value in the first half of 2022 was 637,501.4 million baht, or 19,207.7 million US dollars, representing 12.9% of the country's total exports. This represents a 27.5 percent increase compared to the same period in 2021. In the first half of 2022, the import value of MSMEs was 672,794.5 million baht, or 20,013.3 million USD, a 16.9% increase compared to the same period in 2021, representing 12.9% of total imports.

Growth rates of MSME Exports - Imports 2015 - 2022 BE



Source: Thai Customs

Compiled by: Office of Small and Medium Enterprises Promotion (OSMEP)

Though Thailand's and MSMEs' exports continue to grow, there are a number of factors that must be closely monitored in the second half of the year, including the ongoing Russia-Ukraine conflict, the likelihood that the Bank of Thailand will raise its policy interest rate, and the escalating global inflation that could trigger the world's economic recession. The OSMEP forecasts that the exports of MSMEs in 2022 will increase by between 8 and 10 percent, amounting to between 34,500 and 35,200 million dollars, or 1.09 and 1.11 trillion baht.

Imports of MSMEs in the first half of 2022 were valued at 20,013.3 million US dollars, an increase of 16.9 percent, with a trade deficit of 805.6 million US dollars. In the second half of the year, the effects of the ongoing Russia-Ukraine war on purchasing power in Thailand and abroad as well as the global inflation must be closely monitored.

Despite the rapid depreciation of the Thai baht, when compared to currency depreciation in ASEAN, China, and Japan — the principal import markets for MSMEs — the baht depreciation is significantly lower than its peers. MSME importers have not been severely impacted thus far. It is essential to maintain the exchange rate balance between exports and imports. Therefore, importers, exporters, and government agencies should closely monitor changes in Thailand's and policy interest rates in other countries.

Chapter 3

MSME Business Sentiment Indices 2022





Chapter 3

MSME Business Sentiment Indices 2022

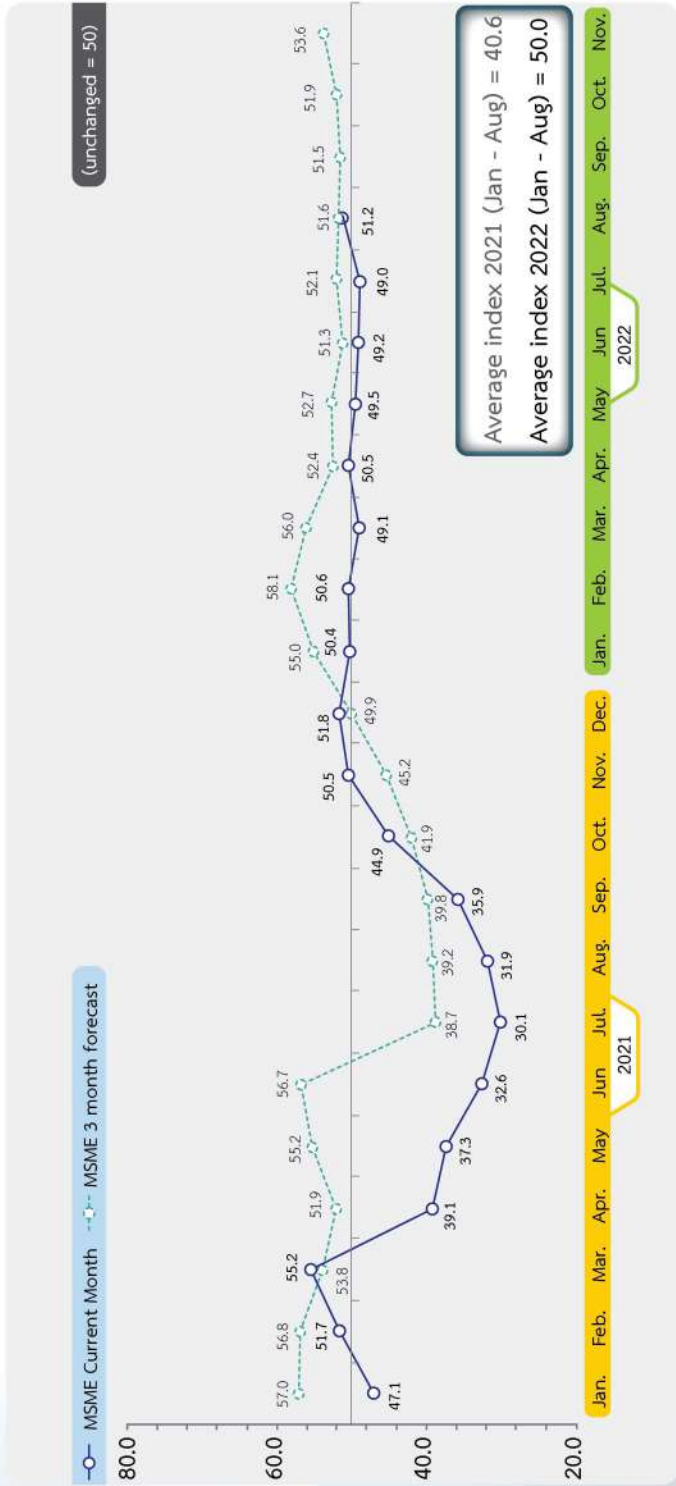
In 2022, the pandemic of COVID-19's Omicron variant has begun to abate, resulting in an improved economic climate for MSMEs. Even though the number of people infected with Omicron has reached the highest level since the outbreak started, the severity was not alarmingly high. Few disease control measures have had an impact on business operations. Consequently, economic and tourism-related activities can still be organized, resulting in an increase in both Thai and foreign tourist numbers. In addition, the government's efforts to promote tourism by encouraging positive spending have contributed to the country's economic recovery. Indirect effects of the Russia-Ukraine conflict include the long-term and cumulative effects of COVID-19 on the still-weak purchasing power of consumers, as well as the escalating costs of raw materials, goods, and transportation. The domestic inflation has exacerbated the situation. These have led to a rise in the cost of living for individuals and may have a future impact on the business sector.

Average National MSME Business Sentiment Index 2022 (January 2022 – August 2022)

🌐 The average MSME Business Sentiment Index for 2022 is 50, thanks to an improvement in purchase orders for volume of production / trade / services and investment, with scores of 54.8, 54.6, and 53.5, respectively. However, investment costs, profits, and employment remain below the base index of 50, with scores of 38.1, 49.2, and 49.6. The increased costs of investment, particularly goods, raw materials, public utilities, and transportation, have had an impact on their business operations, despite the fact that the business sector has resumed full operation.

🌐 The expected MSME Business Sentiment trend for entrepreneurs is 52.1, which is higher than the baseline index of 50. The easing of COVID-19 is a signal for people to engage in more economic activities outside. The business outlook of entrepreneurs has also improved. It is anticipated that the country's economy will continue to expand through the end of the year, thanks to the increasing purchasing power and slower pace of the oil price's hike, as well as increasing number of foreign tourists who have begun to travel to various regions during the peak season.

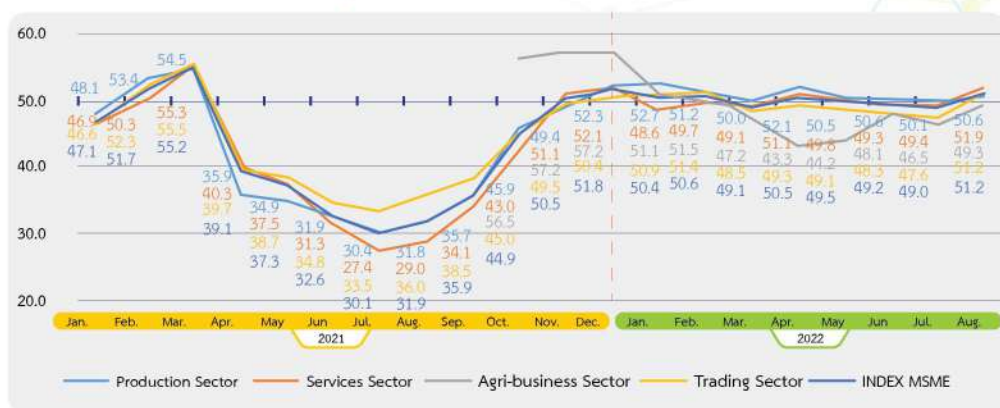
Figure 1 National Overview of MSME Business Sentiment Indices 2022 (January - August)



MSME Business Sentiment Indices 2022 by Business Sector (An average for January 2022 – August 2022)

In 2022, entrepreneurs are more optimistic and better able to adjust from an average index score in 2021 (January 2021 to August 2021), particularly in the service and trade sectors, which have benefited from the country's opening and government tourism-stimulating measures. This has greatly assisted in encouraging Thai and foreign tourists to travel and spend money, which has had a positive effect on tourism and other related industries such as tour companies, tourist guides, restaurants, hotels, tourist guides, and souvenirs. In addition, construction activities for hotel repair and renovation are in motion in preparation for customers once the business resumes full operations during the tourism high season.

**Figure 2 MSME Business Sentiment Index
by Business Sectors 2022**



Note: Agricultural Business Index Collected in October 2021

Production Index. The average MSME business sentiment in 2022 is 51, up from the previous year's level of 40.1. It is expanded as a result of the easing of lockdown in numerous businesses that can resume full operations, and more events, including festivals, seminars, and trainings, are organized. However, many businesses continue to struggle with higher investment costs, especially for goods/raw materials, public utility expenses, and transport fees. This is partially due to the COVID-19 pandemic lockdown, the Russia-Ukraine conflict, and inflation. These issues have prompted consumers to make more prudent purchasing decisions. Consequently, it has some effects on business operations.

Agrobusiness Index. The average MSME business sentiment in 2022 has increased from 42.1 in the previous year to 49.5. Due to an ongoing demand for agricultural products and government support, agriculture-related income has increased. However, the livestock industry still carries a burden of rising feed costs. In addition, weather conditions have contributed to rising production costs, particularly for water, plants and animal supplements, fertilizers, and agricultural chemicals.

Figure 3 Averaged MSME Business Sentiment Index by Business Sectors 2021 and 2022



MSME Business Sentiment Index by Regions 2022

📍 MSME Business Sentiment Index in Bangkok and the environ

Key economic sectors: consumer goods, tourism, and associated businesses

The average MSME business sentiment index for 2022 (January-August 2022) was recorded at 51.9 which is higher than the base index (50). The government's loosened restrictions and measures, as well as the growing number of Thai and foreign tourists, have continued to support the business sector. These factors have had positive effects on tourism and related businesses, especially hotels, restaurants, consumer goods, and entertainment areas/pubs, bars. Additionally, some business sectors have benefited from the establishment of educational institutions, particularly those located close to the institutions where students utilize the service.

The average index for an economic forecast for the next three months in 2022 (April September 2022 - November 2022) will be 52.2, which is higher than the base index (50). According to MSME entrepreneurs, the economic situation has continued to improve, and more Thai and foreign tourists have visited tourist sites. The commercial sector will then be expanded.

MSME Business Sentiment Index, Central region

Key economic sectors: agriculture, restaurants, hotels/ guesthouses/ bungalows.

The average MSME business sentiment index for 2022 (January 2022 to August 2022) is 51.6, which is above the base index (50). Businesses are expanding, particularly those located in proximity to natural tourist destinations such as mountains, waterfalls, and rafting spots. The organization of ecotourism and cultural tourism promotional events can attract more tourists. Some regions that serve as a travel corridor to other regions may also benefit from this. Consequently, their businesses, such as restaurants, agricultural products, and processed food souvenirs, can recover and adjust more effectively.

For an economic forecast in the next three-months in 2022 (April September 2022 – November 2022), the index is estimated to be 55.8, which is higher than the base index (50). This can be achieved through promotion events on tourism or stimulating consumers' spending, thereby boosting domestic demands and spending which will also benefit businesses.

MSME Business Sentiment Index, Eastern Region

Key business sector: hotels/ guesthouses/ bungalows/ canteens/ restaurants consumer products.

The average MSME business sentiment index for 2022 (January 2022 to August 2022) is 48.8, which is below the base index (50). Consumers from the labor force and tourists, as well as the business sector in consumer products, souvenirs such as perfumes and essential oils, can benefit from the increase in domestic purchasing power; however, foreign tourists' purchasing power has not fully recovered as anticipated. Due to rising costs of living, domestic tourists are more cautious with their spending. Tourists are also clustered in certain areas, such as Pattaya and certain islands. Consequently, a business recovery will take time.

For an economic forecast in the next three-months in 2022 (September 2022 – November 2022), the index is estimated to reach 50.4, which is slightly higher than the base index (50). Entrepreneurs have anticipated that the purchasing power of both domestic and international tourists will increase during a long weekend and that the end of the year.

MSME Business Sentiment Index, Northern region

Key important business sector: tourism and related businesses, foods and beverages, garments and textiles

The average MSME business sentiment index for 2022 (January 2022 to August 2022) is higher than the base index, at 50.7. (50). Tourism sector is expanding, and numerous tourism promotion events are being organized in multiple regions. Additionally, European tourists have traveled with their families. This has resulted in a trend toward more reservations for local businesses such as restaurants, hotels, and homestays. Additionally, local businesses invest in repairs and renovations of their premises in preparation for the holiday season. This will have a beneficial effect on small construction companies.

For an economic forecast in the next three-months in 2022 (April September 2022 – November 2022), the index is expected to reach 53.2, which is higher than the base index (50). MSMEs anticipated that the business sector would expand during the peak season. Additionally, agricultural products, vegetables, and fruits that require a cooler temperature will be harvested and transported to the markets. Due to the high purchasing power in local regions, local businesses are able to expand.

MSME Business Sentiment Index, Southern Region

Key important business sectors: tourism and related businesses, consumer products.

The average MSME business sentiment index In 2022 (January 2022 to August 2022), is recorded at 44.9, which is lower than the base index (50). This is because of the effects of the COVID-19 pandemic and disease control measures. The majority of local businesses have relied on the purchasing power of foreign tourists, resulting in a lower index for the Southern region relative to other regions. However, the opening of the country and the government's tourism-stimulating measures can help to attract more tourists to Thailand, including those from bordering nations who traveled and spent money in the South. The local economy has gradually recovered, particularly the tourism sector, restaurants, consumer goods, and food and beverages.

For the economic forecast in the next three-months in 2022 (April September 2022 – November 2022), the index is expected to be 49.9, which is slightly lower than the base index (50) but still better than the earlier months of the year because Covid-19 situation has improved, and more tourists are expected come during the upcoming high season. Thus, the business sector will also benefit from it.

📍 MSME Business Sentiment Index, Northeastern Region

Key important business sectors: consumer products and agri-business.

The average MSME business sentiment index for 2022 (January 2022 to August 2022) is 50.4, which is above the base index (50), thanks to improved consumer sentiment which is reflected in the number of meetings, seminars, events from the government and educational sectors which has driven the rising purchasing power for consumer goods, restaurants, and agrobusinesses such as vegetable and pig farms. However, the business sector has continued to face the high logistics costs, especially in the production and agrobusiness sectors, despite a slight decrease in some items.

For an economic forecast in the next three-months in 2022 (April September 2022 – November 2022), the index is expected to be 51.9, which is higher than the base index (50). MSMEs anticipate that more employees will return home during long weekends and festivals. Additionally, harvest seasons and agricultural product sales will soon commence. This can be beneficial for the growth of purchasing power and local businesses.

Chapter 4

Number of MSMEs and Their Employment in 2021





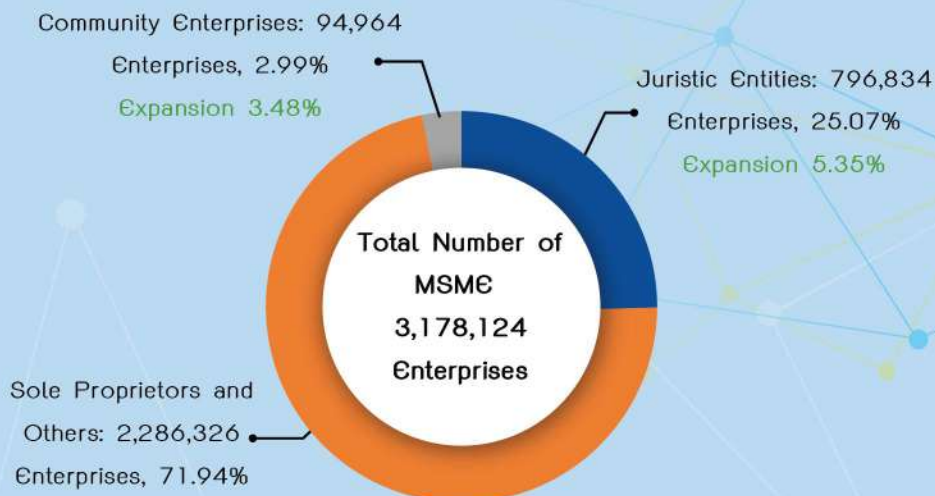
Chapter 4

Number of MSME and Their Employment in 2021

Number of MSMEs in 2021

At the end of 2021, the total number of MSMEs in Thailand was 3,178,124, expanding at a rate of 1.39 percent. Compared to the previous year, it represented 99.57 percent of the nation's total enterprises. There were 2,713,345 micro enterprises, which accounted for 85.01 percent of all enterprises in the country. Of this number, there were 421,588 small enterprises, or 13.21 percent, and 43,191 medium enterprises, or 1.35 percent of the total number of all enterprises.

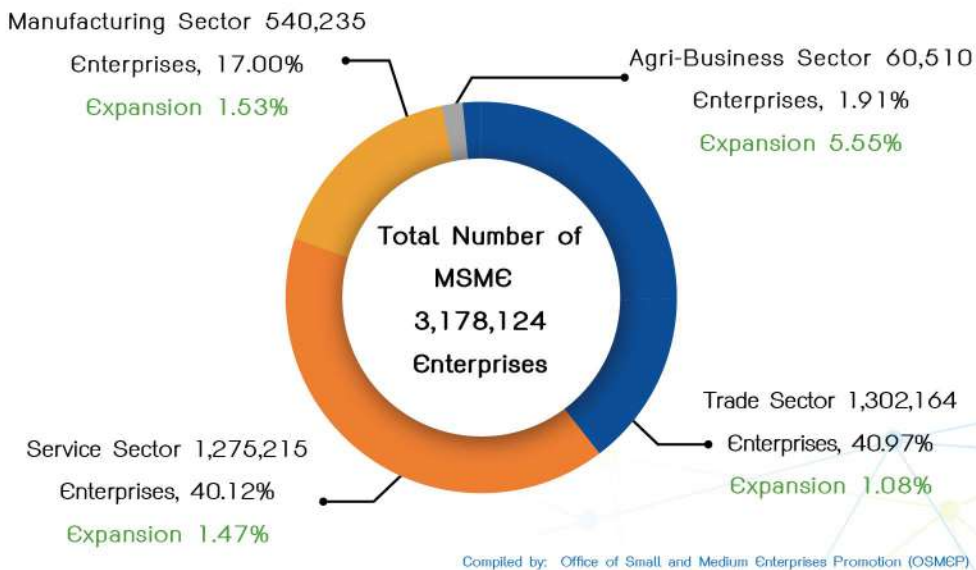
Number of MSME Based on Types of Business Registration 2021



Compiled by: Office of Small and Medium Enterprises Promotion (OSMEP)

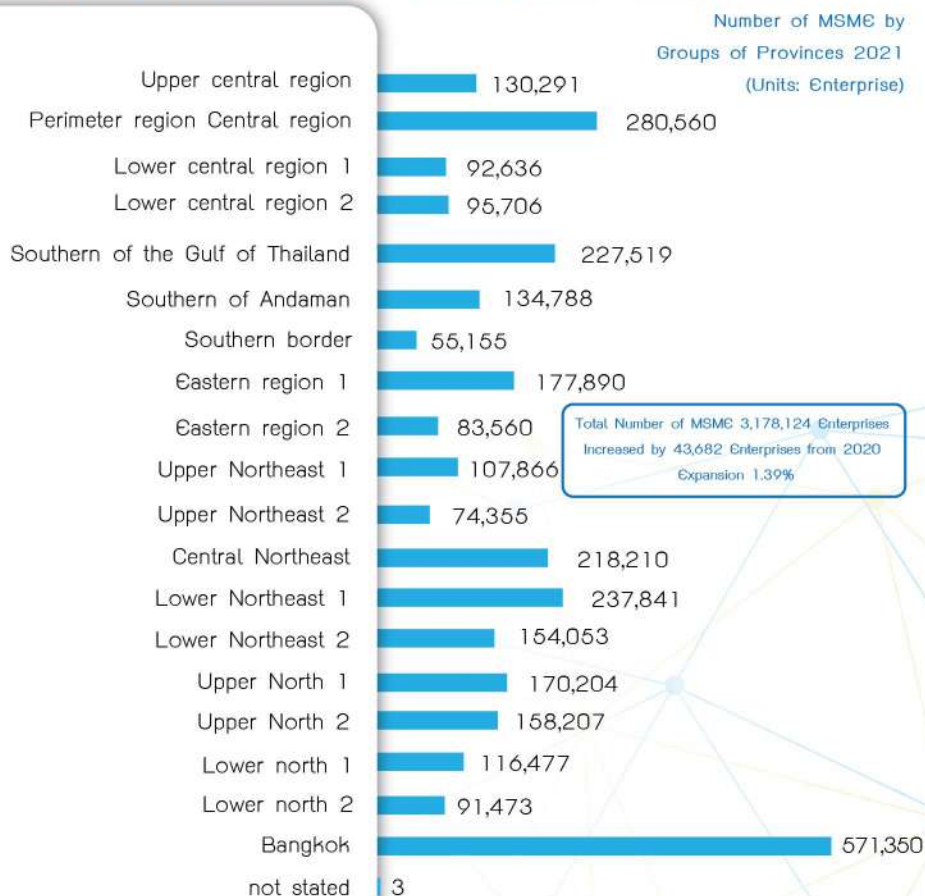
Based on the types of business registration, MSMEs in 2021 can be divided into three categories: juristic entities (796,834 enterprises or 25.07 percent of the total MSMEs nationwide); sole proprietors and others (2,286,326 enterprises or 72.94 percent); and community enterprises (94,964 or 2.99 percent of the whole MSMEs nationwide)

Number of MSME Classified by Business Sectors 2021



Trade sector is the largest sector of MSMEs, totaling 1,302,164 enterprises or 40.97 percent of the total MSMEs nationwide, followed by the service sector, totaling 1,275,215 enterprises or 40.12 percent, the manufacturing sector, totaling 540,235 enterprises or 17 percent, and the agri-business sector accounting for 60,510 enterprises or 1.91 percent of the total MSMEs.

Number of MSME Classified by Groups of Provinces 2021 (units: enterprise)



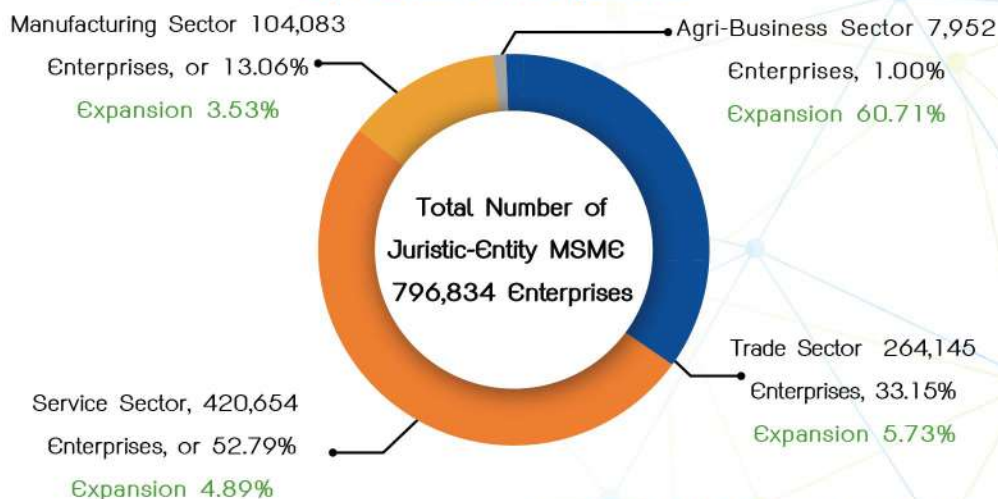
Compiled by: Office of Small and Medium Enterprises Promotion

Bangkok Metropolitan Area had the most MSMEs, with 571,350 enterprises, or 17.98 percent of the total MSMEs in the country. For other province groupings, the central provinces and Bangkok's vicinity (including Nakhon Pathom, Nonthaburi, Pathumthani, and Samut Prakan) have the greatest number of enterprises (280,560, or 8.83 percent of the total MSMEs, with a growth rate of 2.91 percent, followed by the Lower Northeast 1 and the region surrounding the Gulf of Thailand).

Number of MSME Categorized as Juristic Entities

In 2021, the number of juristic-entity MSMEs were mainly concentrated in the service sector with 420,654 enterprises, or 52.7 percent of total MSMEs nationwide. This represented a growth rate of 4.89 percent. It is followed by the juristic-entity MSMEs in the trade sector which accounted for 264,145 enterprises, or 33.15 percent with a growth rate of 5.73 percent. In the manufacturing sector, the number of juristic-entity MSMEs totaled 104,083 enterprises, or 13.06 percent with a growth of 3.53 percent. The agri-business sector had 7,952 juristic-entity MSMEs, representing 1 percent of the total MSMEs and an expansion of 60.71 percent.

Number of Juristic-Entity MSME Classified by Business Group 2021

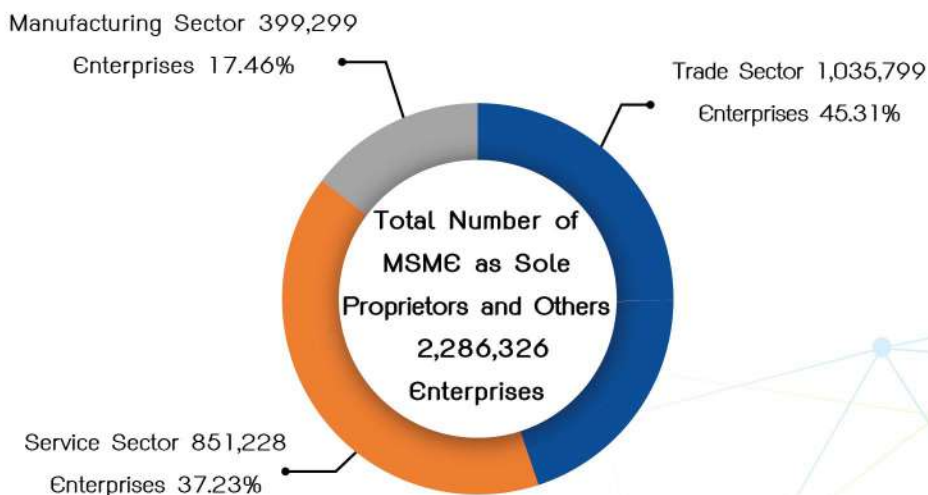


Compiled by: Office of Small and Medium Enterprises Promotion

In the wholesale and retail business category (G Category), there were 264,145 juristic-entity MSMEs, of which approximately 131,098 were in the sub-category of wholesale of automobiles and motorcycles, an increase of 6,609 enterprises from the previous year. Compared to the previous year, this represented the largest proportion of 16.45 percent of all MSMEs, with a growth rate of 5.31 percent. The majority of these enterprises, or 36.86 percent, were located in Bangkok, with a total of 293,703 enterprises, followed by Chonburi. Mae Hong Son was the province with the lowest number of juristic-entity MSMEs.

Number of MSME Classified as Sole Proprietors and Others

Number of MSME as Sole Proprietors Based on Business Groups 2021

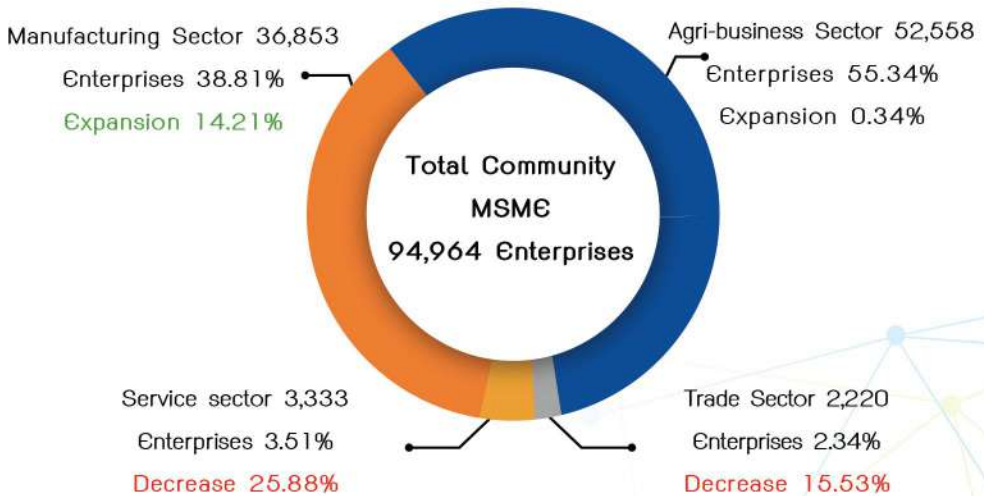


Compiled by: Office of Small and Medium Enterprises Promotion

The majority of the 1,035,799 sole proprietor MSMEs, or 45.31 percent of all sole proprietor MSMEs nationwide, were in the trade sector. This was followed by the service sector with 851,228 enterprises, or 37.23 percent, and the manufacturing sector with 399,299 enterprises, or 17.46 percent. There were 1,035,799 sole proprietor MSMEs, primarily in the wholesale and retail business category (G Category), a sub-category of the retail business excluding sales of automobiles and motorcycles, which had 799,076 enterprises or 34.95 percent of all MSMEs as sole proprietor and others nationwide. A total of 277,410 enterprises, or 12.13 percent of all MSMEs in the category of sole proprietors and others, were located in Bangkok, followed by Chiang Mai. Samut Songkhram was the province with the lowest number of sole proprietorships and other MSMEs.

Number of Community MSME

Number of Community MSME Classified by Business Sectors 2021



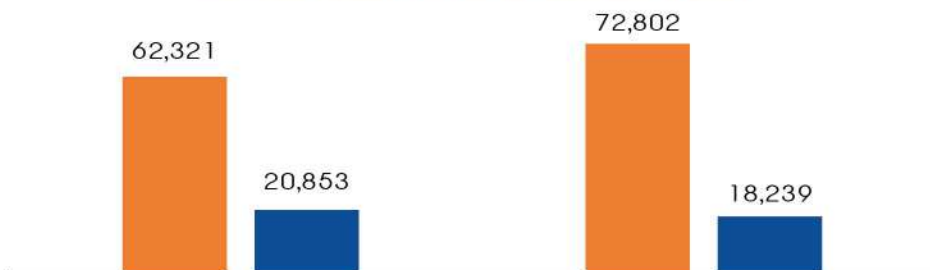
Compiled by: Office of Small and Medium Enterprises Promotion

In 2021, there were 94,964 community enterprises, all of which were classified as MSMEs (all were in the category of micro enterprises). The largest proportion was in the agri-business sector, with 52,558 enterprises, or 55.34 percent, and a 0.34 percent expansion. It was followed by the manufacturing sector with 36,853 MSMEs, or 38.81 percent, representing a rate 14.21 percent growth. In the service sector, there were 3,333 community MSMEs, or 3.51 percent, a decrease of 3.51 percent, whereas there were 2,220 community MSMEs, or 2.34 percent, a decrease of 15.53 percent, in the trade sector.

The majority of community MSMEs, 48,591 enterprises, were in the subsector of crops and livestock, a decrease of 1,421 or 2.84 percent from the previous year, representing 51.17 percent of all national MSMEs. The food production subsector was the second largest subsector with the greatest concentration in Roi Et, accounting for 5.43 percent of the community's MSMEs, which totaled 5,157 enterprises, followed by Si Sa Ket with 4,133 enterprises, or 4.35 percent. With 187 enterprises, or 0.20 percent, Singburi had the smallest number of community MSMEs in the country.

Establishment and Dissolution of Juristic-Entity MSME 2021

Establishment and Dissolution of Juristic-Entity MSME (Units: Enterprise)



In 2021, a total of 72,802 new MSMCs were established, while a total of 18,239 MSMCs were closed and liquidated.

The highest number of newly established juristic entity MSMCs classified by the top five business sectors was 13,012 in the wholesale sector excluding sales of automobiles and motorcycles, followed by 10,954 in the retail sector excluding sales of automobiles and motorcycles and 7,023 in the construction sector.

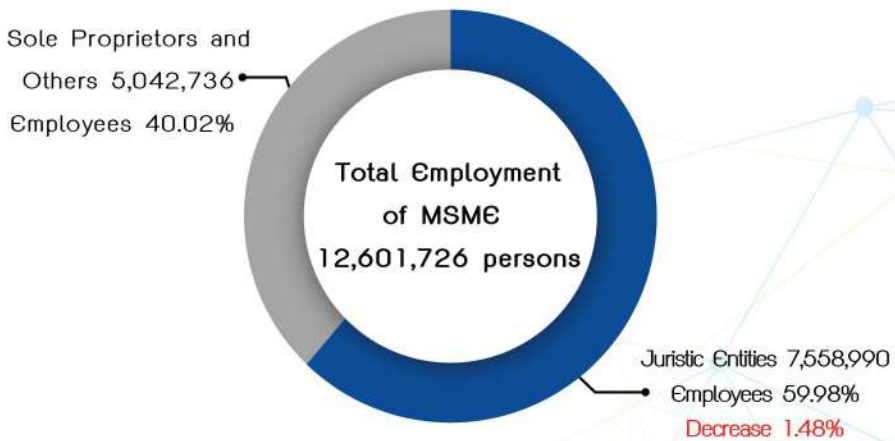
The wholesale business excluding sales of automobiles and motorcycles, with 3,327 enterprises, the retail business excluding sales of automobiles and motorcycles, with 2,740 enterprises, and the construction industry, with 1,444 enterprises, were among the top five business sectors (subsectors) for MSMCs that concluded their closure and liquidation in 2021.

Other juristic-entity MSMCs classified by business sectors (sub-sector) that ceased operations included 2,868 wholesale businesses (excluding automobiles and motorcycles), 2,145 construction businesses, and 1,111 retail businesses (excluding automobiles and motorcycles).

Employment of MSME Overview

In 2021, the overall employment number by all enterprises were 17,536,336 persons. Of these, 4,934,610 persons were hired by large enterprises (LE) and 12,601,726 persons by MSMEs, representing 71.86 percent of the total employment. Micro enterprises had the highest share compared to the total employment at 29.80 percent. They also had the highest proportion compared to MSMEs at 41.47 percent.

Employment of MSME Classified by Business Establishments 2021

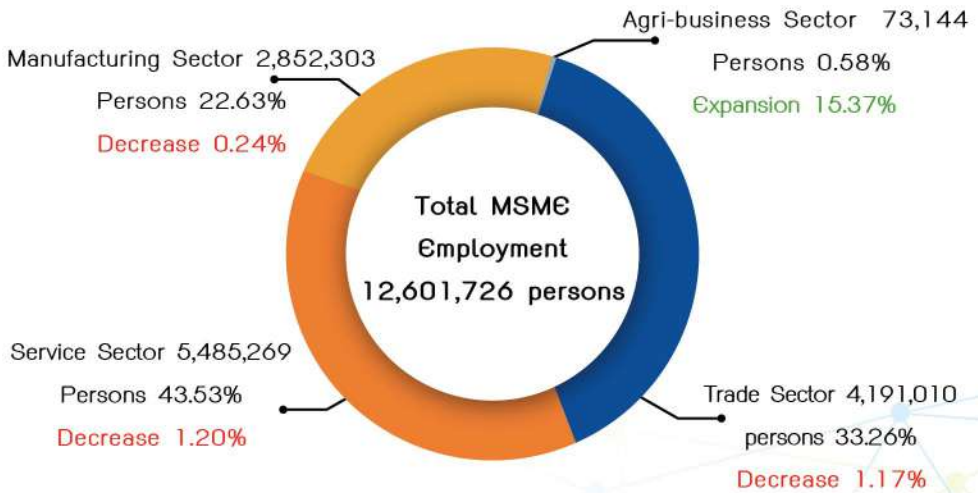


Compiled by: Office of Small and Medium Enterprises Promotion

In 2021, the MSME employment based on business establishments could be divided into two categories: 1) juristic entities with 7,558,990 employees, or 59.98% of the total MSME employment, and 2) sole proprietors and others with 5,042,736 employees, or 49.02% of the total MSME employment.

MSME employment was mainly in the service sector with 5,485,269 employees representing 77.22 percent of the total service sector employment nationwide. This decreased by 1.20 percent when compared to the same industry from the previous year. The sector with the second-highest concentration of MSME employment was the trade sector, with 4,191,010 employees, or 79.68 percent of the sector's national employment, a 1.17 percent decrease. It was followed by the manufacturing sector with 2,852,303 people, or 56.24 percent, a 0.24 percent decrease, and the agri-business sector (only juristic-entity businesses) with 73,144 people, a 15.37 percent increase.

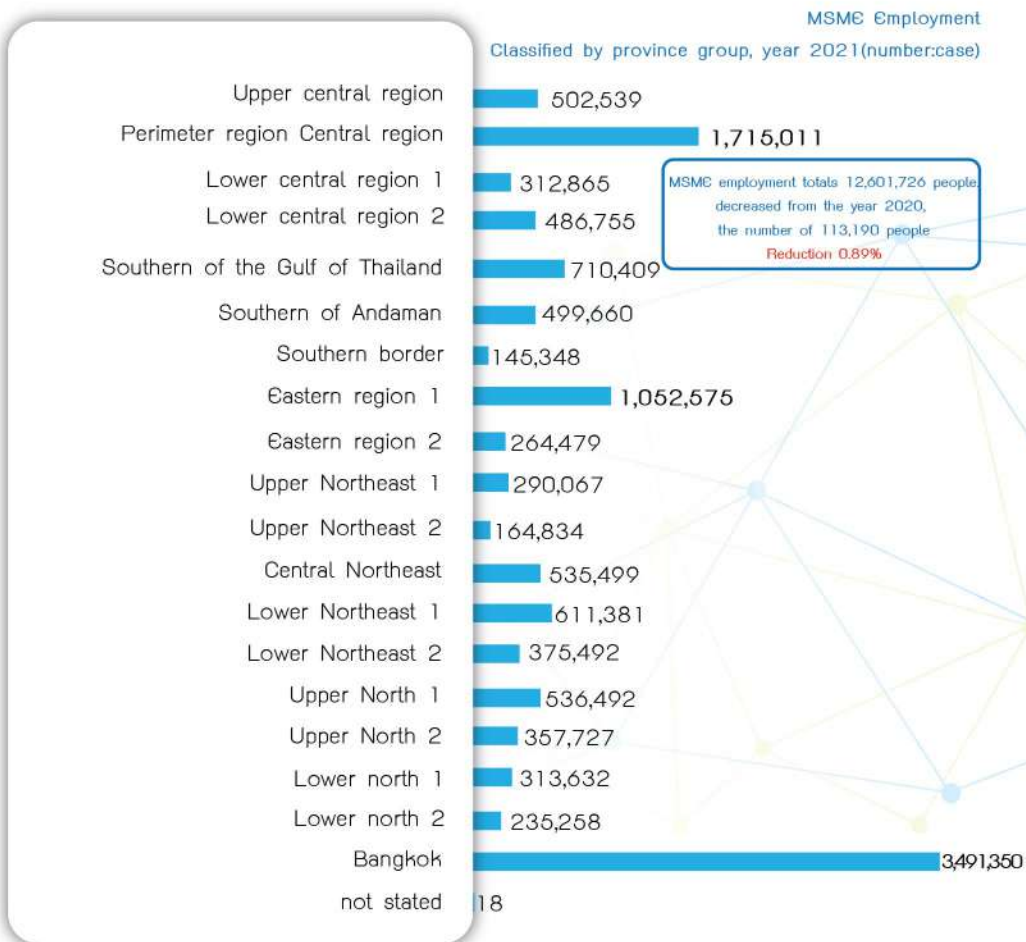
Figure 10 MSME Employment Classified by Provincial Groupings 2021



Compiled by: Office of Small and Medium Enterprises Promotion

Regarding MSME employment by provincial groupings, Bangkok had the highest concentration with 3,491,495 people, or 27.71 percent of the total MSME employment, followed by the Central provinces neighbouring to Bangkok and the Eastern Region 1 provinces, respectively.

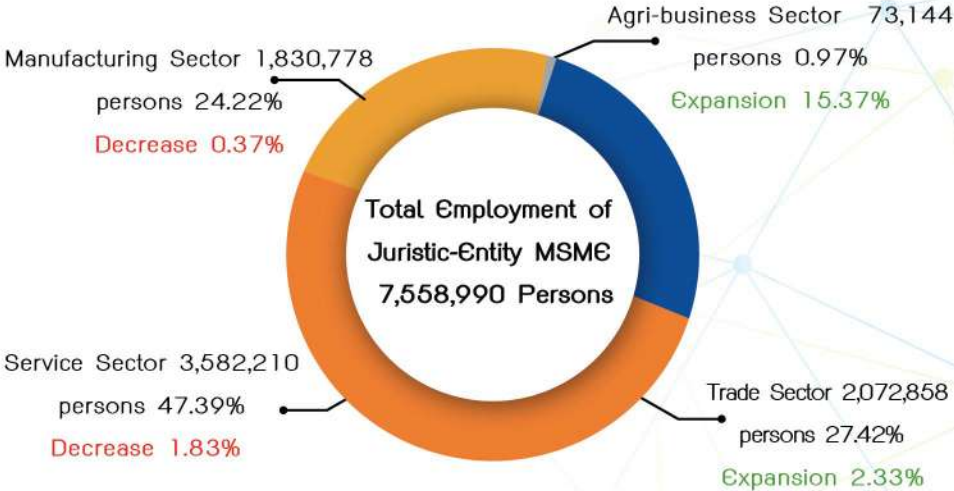
Employment Classification of MSMEs by Provincial Groupings 2021



processed by: Office of Small and Medium Enterprises Promotion (OSMEP)

In 2021, MSMEs employed 7,558,990 persons. This represents a decrease of 113,190 persons, or 1.48 percent, compared to the 7,672,180-person labor force in 2020. The service sector employed 3,582,210 workers, or 47.39 percent of the nation's legal entity workforce. This represented a 1.83 percent decrease from the previous year. The percentage of workers in juristic-entity MSMEs in the trade sector then decreased by 2.33 percent to 2,072,858 workers, or 27.42 percent, reaching a total of 2,072,858 workers. The manufacturing industry employed 1,830,778 persons, or 24.22 percent, a 0.37 percent decrease, and the agribusiness industry employed 73,144 persons, or 0.97 percent, with a 15.37 percent expansion.

Employment MSME Classified by Provincial Groupings 2021



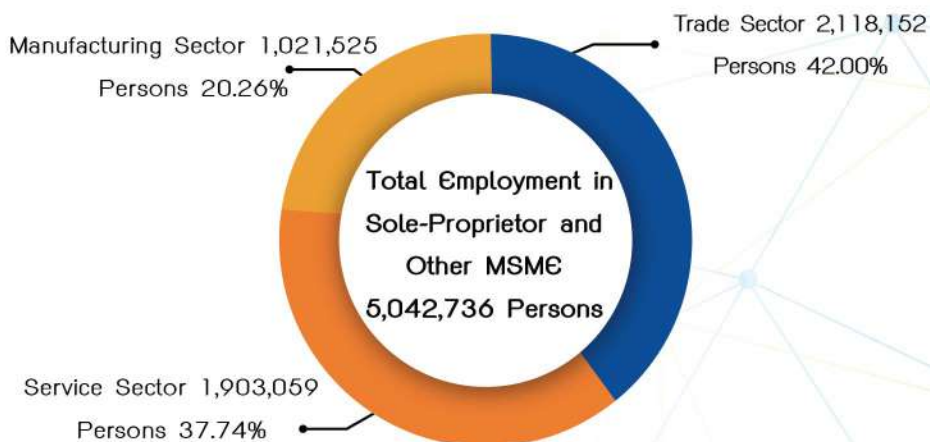
Compiled by: Office of Small and Medium Enterprises Promotion

The largest portion of employment in juristic-entity MSMEs was in the wholesale and retail businesses (Category G) with 2,072,858 employees, of which 1,036,330 employees were in wholesale other than sales of automobiles and motorcycles, or 13.71 percent of all employment in juristic-entity MSMEs nationwide. This represented a drop of 2.61 percent. The next largest portions were in the manufacturing sector (category C) and construction sector (category F). Bangkok had the highest number of employments in juristic-entity MSMEs with 2,788,923 employees or 36.90 percent of the total employment in juristic-entity MSMEs nationwide, followed by Samut Prakan. The province with the smallest number of juristic-entity MSME employment was Mae Hong Son.

Employment in Sole-Proprietor and Other MSMEs

In 2021, there were 5,096,931 people employed individually nationwide. Of these, 5,042,736 persons, or 98.94 percent, were hired by MSMEs. The largest proportion of employment was in the trade sector with 2,118,152 employees or 42 percent of all employment in this category nationwide. It was followed by those in the service sector with 1,903,059 employees or 37.74 percent whereas the manufacturing sector had 1,021,525 employees or 20.26 percent.

Employment in Sole-Proprietor and Other MSME 2021



Compiled by: Office of Small and Medium Enterprises Promotion

Employment in sole-proprietor MSMEs and others was mainly in wholesale and retail category (category G) with 2,118,152 employees. Of these, 1,508,547 employees were in retail except sales of automobiles and motorcycles or 29.92 percent of the employment in sole-proprietor and other MSMEs nationwide. This was followed by the manufacturing sector (category C) and the hospitality and food service business sector (category I). Bangkok had the highest number of employment in sole-proprietor MSMEs and others with 702,572 workers or 13.93 percent of the total employment in sole-proprietor MSMEs and others nationwide. This was followed by Chiang Mai. The province with the least number of MSME employment in sole-proprietor and other MSMEs was Mae Hong Son.

Labor Market Situation and Employment Trend in 2022

Labor Market Situation

As the COVID-19 pandemic situation has begun to improve both domestically and internationally, the government has initiated a policy to welcome foreign tourists by the end of 2021. This is a significant opportunity to support the nation's economic recovery, particularly the tourism industry and other businesses impacted by the COVID-19 outbreak. The labor market situation is anticipated to improve in 2022 due to an increase in employment and a decline in the unemployment rate. Consequently, these non-income labor groups have a chance to rejoin the labor market. Nonetheless, the government and relevant agencies must pay attention to the following issues:

Soaring investment costs for goods and raw materials

Due to supply chain disruptions caused by the multiple effects of the COVID-19 pandemic, the global economy has struggled to meet global demand for goods. There are insufficient quantities of manufactured goods to meet rising market demands. In addition, there are issues with an energy shortage, the Russian-Ukrainian war, the country's weak economic situation, and inflation, all of which result in soaring investment costs for the production of goods and other services.

Increase of Minimum Wages

Impacts from soaring costs of household goods have caused increasing costs of living. When income is not enough to cover expenses, workers have started to complain and request wage increases. The government has already adopted a resolution to implement a new wage rate at the beginning of the 4th quarter of 2022. Although a wage increase can have some benefits on the workers and entrepreneurs in the big industries or automation businesses may not be affected, MSME entrepreneurs will be severely impacted because they have hired unskilled laborers thereby increasing their investment costs. In addition, the majority of MSME businesses are starting to recover from the COVID-19 pandemic situation. As a result of increased investment costs for labor employment, businesses have to pass on the burden to consumers by increasing product prices.

Labor shortage

When the COVID-19 pandemic situation improved and many businesses resumed operations, they were faced with a labor shortage issue. This is because some workers have shifted to more lucrative fields, such as information technology or online marketing, while others are not yet prepared to return to work due to a lack of confidence in the economy. They are concerned about the likelihood of unemployment. In addition, recent graduates who will make up a skilled labor force in the future are more likely to be unemployed due to a mismatch between their qualifications and labor market requirements. Moreover, those with excellent credentials may not receive a sufficient income under the current economic climate. They are consequently more likely to work independently.

A Move into Aging Society

The Office of National Statistics conducted a survey of the elderly population in Thailand in 2021 and determined that there were 13,358,751 individuals over the age of 60, representing 19.6 percent of the total population. This has led to a decline in the working-age population. As a result, the government and relevant agencies must develop an employment policy for the population over the age of 60, as some seniors still possess the necessary knowledge and skills for gainful employment.

Labor of Gig Workers

Gig workers are individuals who engage in temporary employment, short-term contracts, freelance work, etc. The trend has increased during the COVID-19 pandemic because the modern workforce desires independence and high work flexibility. According to the Social Security Fund (SSF), 10.84 million individuals were self-insured by the SSF under section 40 as of August 2022. This is a 249.74 percent increase compared to the same period in August 2019 prior to the emergence of the COVID-19 pandemic. If any entrepreneurs of a small or medium-sized enterprise (SME) have hired them, their business will benefit from their specialized skills, which will increase their competitiveness. Gig workers are still classified as informal workers, however. Consequently, the government must prioritize the employment of skilled laborers whose employers provide adequate labor protection benefits.

Prospective fields of work and necessary skills for post-COVID-19 employment

The COVID-19 pandemic has had a significant effect on employment conditions. In response to recent events, entrepreneurs must implement various approaches and develop a new business plan, be it implementing digital technology in order for all employees to work more efficiently from home, reducing the number of staff, use of Artificial Intelligence (AI) technology, and the use of innovations to reduce employment investment costs.

During the COVID-19 epidemic, when the majority of consumers were unable to spend money and purchase goods as usual, online marketing channels were increasingly utilized. This has enabled the expansion of marketing channels to reach a broad range of consumer groups.

On the labor market, sales and marketing, manufacturing, temporary work, information technology, engineering, accounting and finance, logistics and supply chain, customer service, health and medical service, and human resources are in high demand.

During the post-COVID-19 pandemic, reskilling and upskilling are crucial for employment because businesses want to reduce investment costs and employment levels. If additional workers are needed, these companies will hire individuals with both hard and soft skills. Therefore, important competencies that the modern workforce must acquire include 1) digital technology skills, 2) language skills, 3) leadership skills with creative thinking and decisive mind, 4) adjustment skills for survival in all situations, 5) management and co-living skills, etc.

(Source: Manpower Group Thailand)

Chapter 5

Growth Opportunity and Capacity Indices for MSMEs 2021-2022





Chapter 5

Growth Opportunity and Capacity Indices for MSMEs 2021-2022

Growth Opportunity and Capacity Indices for MSMEs 2021-2022

Growth opportunity and capacity indices for MSMEs are calculated in the form of the composite index, which is built from an indicator for growth and capacity conditions of MSMEs. It consists of four dimensions: 1) factor dimension 2) attribute dimension 3) operation dimension and 4) performance dimension. Each indicator comprises 17 sub-indicators as follows:

Growth Opportunity and capacity Indices of MSMEs categorized as sole proprietor and juristic entities are classified into four dimensions:

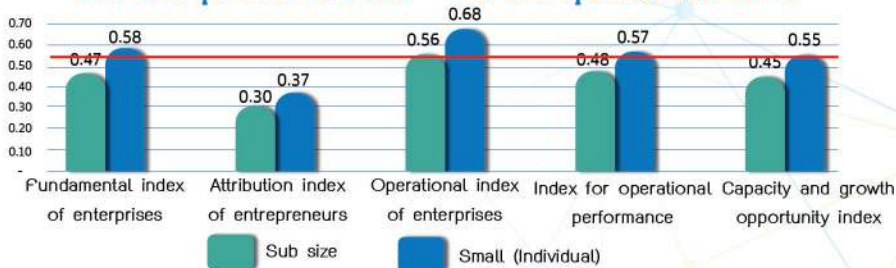
 Factor Dimension	 Attribute Dimension	 Operation Dimension	 Performance Dimension
<ul style="list-style-type: none"> - Enterprise reserves - Necessary factors for an enterprise - Loans from informal sources 	<ul style="list-style-type: none"> - Knowledge and skills in finance and law - Knowledge and skills in marketing - Knowledge and skills in administration - Readiness for adjustment to uncertain situations - Accessibility for useful information 	<ul style="list-style-type: none"> - Accounting and financial budgeting - Transition to online businesses - Proactive marketing strategy - Data maintenance of regular clients 	<ul style="list-style-type: none"> - Profitability - Profit prospect - Financial status - Perspectives on current performance - Enterprise risk diversification (for a juristic entity category)

The range of evaluation criteria for growth opportunity and capacity indices for MSMEs is between 0 and 1

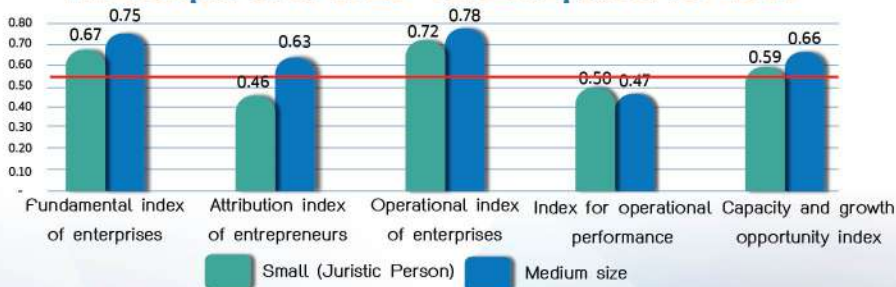
An index of 0.80 or more means a very high level of growth opportunity and capacity	An index of 0.70 - 0.79 means a high level of growth opportunity and capacity	An index of 0.55 - 0.69 means a medium level of growth opportunity and capacity	An index lower than 0.55 means a low level of growth opportunity and capacity
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From the third quarter of 2021 to the second quarter of 2022, the Office of Small and Medium Enterprise Promotion (OSM&P) conducted a quarterly survey of approximately 1,000 SMEs for the growth opportunity and capacity index for SMEs. A sample group comprised 84 percent of micro-entrepreneurs, 15.60 percent of small entrepreneurs, 0.40 percent of medium entrepreneurs. Nearly forty percent (39.86 percent) of sample groups are in the retail and wholesale enterprise branches, 37.28 percent are in the service sector, 17.19 percent in the production sector, and 5.67 percent in the processed agriculture sector. This can be divided into a category of sole proprietor SMEs comprising 95.13 percent and a category of juristic entities comprising 4.87 percent.

A capacity and growth opportunity index for sole proprietor micro and small enterprises (1st set of an index) The 3rd quarter of 2021 – the 2nd quarter for 2022



A capacity and growth opportunity index for juristic small and medium enterprises (2nd set of an index) The 3rd quarter of 2021 – the 2nd quarter for 2022



🔗 A growth opportunity and capacity index for small and medium enterprises divides the index and indicator into two sets: the sole proprietor micro and small enterprises (the 1st set) and the juristic medium and small enterprises (the 2nd set) by increasing an indicator for research and development budget and an indicator for the risk diversification of enterprises. This was determined based on the ratio of other incomes, which are non-products, to the enterprise's primary service.

🔗 Growth opportunity and capacity index for the sole proprietor micro and medium enterprises (the 1st set of the index)

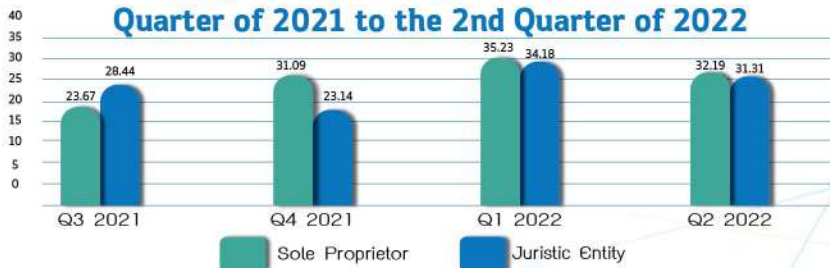
🔗 From 2021 to 2022, it was determined that the growth opportunity and capacity of micro-enterprises were low, with an average growth opportunity and capacity index of 0.45 for all four sub-indexes. Small businesses had the lowest capacity in terms of attributes for entrepreneurs, business fundamentals, and performance factors, respectively. With an average index of 0.55, medium-sized enterprises possessed a moderate level of growth opportunity and capacity. Small businesses had a high level for a business operation, a medium level for fundamental factors for an operation, and a high level for an operation's performance across all four sub-indices. As for the attributes of entrepreneurs, the level was low. This highlighted the problem of micro and medium-sized enterprises lacking entrepreneurial knowledge and skills. Consequently, it produced a relatively poor performance despite effective operation management. Sole proprietor micro-enterprises were less capable than medium-sized enterprises in all respects.

🔗 Growth opportunity and capacity index for juristic-entity small and medium enterprises categorized (the 2nd set of indexes).

The average growth opportunity and capacity index for a medium enterprise classified as a juristic entity was 0.59, indicating a medium level of growth opportunity and capacity. From the four sub-indices, it was determined that the capacity for enterprise operation was high, the capacity for an enterprise's fundamental factor was medium, and the capacity for operation performance and an entrepreneurial attribute was low. Juristic-entity medium-sized enterprises had a medium level of growth opportunity and capacity, as measured by an index average of 0.66. The areas with the highest capacity, according to the four sub-indices, were enterprise operation and enterprise fundamental factors. The attributes of the entrepreneur had a moderate capacity, whereas the operation performance had a low capacity.

The capacity of medium-sized enterprises was superior to that of small enterprises classified as juristic entities in almost every respect, with the exception of operational performance. This indicates that medium-sized businesses were primarily impacted by the COVID-19 pandemic in 2021, which had an effect on their operational performance. In 2022, they are rebounding quite well. During the same period, the operational performance of small enterprises classified as legal entities has not changed significantly.

Net profit rate for SMEs from the 3rd Quarter of 2021 to the 2nd Quarter of 2022



Between the third quarter of 2021 and the second quarter of 2022, the growth opportunity and capacity index of the MSME, both categorized as the sole proprietor and juristic entity, showed a tendency for the operation performance of the individually-owned micro and small enterprises to improve during the first three quarters, but then decline slightly in the fourth quarter. This was demonstrated by the increase in the net profit rate to 35.23 percent in the first quarter of 2022. During the second quarter of 2022, small and medium-sized businesses reported a net profit rate of 34.18 percent. The net profit rate for sole proprietor micro and small enterprises decreased by 32.19 percent, while the net profit rate for juristic-entity small and medium enterprises decreased by 31.31 percent.

Growth opportunity and capacity index for Micro and Small Enterprises Categorized as Sole Proprietor (The 1st Set of Index)

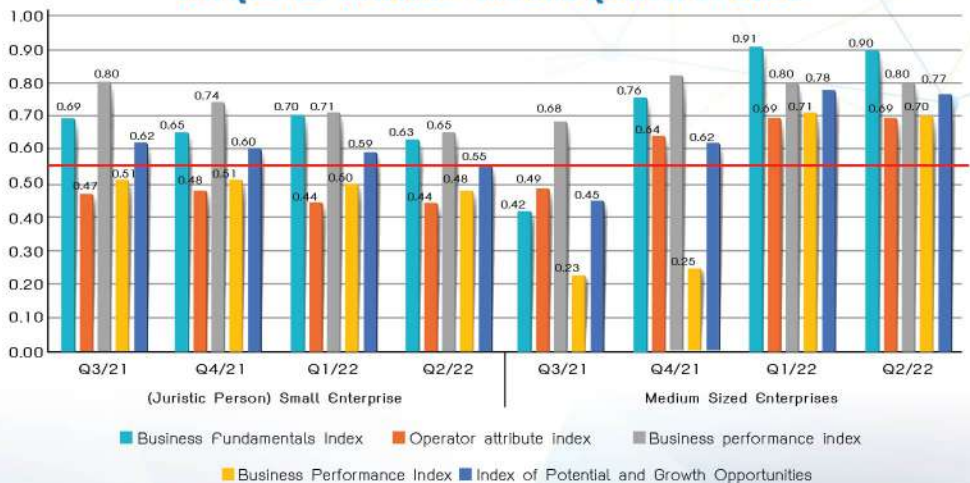
3rd Quarter of 2021 – the 2nd Quarter of 2022



Comparing the growth opportunity and capacity index of the micro and small enterprises owned by individuals between the third quarter of 2021 and the second quarter of 2022, it was discovered that the average growth opportunity and capacity index remained low and medium, with a tendency to increase over time. This was because the severity of the COVID-19 pandemic continued to decline. Consequently, the business sector could resume normal operations with a rise in income, profits, and capital investment. The enterprises had greater access to production factors, skilled labor, and other support factors, and had more opportunities to collaborate with their network without relying on informal loans. This corresponded to an operation performance element whose average score for the index continued to increase. Also, the average index score for its operation management increased during the third quarter but declined slightly in the fourth. The primary factor was the emergence of online business for enterprises, with a multitude of online and social media channels for customers to follow, a digital platform for payment, and opportunities for entrepreneurs to market and sell their products.

For Thailand's small and micro-enterprises, the entrepreneur-attribute element remained the greatest obstacle. The index for the attributes of entrepreneurs remained low throughout the entire year. Typically, the levels of entrepreneurs' knowledge, skills, and attitudes were unlikely to change rapidly. In addition, the entrepreneurs rated themselves poorly during a self-evaluation.

Growth opportunity and Capacity Index for Small and Medium Enterprises Categorized as Juristic Entity (The 2nd Set of Index) 3rd Quarter of 2021 – the 2nd Quarter of 2022



Between the third and second quarters of 2021 and the second quarter of 2022, the average score for the growth opportunity and capacity index of micro and medium enterprises classified as a juristic entity was at a medium level.

In the first and second quarters of 2022, based on the sub-criteria of the growth opportunity and capacity index for all four elements, medium-sized enterprises operated at a higher level than they did in the first and second quarters of 2021. This is because the business sector can resume normal operations now that the COVID-19 pandemic is less severe and the government sector has lifted and loosened control measures. Meanwhile, small businesses' operational performance remained unchanged. Nonetheless, operational capacity decreases throughout the fourth quarter. This was because, after the COVID-19 pandemic subsided, these companies tended to reduce their proactive marketing efforts. The decline in promotional marketing activities was evident.

On the other hand, the juristic medium-enterprises had a capacity for fundamental operation factors ranging from moderate to high. This may, however, vary from quarter to quarter based on factors such as capital investment flow, access to fundamental factors, and network creation in business operations. In the meantime, the capacity of medium-sized enterprises in terms of fundamental factors rose steadily from a low level in the third quarter of 2021 to an extremely high level in the second quarter of 2022. This is a result of the decline in severity of the COVID-19 pandemic. As a result, businesses were able to continue operations as usual due to an increase in the flow of capital investments and the availability of crucial factors for enterprises, such as highly skilled personnel, production factors, and support services for an operation, as well as an improvement in the formation of business networks.

Due to a low self-evaluation, the attributes of entrepreneurs in medium-sized businesses remained at a low level. In addition, knowledge, abilities, and attitudes were less likely to change in the near future. Medium-sized businesses, meanwhile, maintained a low to moderate index level, with scores rising throughout the year to reflect their adaptability to uncertainty and access to useful information.

Chapter 6

Survey of situation and opinions of MSMEs 2022





Chapter 6

Survey of situation and opinions of MSMEs 2022

Survey of situation and opinions of MSMEs 2022

The situation and opinion surveys of micro, small, and medium-sized enterprises (MSMEs) focused on small enterprises through a variety of channels, such as quick surveys, small group meetings, and in-depth interviews, in five sectors:



Manufacturing

1) Manufacturing : food, pharmaceuticals, chemicals (food supplements) and plastic products.



Trade

2) Trade : retails



Services

3) Services : tourism and related businesses, construction, logistics (delivery)



Agriculture

4) Agriculture : agriculture processing and herbal products



Exports

5) Exports : cross-border trade.

The results of the survey revealed that MSMEs, particularly small enterprises in each industry, face varying challenges based on business size, operating structure, and experience.

In industries such as food production, agricultural processing, and tourism services, for instance, there are issues regarding the application of permits and standards. The operators must be familiar with the rules and regulations that apply to their businesses, as well as the procedures for obtaining the necessary permits.

For micro enterprises and newly established community businesses, there is a widespread lack of knowledge and skills among entrepreneurs. Most lack business operations knowledge and expertise, particularly in the areas of finance, taxes, pricing, consumer insights, and business strategy. Consequently, they struggle with business performance, marketing, and adaptation as a result of Covid-19's effects.

While medium and micro enterprises, experienced operators, and limited liability companies do not have problems with business operation knowledge and skills, they do face other challenges. These include the adoption of innovations and technology to enhance production efficiency or service delivery, the development of product and service standards, the value addition of products and services, the lack of highly skilled labor, financial liquidity and access to capital, ecosystems, and business partnerships. Moreover, the majority of these entrepreneurs are unaware of government and non-government agencies' MSMEs support programs and initiatives.



In accordance with the aforementioned factors, assistance projects for MSMEs vary based on the requirements of each industry, the size of the business, and its operational experience. Micro-enterprises and sole proprietors require fundamental business operations knowledge, including financial management, taxes, price setting, marketing promotion, sales channels, and payment channels.

In addition, they must be familiar with food and drug standards, procedures for obtaining permits for trade or service provision, such as hotel and tourism businesses, and various Covid-19 prevention standards, such as SHA and SHA Plus. Consequently, suitable formats for support projects typically consist of handbooks or checklists, as well as videos for entrepreneurs and the interested public.

Support programs for seasoned micro- and medium-sized businesses concentrate on product development and value addition, such as assistance with research and development for production innovation, packaging development, utilization of computer applications for trade and services, sales and stock management, including room reservations, etc. Workshops and business diagnostic development training are suitable formats.

Furthermore, MSMEs in all sectors need a platform for data collection, news and information on support measures and programs available to them. They also need projects to help establish related business networks or clusters, or to collaborate with trade partners and suppliers to improve and develop efficient supply chains for production, trade and services.



The OSMEP would like to propose the following policy recommendations:

1) Training for entrepreneurs and MSME personnel

The OSMEP's training projects for entrepreneurs and MSME personnel, particularly small enterprises, are considered flagship projects that can be implemented quickly and immediately. Based on the business life cycle — beginning stage or startup period, growing stage or growth period, and maturity stage — these will concentrate on two aspects of capacity building: upskilling and reskilling. The training could also incorporate additional industry-specific knowledge. The projects listed below have been categorized by business life cycle.



Business Life Cycle	Training	
	Upskilling	Reskilling
1. Startup period	<ul style="list-style-type: none"> - Necessary knowledge and skills for entrepreneurs - Primary production management - Marketing and sales management for entrepreneurs - Finance and accounting management - Laws and regulations related to small enterprises - New tax laws for small enterprises - Customs regulations and procedures - E-commerce law - Trade benefits - etc. 	<ul style="list-style-type: none"> - Online marketing and trade - Digital literacy development for work and business operations - Application of digital technology in work processes - International and cross-border business management - Laws and regulations related to international and cross-border trade - Knowledge about product/service standards, production processes/service provision and work processes - etc.

Business Life Cycle	Training	
	Upskilling	Reskilling
2. Growth period	<ul style="list-style-type: none"> - Market and customer behavior research for new product development - Strategy for new product development - Strategy for market penetration and new market development - Strategy for investment and business expansion - Balance sheet and return on investment analysis - Techniques of business planning for expansion - Strategy for loan application for business expansion - etc. 	<ul style="list-style-type: none"> - Innovative marketing - Design Thinking for new product development - Application of digital technology in <ol style="list-style-type: none"> 1) New product or service development 2) Quality and standard development of products and services 3) Quality and standard development in production and service provision - Strategy for network and trade partner management - Cost and profit management - Business risk analysis and management - etc.

Business Life Cycle	Training	
	Upskilling	Reskilling
3. Maturity period	<ul style="list-style-type: none"> - Industry and business growth analysis techniques - Operational cost management and cost control techniques - etc. 	<ul style="list-style-type: none"> - Existing business revitalization strategy - Strategy for identifying opportunities and launching new enterprises - Business succession planning strategy - Business continuity management (BCM) - Digital transformation etc.



2) Development of business counsel centers for entrepreneurs and MSME personnel, especially small enterprises, consisting of the following undertakings:

(1) Business counselling services

The OSM&P should develop a systematic database of its experts and consultants and keep it up to date. It will facilitate the provision of OSM&P services with efficiency and enable the agency to select its pool of experts and consultants to address the needs of entrepreneurs appropriately.

(2) OSM&P expert and consultant database

The OSM&P should develop a systematic database of its experts and consultants and keep it up to date. It will facilitate the provision of OSM&P services with efficiency and enable the agency to select its pool of experts and consultants to address the needs of entrepreneurs appropriately.

(3) Counselling format for entrepreneurs

The OSMCP should consider various options for its counselling format such as face to face, online service, hybrid format, etc.

(4) Personnel competency at the business advice service center

Personnel at the business advice service center should have various key competencies including information analysis, work coordination, decision making, communication, service provision skills, etc.

(5) Service Level Agreements (SLA)

The OSMCP should implement SLAs between service providers and service recipients or customers to define certain levels of service quality. Some agreements that can be identified in an SLA include service period, response time, penalties in case of breach, etc.

(6) Monitoring and evaluation system for business advice service project

The OSMCP should implement a system to monitor and evaluate the achievements of the business counselling service project for MSMEs. Monitoring and evaluation can be carried out periodically, such as short, medium and long term, according to the project suitability.

(7) Collaboration with related agencies for small enterprises.

(8) Development of a communication and public relations plan for the business counseling service center

3) Development of platforms and promotion of their utilization

(1) Learning and development platform

A platform for learning, teaching, training, seminars and long-distance learning, etc.



(2) Marketing and sales platform

A platform for small enterprises to support their marketing activities with a focus on buyer-seller meetings, seller-customer meetings, etc.



(3) Marketing communication platform

A platform for small enterprises to use as a marketing communication support tool to reach a wider target market/customers.



(4) Small enterprises' information centre and data analysis platform

The OSMCP should play a key role in the development of an MSME information centre, with a focus on small enterprises.



4) Supporting MSMEs' access to capital

(1) The OSMEP should play a role in communicating and distributing information about funding and lending sources for small enterprises.

(2) The OSMEP should provide financial and investment advice for MSMEs.

(3) The OSMEP coordinates with other agencies and financial institutions in developing financial products and risk management tools to serve the various needs of borrowers seeking loans for different types of businesses and growth periods.

(4) The OSMEP coordinates with other agencies and financial institutions in developing a system for valuing assets for use as business loan collateral.

(5) The OSMEP could act as an information provider to support financial institutions or capital markets in credit assessment, such as records of participation and passing compulsory courses for loan applicants, evaluation results of business operating performance after receiving advice from the OSMEP, etc.

(6) The OSMEP should coordinate efforts to request support from financial institutions or capital markets to increase financial access opportunities for MSMEs.

5) Policy recommendations for developing an ecosystem that enables the support and elevation of MSMEs' competitiveness

(1) The OSMEP handles public relations functions and organization of events to promote the use of digital platforms, such as introducing the use of digital platforms for business benefits.

(2) The OSMEP supports innovation among MSMEs by organizing contests for innovation and creative business ideas.

(3) The OSMEP supports shared learning among entrepreneurs and related agencies by providing forums for knowledge sharing.

(4) The OSMEP develops a convenient service-provision channel for MSMEs through the use of technology and innovations such as digital transactions and information.

Chapter 7

Thailand's Micro Enterprises Status Report





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Thailand's Micro Enterprises Status Report

Micro enterprises account for the largest business group in Thailand. They play a crucial role in enhancing economic development by creating new entrepreneurs, generating income for the country, increasing employment, laying the foundation for sustainable development, and providing a mechanism for addressing poverty.

In 2020, after the COVID-19 pandemic had spread to every corner of the globe, micro enterprises generated 417,304 million baht, or 2.6% of the country's GDP. Compared to the previous year, the gross domestic product (GDP) of microenterprises decreased by 15.8 percent, primarily because entrepreneurs were impacted by the COVID-19 situation, which caused a lack of liquidity to the level of liquidation.



Figure: Value and growth rate of GDP from 2016 -2020

Source: Office of Small and Medium Enterprise Promotion (OSMCEP) (2022)

The majority of employment on the Thai labor market is provided by micro enterprises, as shown by the data presented above. In the future, the country's overall GDP will be impacted by the relatively high GDP contraction caused by COVID-19's effects on micro enterprises. This outbreak has a direct impact on Thai micro-enterprises, particularly those in the tourism, restaurant, and service industries, which generate substantial revenue for the Thai economy. This severe impact has affected employment and income in the country. Therefore, MSME entrepreneurs require immediate and extensive government support.

According to the number of micro, small, and medium enterprises (MSMEs) per the Ministerial Regulations on the Designation of the Characteristics of SME Act B.E. 2562 (2019) by the Office of Small and Medium Enterprise Promotion, there were 3,148,897 MSMEs in 2020. Of this figure, there were as many as 2,673,922 micro enterprises, accounting for 85.31 percent of all MSMEs, which is the largest proportion among MSMEs, while small and medium enterprises accounted for only 415,673 and 44,847, or 13.26 and 1.43 percent, respectively. Given a large number of MSMEs, the majority of them are micro enterprises. In developed countries, the proportion of medium-sized enterprises is between 5 and 10 percent, which reflects the many constraints that prevent micro-enterprises from growing into small and medium-sized enterprises, such as limited access to capital for business expansion, productivity and management constraints, or problems in expanding both domestic and international markets.

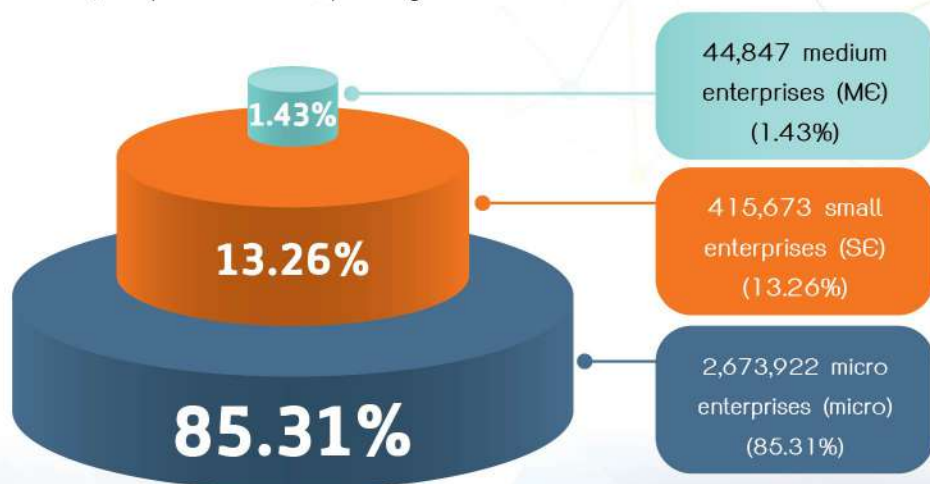


Figure: The number of enterprises sorted by business size (2020)

Source: Office of Small and Medium Enterprise Promotion (OSMCP) (2022)

Considering the nature of business operations of MSMEs, most of them are private businesses and others (such as housewife groups and cooperatives). Of the total 2,673,922 MSMEs in the country, only 412,226 are registered as juristic entities accounting for only 15.42% of all MSMEs, and only 91,772 are registered as community enterprises (of which some are registered as juristic entities) or 3.43% of all MSMEs.

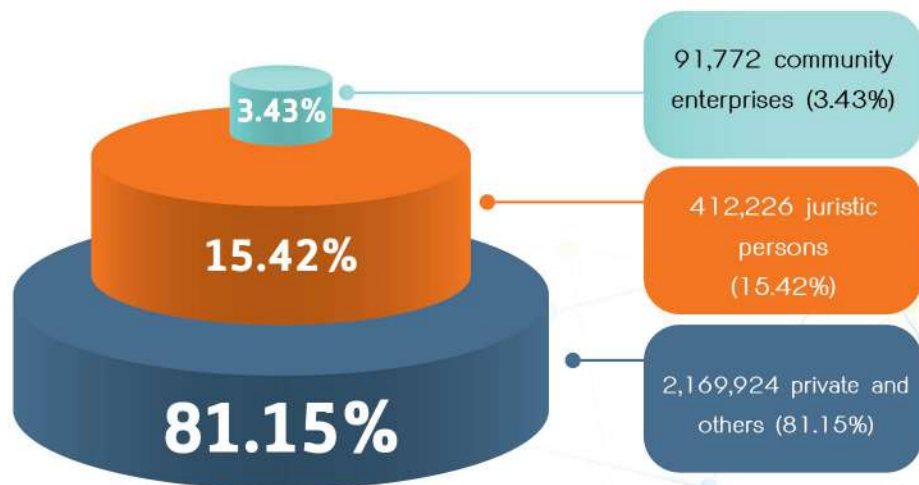


Figure: The number of enterprises sorted by data set (2020)
 Source: Office of Small and Medium Enterprise Promotion (OSMEP) (2022)

From the data set of the number of MSMEs according to the new definition of 2020, the number of micro enterprises can be classified by business sectors, with 1,127,341 commerce enterprises (42.16 percent), 1,045,764 service enterprises (39.11 percent), 444,502 manufacturing enterprises (16.66 percent), and 55,315 agricultural enterprises (2.07 percent) of the total number of micro enterprises, respectively. Remarkably, most micro enterprises are in the commerce and service sectors with a similar proportion.

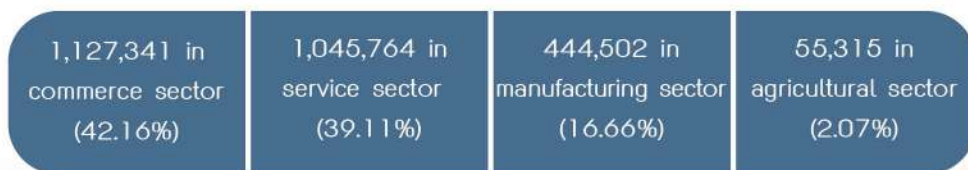


Figure: The number of micro enterprises sorted by type of business (2020)
 Source: Office of Small and Medium Enterprise Promotion (OSMEP) (2022)

The increase in micro enterprises compared to the previous year and sorted by the nature of establishment and business sectors is illustrated below.



In 2020, micro enterprises grew by 1.09% compared to the previous year, probably caused by the COVID-19 epidemic in Thailand since the beginning of 2020, extensively affecting the Thai economy and society. In particular, the labor sector has been most severely affected because economic activities have stalled, and most people have to stay home. The nationwide lockdown and travel restrictions forced businesses to close and lay off employees. These laid-off workers turned into entrepreneurs. This circumstance has caused the number of small enterprises to grow while the overall Thai economy did not expand at all.

Considering the growth rate of micro enterprises by the nature of establishment, it is noted that, the growth rates of juristic entities and community enterprises, increased compared to the previous year. The relatively high growth rates show that new entrepreneurs are more likely to stay in the system and agree to pay income taxes properly.

Regarding the growth rate of micro enterprises disaggregated by the business sector, it is noted that all sectors witnessed growth compared to the previous year, particularly the service and agriculture sectors, which are in line with the overall growth rate. This is because affected enterprises were forced to cut their operation cost by suspending the employment for an undefined period of time, in particular in the tourism and manufacturing sectors. For this reason, more than a million workers returned to their hometowns. Most adapted to the situation by pursuing new jobs while waiting for the COVID-19 situation to ease. Agriculture is the occupation that workers choose to do because they already have land and their families as farmers. In addition, some workers have started new careers in services because it is a business that emphasizes their existing skills with no big investment required.

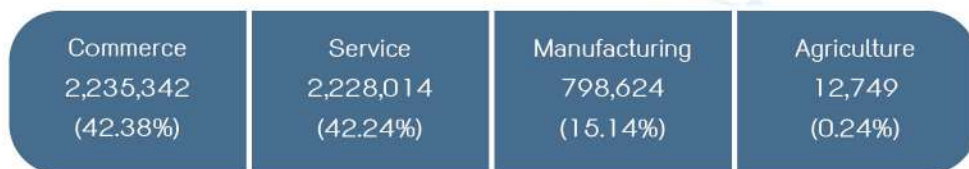


Figure: The number of employments by micro enterprises disaggregated by the nature of establishment (2020)

Source: Office of Small and Medium Enterprise Promotion (OSMEP) (2022)



Sector with the highest employment In 2020,
at 5,274,729 across the country

-2.78%



unchanged

Private and others
3,740,318



-8.96%

Juristic persons
1,534,411



Commerce
2,235,342

-1.15%



Manufacturing
798,624

0.88%



Service
2,228,014

-5.68%



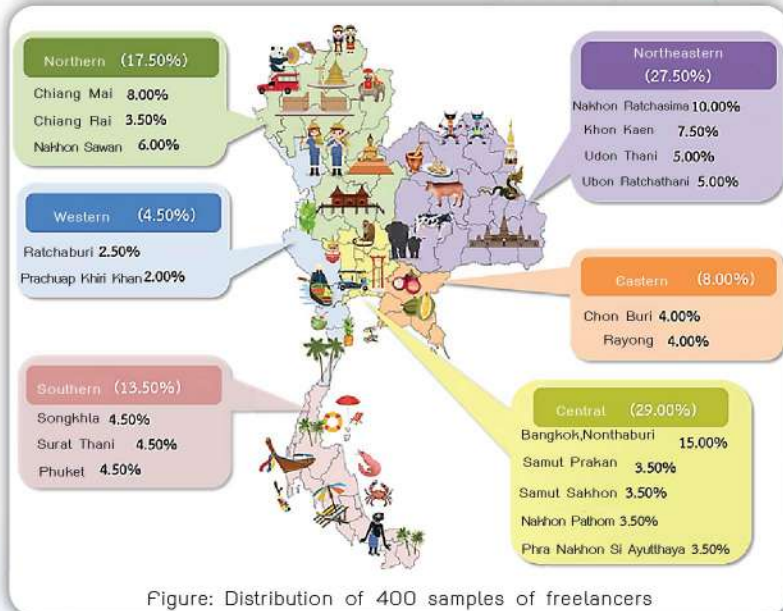
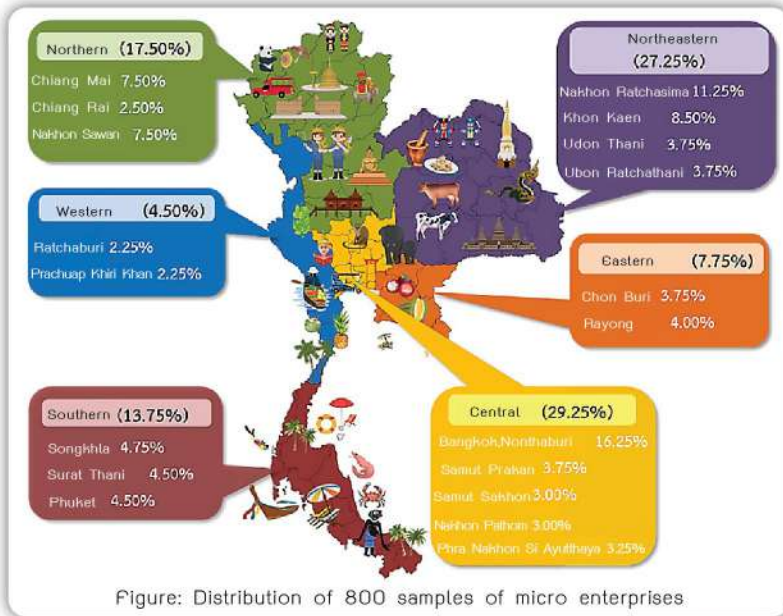
Agriculture
12,749

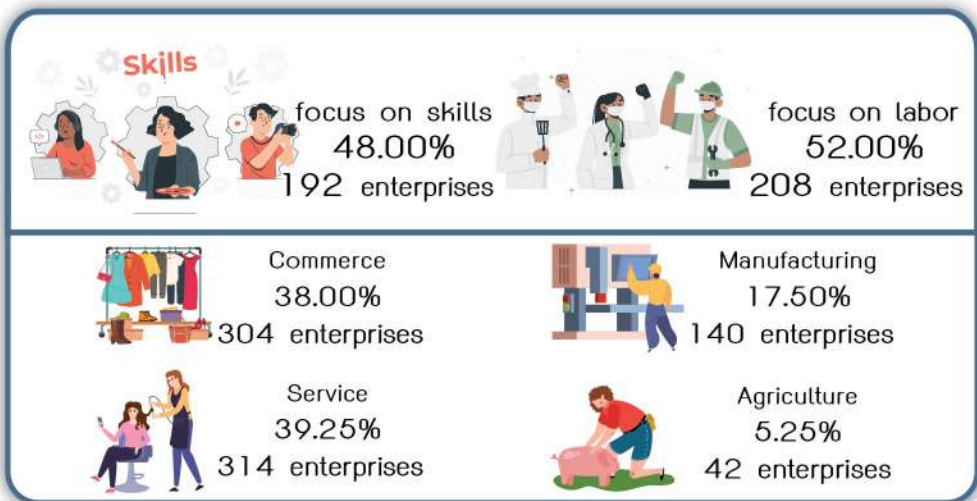
18.60%

In 2020, micro enterprises experienced a 2.78 percent decline in employment compared to the previous year. However, it was still the sector with the highest employment at 5,274,729 workers (29.74 percent of employment by enterprises across the country). The average employment was still 2 workers per enterprise. Considering the employment in 2022 by business sector, the commerce sector had the highest employment rate compared to total employment (42.38 percent), followed by services (42.24 percent), production (15.14 percent), and agriculture (0.24%) sectors, respectively.

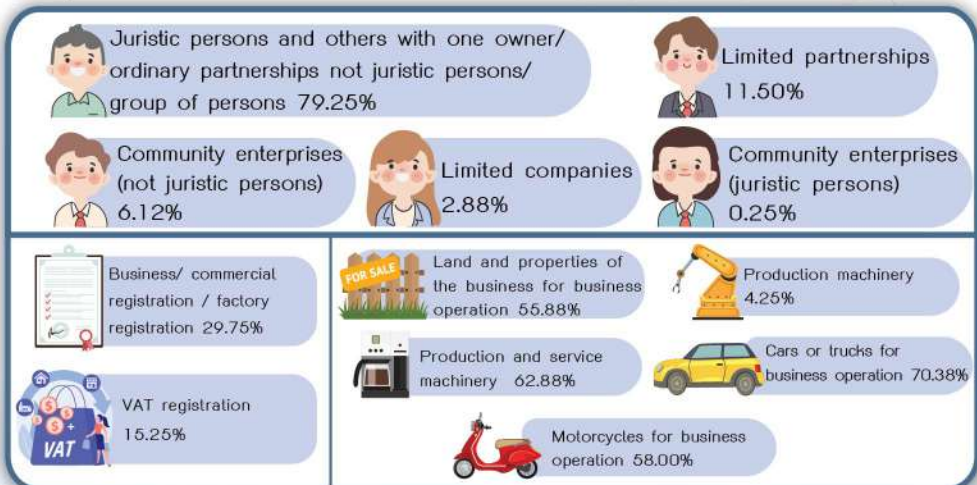
Results of the quantitative survey

Based on a quantitative survey of 1,200 samples, 800 were micro enterprises and 400 were freelancers (independent contractors) spreading across 20 provinces and 6 regions throughout Thailand. The proportion of the sample distribution in each region can be shown as follows.





The survey revealed that only 29.75 percent of micro enterprises held a business or commercial registration, and only 15.25 percent of entrepreneurs were registered for VAT, and only 14.63 percent of entrepreneurs were juristic persons. Entrepreneurs held non-current assets (land and properties for business operations) as many as 55.88 percent, reflecting that these entrepreneurs operate businesses at their own residences, so they do not have to pay rent. The most common type of non-current assets was cars or trucks and motorcycles (70.38 and 58.00 percent, respectively). Only 4.25 percent of micro entrepreneurs possess industrial machinery. The rest of them only had tools and equipment for production and service (62.88). From this data, the debt burden of most entrepreneurs is the installment of cars.



The survey also showed that even though Thailand's economy is still sluggish due to the COVID-19 situation, up to 65.19 percent of entrepreneurs are able to pay off their debts normally. There were 30.39 percent of entrepreneurs who made late payments but still managed to pay every installment. Only 4.42 percent of entrepreneurs defaulted causing an overdue of more than 3 months.

Debt settlement related to business operation in 2021



- I have personal debts not related to business 26.38%
- I have business debts 22.62%
- I do not have debts 55.62%
- I can pay my debts normally 65.19%
- I sometimes pay my debts late, but manage to pay them 30.39%
- I have some payable debts, but overdue not more than 3 months 4.42%
- I have payable debts overdue more than 3 months 0.00%

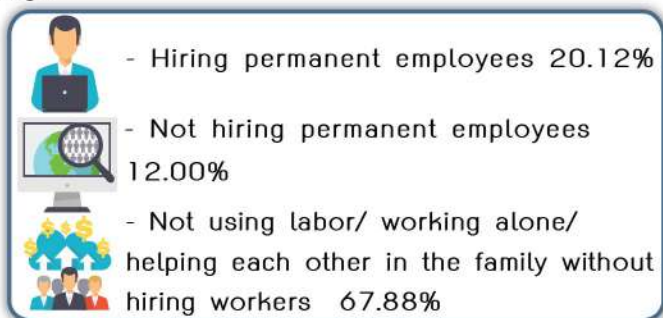
Regarding investment, up to 89.38 percent of micro enterprises used their own savings or family funds. Only 6.00 percent of entrepreneurs have unsecured credit from financial institutions, while 11.12 percent had secured credit from financial institutions. Only 0.25 percent of entrepreneurs used informal loans for investment.

Sources of fund or cash for business operation



- Money of the owner or family members 89.38%
- Loans from people other than family members 12.88%
- Unsecured loans from financial institutions with no collateral 6.00%
- Secured loans from financial institutions with collateral 11.12%
- Secured loans from financial institutions with personal guarantee 1.12%
- Informal loans 0.25%
- Money from community enterprise members 1.62%

Regarding labor, only 20.12 percent of micro enterprises hired permanent employees. As many as 67.88 percent of micro enterprises did not hire an employee at all, meaning the entrepreneurs were fully responsible for their businesses. However, some entrepreneurs sought help from their families to operate their businesses. In addition, 22.91 percent of entrepreneurs reported that there was a shortage of skilled workers, and 14.54 percent experienced a high labor wage.



Labor problems of the business



- Shortage of skilled workers 22.91%
- High wages 14.54%
- Resignatio 10.57%
- Taking leave/ coming to work late 6.61%
- Behavior causing low efficiency, frequent or large quantity of defects in the products or services 9.69%
- No labor problems 57.71%

Regarding government and private sector support, micro enterprises required assistance with marketing, sales, and public relations (50.00%), accounting and finance (28.88%), and raw materials and inventory management (5.00%). (26.62 percent). The findings can be used to organize entrepreneur training courses.

HELP



Needed support

- Production management 18.38%
- Marketing, sales, public relations 50.00%
- Regulations/ legal assistance 3.50%
- Human resources management 9.62%
- Raw material and inventory management 26.62%
- Accounting and finance 28.88%
- Digital marketing 15.25%
- Not needing support 4.38%

Survey results of micro entrepreneurs' business performance through the focus group discussion and in-depth interviews

The focus group discussion was participated by 72 micro enterprise entrepreneurs who had relevant fields of expertise, operated businesses in the categories and all 4 sectors (commerce, service, manufacturing, and agriculture), and 3 business attributes (private and others, juristic entity, and community enterprise) and freelancers. Their opinions can be summarized below.

Micro enterprise operators in the commerce sector

There are two key business opportunities. First, advancements in online technology increase sales channels without the need to have a physical store. Second, the use of flea markets in several locations is the opportunity to expand the market. Still, there are three obstacles to business. First, there is not enough capital to buy products to sell, causing the loss of opportunity. Second, the increasing oil prices resulted in higher transportation costs. Thirdly, there are many competitors selling similar products.

There are various techniques for operating and expanding businesses. First, entrepreneurs may try wholesaling to increase sales and broaden the market, as well as discover new products to attract new customers or boost product value. Alternately, entrepreneurs can reduce the size of the store or eliminate the need for a physical location to reduce fixed costs. Thirdly, business owners can promote their products and stores online and launch customer-appealing promotional campaigns, such as free delivery. Lastly, business owners must be truthful and honest with their customers.

Micro enterprise operators in the service sector

Business opportunities include advancements in online technology to increase marketing and public relations channels. As for the business obstacles, entrepreneurs suffered from high fuel costs, the increased cost of using vehicles, and customers' late payment or inability to pay, resulting in a lack of liquidity. The COVID situation has also caused tourism to stagnate. Some businesses lacked the funds to renovate the shop or acquire machines. Furthermore, the ban on dine-in services led to a drop in sales.

Strategies to operate and expand business include using personal connections to find customers and offering the best quality to encourage customers to spread word-of-mouth. Entrepreneurs may change products and services depending on the seasons. Products and services must be of consistent standards. In times of crisis, entrepreneurs must not be selective of work (however small it might be). Entrepreneurs should set the price of goods and services following the target market and be honest and truthful to customers.

Micro enterprise operators in the manufacturing sector

There are two key business opportunities. Initially, developments in online technology expand sales channels. Second, there is no requirement for a physical storefront. As for business obstacles, there are no markets for community products, and access to the fund is difficult for small enterprises. In addition, domestic and international raw material prices are high.

There are several ways to operate and expand businesses. First, entrepreneurs may subcontract their work to avoid committing full investment for a project. Second, businesses may grow by devising innovation for their products. Increasing the quantity of products could be improved by adding value in times of crisis to make the products more attractive. To appeal to buyers, businesses may offer free shipping within a specified distance and change products depending on the trends to keep customers attention. Businesses must take care of customers both before and after deliveries. Waste can be converted into a cheaper product than other products. The most significant expense is the product developer's creativity.

Micro enterprise operators in the agriculture sector

There are two primary business opportunities: technological advances that expand online sales channels and extensive agricultural and product processing expertise. Regarding business barriers, there are no markets for community products. Higher oil prices increase the cost of operating machinery.

There are numerous ways to operate and grow a business. Initially, farmers can enhance their practices by repeatedly employing the trial-and-error method. Second, there is a demand for organic products on the market, so farmers should apply for production standards such as Good Manufacturing Practices (GMP), an FDA registration number, and improved packaging similar to premium products. Thirdly, hybrid agriculture can benefit the region by transforming farmland into agrotourism destinations. Farmers must add value to agricultural products in order to remain competitive. In addition to processing agricultural products for B2C sales, farmers should seek out opportunities for B2B distribution, engage in 100 percent organic farming, and obtain a certificate from the Department of Agriculture so that consumers are confident that the products are healthy.

Skill-based freelancers

Clients are more likely to hire a company rather than a freelancer, so obtaining work from partner companies is one way to maintain employment. To increase employment opportunities, freelancers can generate word-of-mouth by attending social events, meeting customer needs, and delivering work on time. They may create a Facebook Page to exhibit their previous works and establish credibility. Referrals by word-of-mouth are the most common source of employment for skilled freelancers.

Technological advancements are a double-edged sword for freelancers. Technology is an opportunity to contact clients who seek freelance workers and past performance. It can be a tool for work such as online teaching. Social media helps to source news for independent journalists. At the same time, it is a barrier to the career. For example, previous lectures at past events are published on the Internet. This way, there might be fewer customers because they can view previous videos online.

Labor-based freelancers

Many people who faced problems in their former jobs, such as the tourism and music industries, became food delivery riders. The income of labor-based freelancers depends on their hard work. The job search will be available both online (via social media and other platforms), offline (word-of-mouth referrals), or through an agent.

The survey revealed that labor-based freelancers are still in demand on the market (even after the COVID-19 crisis) and can still earn a modest income. Examples include food delivery drivers, childcare workers, daily housekeepers, mobile massage therapists, data entry personnel, and customer service representatives who converse with customers.

The needs of the sampled microenterprise owners from the government

- Control oil and commodity prices
- Reduce the cost of living (electricity and water bills)
- Identify markets for community products
- Create a new mindset to healthcare, which will reduce the nation's medical expenditures.
- Low-interest loans for more investment
- Rice price guarantee or farmer income guarantee schemes.
When farmers have money, they will buy factors of production.
Now, they have a lot of debts and do not have purchasing power.
- Provide volunteer lawyers at all police stations to help people with need.
Such lawyers are now available only in cities. It is recommended that the government pay these lawyers 1,000-2,000 baht through the Law Society of Thailand to provide free legal services for all people.

Important policy recommendations of the study

- 1) Enhance legal and tax incentives for large and small businesses to purchase goods and services from micro businesses, such as tax deductions.
- 2) Introduce tax support policies for micro-enterprises, such as providing tax benefits to micro-enterprises that are registered as juristic entities and use the single accounting system. This is intended to encourage businesses to apply for juristic person registration.
- 3) Facilitate micro enterprises to access funding by requiring government financial institutions to increase the importance of non-financial data in credit assessments to fit the context and characteristics of micro enterprises.
- 4) Assign the agency that will be the intermediary between the government sector, private sector, and micro enterprises at local levels across the country. Its main function is to help communicate between the government, the private sector, and micro enterprises.
- 5) Create a network of cooperation between the public and private sectors because enterprises are distributed in all areas of the country. Therefore, OSMCP stationed in any province cannot develop the potential of all micro enterprises.
- 6) In order to become a One Stop Service, the workflow of government agencies, organizations, and micro-enterprises should be improved by reducing the complexity of processes to facilitate easy access.
- 7) Educate micro enterprise operators by organizing courses or seminars to promote micro enterprises to effectively manage the family business, and by providing support for skill development through the Ministry of Labor to increase the number of skilled workers to drive micro enterprise business.
- 8) Develop a project to reduce the burden for Micro enterprise entrepreneurs who wish to start a business or expand an existing one, such as providing them with secondhand machinery and equipment of high quality.
- 9) Allow the private sector to receive research funding from the government in order to foster cooperation between the public and private sectors, especially in the area of research.
- 10) Create a national database of big data for micro enterprises and allow relevant agencies to use it, especially for evaluating the credibility of micro enterprises.
- 11) Support micro enterprise owners to conduct electronic financial transactions and generate digital data for use in assessing their credibility through government incentives
- 12) The government should ensure fair competition in the marketplace. Few strong market leaders and blatant monopolies cause unfair competition for small business owners.

