



## **International Research**

### **An Analysis of SMEs' problems and basic demands between Thailand and China (Case study: Nakhon Ratchasima and Guiyang.)**

**By**

**Asst. Prof. Dr. Kwunkamol Donkwa,  
Ph.D. (Agricultural Economics)  
School of Management Technology, Institute of Social Technology**

**Counterparts:      Assoc. Prof. Song Shanmei  
                             Mrs. Li Xiaohong  
                             Department of Business Administration,  
                             College of Economics and Administration,  
                             Guizhou University, China.**

**Suranaree University of Technology, Thailand.  
May, 2004**

## **Abstracts**

An analysis of SMEs' problems and basic demands between Thailand and China as the case study of Nakhon Ratchasima and Guiyang has three objectives; first, to study the general SMEs' problems and demands in Nakhon Ratchasima, Thailand; second, to study the general SMEs' problems and demands in Guiyang, China; and third, to compare SMEs' problems and demands in both areas. Primary and secondary data have been used in this research, also interview has been conducted by using questionnaires for 683 enterprises and 91 enterprises were interviewed face to face. Those are the data from Nakhon Ratchasima, Thailand. In Guiyang, 14 types of business were interviewed face to face. The descriptive analysis has been used as an analytical tool.

The results from this study have shown that by comparison, the SMEs' problems and demands in both areas are not different. Most enterprises have many problems and demands in production, marketing, finance, accounting, and organization and management. Those important problems include low capacity of machines and shortage quality inputs, competition, working capital is not enough for business and non-performing loan, inability to apply computer software in business, and mismatch of workers' education with job description, respectively. Therefore, SMEs have some recommendations to help them for solving those problems, especially support from the government.

However, there are some recommendations to help SMEs from the research study; first, the government should provide perfect information by using mass media about business situations; second, financial institutions should support SMEs' businesses especially working capital; third SMEs' in both areas should have quality control of inputs and outputs in order to export; fourth, SMEs' should register their business in order to take some advantages from government support; fifth, to increase budgets to develop SMEs' businesses; and the last one is private and public sectors in both areas should do research about SMEs' business in order to gain the future advantages.

## **Acknowledgement**

An analysis of SMEs' problems and basic demands between Thailand and China as the case study of Nakhon Ratchasima and Guiyang is a joint research between Suranaree University of Technology (Thailand) and Guizhou University (China). This research was complete because of helps and assistance from many people and sectors. First, We would like to thank all of the enterprises who praided their businesses' data, in both Nakhon Ratchasima and Guiyang. Second, our special thanks go to Miss Bella Yu, a graduate student from the Department of Business Administration, College of Economics and Administration, Guizhou University, for her secondary data collected and translated from Chinese to English. Third, our sincere thanks go directly to Prof. Luo Min, The Head of Business Administration Department.

Last but not least, we greatly thank Suranaree University of Technology for the allocation of research funding, and of course Dr. Dhirawit Pinyonattagarn, School of English, Suranaree University of Technology for improving the English version of this research report. We alone take the responsibility for the research findings.

*Researchers*

*May, 2004*

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# Chapter 1

## Introduction

### 1.1 Problems and Significance

Nakhon Ratchasima is one of the 76 provinces in Thailand. The population in this province is about 2.6 millions in the area of 20,494 square kilometres. Gross Provincial Product (GPP) is about 107,808 millions baht (20,850 millions yuan) and per capita income is 40,605 baht (7,850 yuan). GPP of Nakhon Ratchasima is the highest among other provinces in Northeast of Thailand. The important sectors are manufacturings, services agricultures and wholesale-retails. The percentages of four sectors are 27, 20, 14 and 13, respectively. So, the economy of Nakhon Ratchasima depends on those sectors, particularly the manufacturing sector. At present, small and medium enterprises (SMEs) in Thailand are gaining more and more interest. Thai government has the policy to help the SMEs because of the following reasons:

1. To create jobs.
2. To create value added.
3. To get a lot of money from exporting.
4. To produce the products for domestic use instead of importing from other countries.
5. To start investing and also have more experiences.
6. To create networking with the larger enterprises and other sectors.
7. To develop skilled labours.

SMEs are classified into 3 groups:

1. Production Sector: Agricultural Processings, Manufacturings and Minings.
2. Trading Sector: Wholesales and Retails.
3. Service Sector: Hotels, Restaurants, Tours, Internet and Others.

There are two criteria for SMEs; the value of assets and number of workers.

Scopes of these criteria are shown in Table 1 and 2, respectively.

**Table 1: SMEs' classification by value of assets (fixed cost or investment cost).**

Unit: Millions of Baht

Items	Medium scale	Small scale
Production Sector	≤ 200 (≤ 40)	≤ 50 (≤ 10)
Service Sector	≤ 200 (≤ 40)	≤ 50 (≤ 10)
Trading Sector		
Wholesale	≤ 100 (≤ 20)	≤ 50 (≤ 10)
Retail	≤ 60 (≤ 12)	≤ 30 (≤ 6)

Sources: <http://www.ismed.or.th/intro-ismed/quotation.php>

- Notes: 1. Number in the blanket is yuan currency  
2. ≤ is the meaning of not more than.

**Table 2: SMEs' classification by number of workers (staffs).**

Unit : person

Item	Medium scale	Small scale
Production Sector	≤ 200	≤ 50
Service Sector	≤ 200	≤ 50
Trading Sector		
Wholesale	≤ 50	≤ 25
Retail	≤ 30	≤ 15

Sources: <http://www.ismed.or.th/intro-ismed/quotation.php>

- Notes: ≤ is the meaning of not more than.

There are 32 provinces in China and many factors resulting in the gap between eastern and western China's economic development, including obvious factors, such as national micro economic policy, developing environment, resources and regional location. However, China can not neglect the significant role of SMEs in pushing forward the growth of eastern China's economy. In 1998, among Chinese medium enterprises (industrial sales volume was more than 5,000,000 yuans), eastern medium enterprises accounted for 60.8%, while the west was only 12.2%. Concerning small enterprises, the east was 63.2% while the west was only 13.2%. Middle and eastern China contributed 63.8% to industrial increased value while the west was 11.7%. The eastern China contributed 70% and the west contributed 8.5% to small enterprises' industrial increased value. As to the economic benefits of small enterprises, 40% in western China and 24% in the east ran at a loss. 32.7% medium enterprises in the east and 51.6% in the west were at loss. (in China, SMEs' classification usually uses the criterion of assets only.)

Guizhou is one of 12 provinces in western China. The population is about 39 millions in the area of 176,100 square kilometres. Gross Provincial product (GPP) is about 134,431 millions yuan (695,000 millions baht) and per capita income is 6,570 yuans (34,000 baht). GPP of Guizhou is more than in Nakhon Ratchasima but less than in the pereapita incomes. The economic growth rate in Guizhou is 8.8%, but only 3% in Nakhon Ratchasima. The important sectors in Guizhou are manufacturings, agricultures, constructions, wholesales and retails, transportation and communication. The percentages of 5 sectors are 31, 25.3, 8, 7.6 and 6.5 respectively.

Guiyang is the capital city of Guizhou province. The total population is 3.5 millions person and the area of land is 8,034 square kilometers, accounting for 4.56% of the whole province. Gross Domestic Product (GDP) of Guiyang is about 30,275 millions yuan in 2001, and increase in the year of 2003 of 38,100 millions yuan. Among them, the primary industry accounted for 10.5% the secondary industry accounted for 51.79%; the tertiary industry accounted for 37.71%. It has presented the situation of every industry's coordinated development. Per capita disposable income is 7,985 yuan.



Guizhou, an isolated province in southwestern China, has many mountains. More than thirty million inhabitants in several ethnic groups made less than the average national income. At May 28, 1997 the Longdongbao Airport opened, the 11-kilometer highway from Guiyang. After opening the airport, international trade fairs were being held in Guiyang. Many outside investors became interested in this area. The provincial government has promised investors preferential treatment. Such a good investment environment, preferential policies and efficient working style have attracted many outside investors. Investors were also pleased with the well-qualified local workers.

Guizhou has established economic and trade relations with more than 100 countries and regions. Formerly, several thousand enterprises have been set up using outside capital but not nowadays. Today Guiyang is the center of a pleasant, modern town with all the facilities of a big city: kindergartens, school, university, department stores, clubs, funeral home and others. Guiyang is no longer a mysterious land, and many of its enterprises. Especially, Guiyang is the capital city of Guizhou province and the airport can handle today's largest aircraft has greatly shortened the distance between this area and the rest of the world.

More than 99.9% of SMEs registered in Guizhou province. The total outputs of all SMEs almost reaches 70,000 millions yuan which is about 70% of the total output in Guizhou. However, between January and September in 2002, the net loss of SMEs in Guizhou was 280 millions yuan with 52.9% medium enterprises and 55.2% small enterprises.

With all the detail above, this research is to study and analyze of SMEs' problems and basic demands between Thailand and China (Case study: Nakhon Ratchasima and Guiyang).

## **1.2 Objectives of the Study**

The objectives of an analysis of SMEs' demands between Thailand and China in the case study of Nakhon Ratchasima and Guiyang are as follows:

1. To study the general SMEs' problems and demands in Nakhon Ratchasima, Thailand.
2. To study the general SMEs' problems and demands in Guiyang, the capital city of Guizhou province, China.
3. To study the different SMEs' problems and demands between Nakhon Ratchasima and Guiyang.

## **1.3 Benefits of the Study**

There are 3 benefits of the study and analysis of SMEs' demands between Thailand and China in the case study of Nakhon Ratchasima and Guiyang.

1. To understand the problems and demands of SMEs in Nakhon Ratchasima, Thailand.
2. To understand the problems and demands of SMEs in Guiyang, China.
3. To realize the different SMEs' problems and demands between Nakhon Ratchasima and Guiyang.

## **1.4 Research Methodology**

### **1.4.1 Scope of the study**

The scope of the study on SMEs' problems and demands in order to compare this topic is Thailand and China by choosing the areas of Nakhon Ratchasima and Guiyang. Nakhon Ratchasima province is in the northeast of Thailand and Guiyang is the capital city of Guizhou province. The area and population of Guizhou province are more than Nakhon Ratchasima. So, the scope of this study is only in Guiyang. The socio-economics in Guiyang is the same scale as in Nakhon Ratchasima, Thailand because the population in both areas are 3.5 and 2.3 millions, and also the Gross Domestic Product in both areas are 38,100 and 20,850 millions yuan. Besides, the per capita income in Nakhon

Ratchasima and Guiyang are 7,850 and 7,985 yuan. There are 5 areas to study in this research; productions, marketing, finance, accounting, and organization and management.

#### **1.4.2 Data collection**

From the objectives of the study, primary and secondary are used in this research.

##### *Primary data*

The purposive random sampling is used in this research by using the tool of questionnaires in order to survey the enterprises of three sectors: production, trading and services in Nakhon Ratchasima and Guiyang. There are 683 samples in Nakhon Ratchasima from survey by using questionnaires and 91 samples of interview. The samples in Guiyang are only 14 enterprises because of interview, timing restriction and budget constraint.

##### *Secondary data*

These are 3 sources of secondary data. One is from internet in Thailand and China. The others are documents which are related to SMEs from private and government sector, especially the results of research in Thailand and China.

#### **1.4.3 Data analysis**

The descriptive analysis has been used as an analytical tool to analyze the general problems and demands of SMEs in Nakhon Ratchasima, Thailand and Guiyang, China. The descriptive method is shown in the form of tables and percentages.

## **Chapter 2**

### **SMEs' Problems in Thailand and China**

Thailand and China both are located in Asia. The two countries have laid down many policies to help small and medium-scale enterprises because of unemployment problems (economic crisis in Asia) in 1997. To understand the general data concerning SMEs' problems, the research has collected and analyzed the data from secondary data in Thailand and China. The detail of this study is in 2.1 and 2.2 as follows.

#### **2.1 SMEs' problems in Thailand**

SMEs in small and medium enterprises which involve optimal business and adaptive flexibility for general situations. Besides, SMEs use less amount of capital than the larger enterprises, employ the large number of workers from agricultural sector after harvesting reason, and encourage more people to join labour forces. Other important reasons for SMEs are to prevent migration of labours from rural areas to Bangkok and its vicinities, and to accelerate the rate of economic growth in rural areas. However, there are many problems for SMEs in Thailand from production, trading and services faced by about 400,000 enterprises. It is approximately 92% of all enterprises in Thailand. Most enterprises come from trading sector (wholesales, retails, restaurants, and hotels) which is 43%, the rest come from service and production sector in the percentages of 28.7 and 28.3, respectively. The SMEs' problems in Thailand can be summarized as follows;

##### **1. Marketing problems**

The products of SME mostly serve the people in the area and there is lack of knowledge in marketing process, especially exporting. Besides, convenient transportation and free trade area (FTA) in Thailand make large-scale enterprise and imported products have more advantages from competitiveness than SMEs.

## **2. Capital shortages in business**

SMEs in Thailand can not loan out the working capital from financial institutions because they have not enough assets for insurances and formal financial reports. So, most of SMEs have operated their business by using capital from private sectors and loss of money to pay for higher interest rate.

## **3. Labour's problems**

Smooth mobility of workers in small and medium enterprises is the most important problem because when they become skilled-workers, they will move to work in other businesses in order to get a better salary. Thus, the problems of inefficient production and quality control have occurred in SMEs' businesses.

## **4. Technology restriction in production**

From shortages of capital, SME always takes simple technologies for their business and workers do not have basic knowledge of modern academic techniques for product development, so the products can not be standardized.

## **5. Management restriction**

Most of SMEs work as family business usually taking advice from the old generation, so their businesses do not have the experience management from learning by doing. The problems will then happen if their SMEs' business become larger scales.

## **6. Government services**

Most of SMEs in Thailand do not register and have their businesses in their houses. So they can not get benefits from government services and policies. SMEs in Thailand are always far from legal standards when it comes to taxes, environmental conservation and production safety. Although the Thai government has tried to help the SMEs, but only 8.1% have the opportunity to use public services.

## **7. Promotion from public and private sectors**

There are many public and private sectors which promote SMEs in Thailand, such as Department of Industries' Promotion, Department of Skilled-Labours'

Development, Department of Export Promotion, Board of Investment, SMEs' Bank, Thai Commercial Association, Thai Industry Council and others.

However, these organizations can not help all of SMEs because there are many small and medium enterprises in every area, and also they have limitations of staffs and budgets.

## **8. Information**

Accurate information has not been available to SMEs because of the reasons from above, especially SMEs always miss out the information on government policies and regulations in marketing, production, finance, accounting and others.

### **2.2 SMEs' problems in China**

Chen Naixing has written 10 reasons why smaller firms suffer in Beijing Review Vol. 47 No. 4 (Jan 22, 2004) the detail are as follows:

China faces a grim situation in employment due to the large number of laid-off workers in urban areas and the increasing number of people entering the workforce. Promoting the development of SMEs is one effective way to alleviate the pressure on the job market and better utilize labor resources. Zhejiang, Jiangsu and Guangdong provinces have set a good example by giving the growing number of rural laborers jobs in newly created SMEs.

Farmers constitute a large proportion of China's population and there is a lot of surplus labor in rural areas. Measures should be taken to develop non-agricultural SMEs to transfer surplus rural labor and raise farmers' incomes.

On January 1, 2003, the Law on the Promotion of Small and Medium-Sized Enterprises, China's first special law related to SMEs, came into effect. It laid the legal foundation for the development of SMEs. Even though, 10 major problems continue to trip up SME development.

First, financial market needs to be improved. Unsound financial market and few financing channels are creating difficulties for SMEs as they seek money. The current system forces them to finance indirectly through banks. In developed countries with mature financial market, only a very small proportion of SMEs receive financing

indirectly from banks. Most are funded directly by a second board, start-up financing institutions, various foundations, social lending and venture capital.

Moreover, China's bank structure is irrational. It lacks small banks, especially nongovernmental small banks. Capital required for SMEs is not that much and would be best served by smaller financial institutions. Small banks, with their comparatively small size of capital, could target SMEs, since large banks with abundant funds usually target large enterprises that need huge amounts of capital. Even if large banks intend to serve SMEs because of outside pressures, they may not be able to do so well. Often, larger banks do not trust the credibility of SMEs and refuse to give out loans.

Second, the approval system needs to be simplified. China's complicated administrative approval system keeps SMEs from taking advantage of their flexibility in business operations. The market is changeable, and even an SME has a business opportunity, it may be lost after completing the complicated approval procedures. Some trades have even said no outright to SMEs seeking for a business venture, especially private enterprises.

China currently has more than 80 trades. Out of these, 60 are open to foreign investment but only 40 are open to private enterprises. If China reforms the administrative approval system, that should mean simplifying approval procedures for SMEs and opening more trades to them. Medium- and small-sized enterprises in some countries can start business without any government approval; and they can get the license after they open for business.

Third, the land administration system should be reformed to create a sound land market. As a major production factor, land should have its own market and land resources should be allocated by the market. Many Chinese farmers are willing to run SMEs in industrial and service sectors, and these farmers need capital. Land transfer is one way for them to get the initial capital, but China has no sound land market. Land, now virtually owned by the collective, should be owned by farmers. This is one of the major problems in China's national economic development.

Fourth, the grain market must be reopened. China's grain market opened in the 1980s and regressed as time went by. Now, state-owned grain enterprises monopolize grain purchasing and sale. This has made it difficult for farmers to sell grain and increased the financial burden on the country's treasury. The lack of a grain market restricts the

development of some small and medium-sized enterprises engaged in grain, oil and food processing, especially private enterprises. The state should take grain reserve measures and adjust grain prices to protect the interests of farmers. This may not only ease China's fiscal burden, but also help boost SMEs engaged in large-scale grain, oil and food processing.

Fifth, the import and export administrative system needs reform. Most SMEs are not authorized to engage in import and export business, preventing them from entering the international market. It makes no difference whether SMEs sell their products to domestic or overseas customers; and SMEs should not have to gain government approval before they can trade with overseas customers.

China's accession to the World Trade Organization has further promoted China's economic globalization. However, a rigorous export approval process and stagnant foreign trade administrative system reform restrain China's economic integration with the world. China's program to go global should be marked by the ability of SMEs to trade freely in the international market. Right now, only a small number of large enterprises in China are able to enter the world market. The foreign trade approval system should be changed into a registration system to facilitate the entry of SMEs into the international market.

Sixth, access threshold for SMEs should be lowered. Qualifications required of China's SMEs are a bit too high, such as the necessity of having at least several hundred thousand yuan in registered capital, together with related technicians and professional accountants. The requirements in China are even higher than those in developed countries, and should be lowered to encourage people to start businesses. In Utah in the United States, an SME can be established within three minutes with a registered capital of \$20 and necessary certification papers. Due to the simple procedures, the state attracts large amounts of capital and talents; and has become an economically developed state in the past 20 years.

Similarly, the economy of Zhejiang Province was below average in the country before the reform and opening up in 1978. In the early days of reform and opening, local governments allowed farmers to vend goods from booths and peddle. They also encouraged development of household workshops. Now, many SMEs in the province have developed into large enterprises, greatly strengthening the province's economic strength.



Seventh, the role of the government needs to change. While moving from a planned economy to a market-oriented one, the government also needs to revamp their roles accordingly. Government should stop intervening in business operations and management and should start creating a sound investment environment for business. This includes everything from devising development strategies and market rules to supervising policy implementation and guiding development.

To carry out this shift, China should improve its legal system and the government must perform administrative practices in accordance with the rule of law. Legal supervisory departments should supervise government performance and make serious inquiries into any unlawful activity. People who break the law should be severely punished, even in government departments. The unlimited power of government has, to some extent, hindered the development of market economy as well as the SMEs.

Eighth, nongovernmental SME organizations should be strengthened. Some of the current functions that the government is responsible for should be undertaken by SME organizations. SMEs should have their own independent organizations, which would help change the role of government. These organizations should be established with regards to the needs of SMEs. Currently, of a few SME organizations, most are merely transformed governmental organs that cannot work independently.

Ninth, business services should be developed. Business services, a component of SME culture, are underdeveloped on the mainland. Compared with services in broad sense like laws and regulations, administration and justice, the services in narrow sense related to SMEs are lacking in China. These include financing, accounting, marketing, training, customer resource management, logistics, promotion and product designing. These services are mainly supplied by SMEs and should be encouraged through preferential policies.

Tenth, the burdens that SMEs now have to bear should be reduced. A strange phenomenon occurs in China that SMEs in economically developed regions have lighter burdens than those in poorer regions. It is common sense that backward regions should attract capital and talents through the reduction of burdens on SMEs. However, these regions often collect many fees in addition to taxes in order to make up for local fiscal

shortages. This stifles SME development. Therefore, measures should be taken to break the vicious circle.

## **Chapter 3**

### **Results of the Study**

#### **3.1 SMEs' problems and basic demands in Nakhon Ratchasima, Thailand.**

An analysis of basic demands on enterprises in Nakhon Ratchasima province is based on the data from the questionnaires. The target group is small and medium enterprises, in the number of 683 samples from questionnaires and 91 samples from the interview. The results of study by Suranaree University of Technology are summed up as follows.

##### **3.1.1 General information of SMEs**

683 samples of enterprises have been surveyed by using questionnaires. They are from agricultural processing, industry and trading sectors. There are 54% of males and the other 46% is females. Most of the enterprise owners finished primary school, in the percentage of 23% and 22% finished Bachelor degree. Eighty-one percentages of target group work as the owners, director, and board members.

Forty-four percentages of enterprises have done their business more than 9 years in the form of the family business and joint ventures. The percentages are 77% and 20%, respectively. The number of workers in SMEs are less than 10 persons, which forms a large group of 64%. Direct sales and agencies are the major of market distribution, totalling 70% and the growth rate of sales 2 years ago was decreased. (See Appendix B)

##### **3.1.2 SMEs' problems from business**

There are 5 parts of SMEs' problems. They include the following:

###### ***1. Production***

From the survey of SMEs' problems, the enterprises can not choose more than 3 items in the form of questionnaires. The results show that shortage of quality inputs, 30%, is the most significant. The second and

third priority are low capacity of machines and loss in the production process, 22% and 21%, respectively. (Table 1 in Appendix C)

## ***2. Marketing***

SMEs in Nakhon Ratchasima have several problems in marketing, especially the competitive problem has 37% of all problems. The second and third problem in marketing are decreasing of sales and low market shares. Besides, enterprises can not export their products and also the price is higher than the other competitors. (Table 2 in Appendix C)

## ***3. Finance***

The important problem of SMEs unavailability of enough working capital. About 46% of SMEs have this problem. Moreover, that SMEs' problems in finance are lack of insured assets, debts and non-performing loan, respectively. (Table 3 in Appendix C)

## ***4. Accounting***

There are many accounting problems of SMEs' business. The most important problem is that enterprises can not do the formal accounts, totally 32% of SMEs. Also, they can not do capital account and internal control for stock of inputs and outputs, they can not apply computer software for account system, totally 22% 21% and 20%, respectively. (Table 4 in Appendix C)

## ***5. Organization management***

Unskilled labour is the most important problem of SMEs in Nakhon Ratchasima due to lower or poor education. It is about 38% of SMEs faces this problem. In addition, education without job description, organizational loyalty, and demand of wages are the problem of SMEs, too. They are 38% 23% and 20%, respectively. (Table 5 in Appendix C)

### 3.1.3 SMEs' demands and recommendations

Enterprises in Nakhon Ratchasima have basic demands and need some recommendations as follows:

1. In production, the enterprises would like to know how to decrease the costs of production, especially the electricity cost. They also want to know the product's design, calculate the cost of products, repair and maintenance of machines, quality control and their standardization, respectively. (Table 1 in Appendix D)
2. In marketing, there are many basic demands for SMEs in Nakhon Ratchasima. The most important demand is to know the way to keep market share and the way to increase domestic market share. The decreasing of marketing cost is also the third important demand of SMEs. (Table 2 in Appendix D)
3. In finance, the government should provide financial services to local enterprises and allow the banks to lend of working capital to enterprises' business, especially the local enterprises. For higher efficiency of financial services, the banks should decrease complicated steps of services. (Table 3 in Appendix D)
4. In accounting, most of enterprises would like to know how to prepare the financial reports and also administration of their debts. There are many enterprises that do not know about inventory control and also can not apply the computer software for their accounting system. Thus, the enterprises should train their accountants later. (Table 4 in Appendix D)
5. In the case of organization and management, the most important demand of SMEs is to develop unskilled labours in their organization. They are prefer of organization loyalty and social welfare management. (Table 5 in Appendix D)
6. Training needs of SMEs in Nakhon Ratchasima are as follows;
  - Marketing.
  - Accounting system.
  - On the job training.

- Organizational administration.
- How to apply the computer software for their businesses.
- How to decrease of the production costs.

#### **3.1.4 The results of SMEs survey by using interview.**

The interview results come from 91 enterprises in Nakhon Ratchasima, Thailand. Most of enterprises finished primary school and Bachelor degree, about 31% and 30%. There is 76% of enterprises who work as the owner and 55% has done the business for more than 11 years. There are many types of business in Nakhon Ratchasima, Thailand, especially 84% of SMEs are private sector. Most of SMEs have less than 10 workers and only 11% of SMEs have more than 39 workers.

The business characteristics of SMEs in Nakhon Ratchasima are direct sales and the growth rate of sales is increasing, totally 43% and 48% respectively. The problems of their business involve production, marketing, finance, accounting and organization and management.

The important problems in production are low capacity of machines and shortage of quality inputs. It is about 36% and 27%, respectively. Competition is the only one problem which is very interesting because 82% of SMEs has this problem. Additionally, 69% of SMEs lack of working capital and 89% have the problem of informal account. General problems of organization and management are concerned with communication, responsibility, high wages and labours' mobility, totally 66% of enterprises. However, 20% of SMEs encounter the problem of workers' education not consisting of job description.

The demands and recommendations from the interviewed enterprises are in the areas of production, marketing, finance, accounting, and organization and management. The most important topic in these areas are quality control, maintenance of the machines, marketing strategies, working capital from financial institutions, preparation of the financial report and increase of organization relationship. (from Appendix E)

### **3.2 SMEs' problems and basic demands in Guiyang, Guizhou, China.**

Guizhou is in the western hinterland, not along the border, river or sea. The common economy stimulating factors play a limited role. In addition, Guizhou's SMEs are backward in western China. Therefore, the factors making for backwardness are not only in one aspect, but a group of relative obstacles. That is, the structural restrictive factors impede the development of Guizhou economy.

Guizhou SMEs have done great contributions to provincial economic and social development. Take fast developing cities, such as Guiyang and Zun Yi as an examples, the increased value of small enterprises (mainly non state-owned) accounted for 65% of the total increase value and 50% in total taxes and 75% of labour force got employment in SMEs' business.

The system conditions, credit support, strength technological innovation management and marketing of Guizhou SMEs are still following what the SMEs in other provinces did in the past without innovation. Besides, they have not formed special characteristics which can be adapted to the market.

Most SMEs are still counting on fundamental resources and extensive production on the road of up-stream industry. As the advantage of Guizhou natural endowment of resources is weakened gradually nowadays. Guizhou SMEs must change the developing strategies and choose one or several developing ways suited to its own conditions according to the market need. Cultivate unique competitive power that is able to quickly respond to market, grasp the market and master the market on the basis of controlling its own dominant resources. This is the vital thing for Guizhou SMEs' development.

In 2002, the loan of SMEs was 16,290 millions yuan which was 11.6% of the financial institution's credit in Guizhou. In the first half year of 2003, the increased loan for SMEs was only 10.7% of the increase in total credit. The fast development of Chinese economy in 1990s mainly benefited from SMEs' development. At the end of 1998, 76.6% of newly increased value of Chinese industry was contributed by SMEs. 50.5% of GDP was the value of final product and service provided by SMEs. The successful experience of Chinese enterprises' reform and system innovation mainly came from SMEs. The market competition and challenge made by SMEs push the medium and large enterprises to reform and develop. The SMEs have done great contributions to absorb 75% of the

labour force in cities and towns, especially accepted large amount of rural surplus labour and state-owned enterprises laid off workers.

Guiyang is a capital city of Guizhou province which is a new comprehensive industrial city. After opening the airport in Guiyang, they have set up more than 14 industrial sectors among which the foods, engineerings, chemicals, metallurgicals, electronics, building materials are major areas. There are more than 2 millions people and 108,300 hectares' farmland in Guiyang. The enterprises run by members of the rural villages experienced 20-year grouping process. From 1992, these enterprises came into a fast developing period. In 1998, the number of these enterprises was more than 720,000 with 2,980,000 workers which accounted for 1/3 of rural labour. In 1997, the total output was 12,640 millions yuan which was 44.47% more than in 1996.

According to Vinhua Press in Beijing, there was 70,790 enterprises in Guiyang, this amount increased from 1995 and average growth rate per years was about 12.44%. Most of enterprises in Guiyang come from private enterprises. The enterprises work in SMEs' group can employ 182,917 people to work with their business. During the year of 1995-2000, average growth rate of employment per year from SMEs was 13.93%. The interesting data is in assets of all enterprises to register because rate of growth per year was 53.10%. In 2000, the amount of assets to register was 5,614.31 millions yuan (28,071.55 millions baht) and much more than 1,130.00 millions yuan (5,650 millions baht) in 1995. (from Table 3)

However, the number of SMEs and workers increase of 8,549 and 554,500 persons in 2003 because of economic development in Guiyang (from Annual Report of Guiyang, 2004)

From interview of SMEs in Guiyang for two weeks found that SMEs' business is very interesting. There were 14 types of business which have been interviewed. The results are as follows:



**Table 3: The number of entrepreneurs, workers and registered assets of SMEs in Guiyang, during 1995-2000.**

<b>Year</b>	<b>No. of Enterprises</b>	<b>No. of workers</b>	<b>No. of registered assets (unit: millions yuan)</b>
1995	44,357	104,768	1,130.00
1996	68,198	150,662	2,270.20
1997	74,144	163,130	3,396.59
1998	84,581	208,406	4,751.23
1999	91,820	166,116	5,597.11
2000	70,790	182,917	5,614.31
<b>Rate of Growth (%)</b>	<b>12.44</b>	<b>13.93</b>	<b>53.10</b>

Sources: The Introduction of Guiyang, Vinhua Press, Beijing, 2002, p. 83 and from calculation.

### **3.2.1 General information on entrepreneurs' sex, education, position and number of years in service.**

Eighty-six percent of entrepreneurs who were interviewed is male and the rest (14%) is female. Most of enterprises finished college and Bachelor degree in amount of 35% and 29% respectively. Entrepreneurs work as the owner (50%) and director or manager (50%). The experience of entrepreneurs is less than 3 years and 6-8 years in the same percentages of 29%, but the enterprises who have experience more than 11 years is 29%. (Table 1 in Appendix F)

### **3.2.2 Types of business, characteristics and number of workers in business.**

There are four types of enterprises' business in Guiyang; agricultural processing, manufacturing, services and wholesales or retails. Most of enterprises are engaged in manufacturing. It is 43% of all SMEs. The second group of enterprises has 29% of services business. The most interesting characteristic is the private sector which is 86% of all the enterprises. The number of workers in SMEs' business is more than 39 persons or 58%. (Table 2 in Appendix F)

### **3.2.3 Market of products, distribution, growth rate of business and having other businesses.**

There is fifty and fifty percentages of enterprises can sell their products in area and both of in area and outside of area in the form of direct sales, totally 65%. Growth rate of sales 2 years ago is increased in amount of 93% of enterprises and 64% of them does not have other businesses.

### **3.2.4 Problems from business.**

There are 3 problems in production; first, loss in production process, second, low capacity of machines and the last is shortage of quality inputs. The important problem of marketing is competition because 93% of enterprises have been met this problem. In finance and accounting, the enterprises have the problem of 43% and 36% in non-performing loan and working capital is not enough for their business. Only two problem of enterprises in accounting is that can not apply computer software for account system and can not do the formal account. Besides, the SMEs in Guiyang have the problem of organization and management, especially they would like to change their business in the form of modern management. (Table 4 in Appendix F)

### **3.2.5 Demands and some recommendations.**

There are many demands and recommendations for SMEs in Guiyang in the areas of production, marketing, finance, accounting, organization and management, and training needs. The important recommendations are for marketing, finance and training needs. More details are shown in Appendix F, Table 5.

### **3.3 The comparison of SMEs' problems and demands between Nakhon Ratchasima and Guiyang.**

From 3.1 and 3.2, the comparison of SMEs' problems and demands between Nakhon Ratchasima and Guiyang are divided into 3 parts; general data, problems, and demands and recommendations. These parts can be explained as follows:

#### **3.3.1 General data on SME in Nakhon Ratchasima and Guiyang acquired from interviews.**

Most of entrepreneurs in Nakhon Ratchasima finished primary school and Bachelor degree. It is about 31% and 30%, respectively. The educational level of Thai entrepreneurs in Nakhon Ratchasima is different from that in Guiyang because 35% and 29% of all entrepreneurs in Guiyang finished College and Bachelor degree. So, the education of SMEs entrepreneurs in Guiyang is better than that of the SMEs in Nakhon Ratchasima.

The entrepreneurs who gave the information in the interview have worked as owner, director, or manager in Nakhon Ratchasima and Guiyang, 91% and 100% respectively. In the case of business experience, SMEs in Nakhon Ratchasima are more experienced than those in Guiyang because 55% of entrepreneurs in Nakhon Ratchasima have done their business for more than 11 years, but it is only 29% in Guiyang. More than 80% of SMEs in Nakhon Ratchasima and Guiyang do private business. Most of SMEs in Nakhon Ratchasima employ less than 10 workers, or about 63%. The number of workers in SMEs' business in Guiyang is opposite to Nakhon Ratchasima because 58% of

entrepreneurs employ more than 39 workers. 43% and 65% of SMEs in Nakhon Ratchasima and Guiyang have done their business through direct sales. The growth rate of sales for the past 2 years in Nakhon Ratchasima and Guiyang have been increasing. The percentages of SMEs which have the increased growth rate, is 93% in Guiyang and only 48% in Nakhon Ratchasima. (See Table 4)

**Table 4: General data on SMEs in Nakhon Ratchasima and Guiyang from the interview.**

(Unit : percentages)

Items	Nakhon Ratchasima	Guiyang
<b>Education:</b>		
Primary school	31	-
Secondary school or high school	29	29
College	8	35
Bachelor degree	30	29
Higher than Bachelor degree	2	7
<b>Position in business:</b>		
Owner	76	50
Director or manager	15	50
Board	-	-
Others	9	-
<b>Number of years as entrepreneurs:</b>		
(unit : year)		
Less than 3	8	29
3-5	15	13
6-8	9	29
9-11	13	-
More than 11	55	29

**Table 4: General data on SMEs in Nakhon Ratchasima and Guiyang from the interview. (Continued)**

(Unit : percentages)

Items	Nakhon Ratchasima	Guiyang
<b>Characteristic of business:</b>		
Private business	84	86
Public business	-	7
Joint ventures	7	7
Others	9	-
<b>Number of workers (unit : person)</b>		
Less than 10	63	14
10-19	14	7
20-29	9	14
30-39	3	7
More than 39	11	58
<b>Market distribution:</b>		
Direct sales	43	65
Agencies	2	7
Sell by pass agencies	9	14
To take employment	7	-
Direct sales and agencies	15	-
Direct sales and to take employment	14	-
Direct sales and sell by pass agencies	-	7
Others	10	7
<b>Growth rate of sales 2 years ago:</b>		
Increased	48	93
Decreased	20	7
Constant	27	-

Sources: From survey in Nakhon Ratchasima and Guiyang by interview from Tables 1-2 in Appendix E and Tables 1-3 in Appendix F.

### **3.3.2 The comparison of SMEs' problems between Nakhon Ratchasima and Guiyang.**

The results from interviewing entrepreneurs in Nakhon Ratchasima and Guiyang have shown in Table 5. There are 5 problems in the area of production, marketing, finance, accounting and organization, and management. The detail of those problems and explained as follows:

#### ***1. Production***

The most important problem in Nakhon Ratchasima is low capacity of machines, but loss in production process is the most important problem in Guiyang. Besides, the production problems are shortage of quality inputs and no quality control of SMEs' business in Nakhon Ratchasima. The second and third of production problems in Guiyang are low capacity of machines and shortage of quality control. However, the three problems from production in both areas are the same.

#### ***2. Marketing***

The marketing problems in Nakhon Ratchasima and Guiyang have 2 points. The first point is the competition from the same business, but the other point is from different businesses. The second problem in Nakhon Ratchasima is low market share but the second problem in Guiyang is exporting. However, competition is the most important problem that enterprises in SMEs in both areas have and must be solved.

#### ***3. Finance***

There are 3 problems of finance in Nakhon Ratchasima; working capital is not adequate, non-performing loans and interest rate of credit is high, respectively. The two problems are also found in Guiyang, but only one problem is different. The problem of having no enough assets for credit is found in Guiyang and higher interest rate is found in Nakhon Ratchasima.

#### 4. Accounting

Most of SMEs in Nakhon Ratchasima have two major problems: doing the formal accounts and control of inventory, while the enterprises in Guiyang have the problems of not being able to apply computer software for business and not being able to do the formal accounts.

#### 5. Organization and management

The only one problem of organization and management in both areas is workers' education, so the problem of mismatch between education and job description occur in both areas.

**Table 5: The comparison of SMEs' problems between Nakhon Ratchasima and Guiyang.**

Items	Nakhon Ratchasima	Guiyang
<b>Production</b>	<ol style="list-style-type: none"><li>1. Low capacity of machines</li><li>2. Shortage of quality inputs</li><li>3. No quality control of products</li></ol>	<ol style="list-style-type: none"><li>1. Loss in production process</li><li>2. Low capacity of machines</li><li>3. Shortage of quality inputs</li></ol>
<b>Marketing</b>	<ol style="list-style-type: none"><li>1. Competition</li><li>2. Low market share</li></ol>	<ol style="list-style-type: none"><li>1. Competition</li><li>2. Can not export</li></ol>
<b>Finance</b>	<ol style="list-style-type: none"><li>1. Working capital is not adequate</li><li>2. Non-performing loans</li><li>3. The loan interest rate is high</li></ol>	<ol style="list-style-type: none"><li>1. Non-performing loans</li><li>2. Working capital is not adequate</li><li>3. Not enough assets for credit insurance</li></ol>
<b>Accounting</b>	<ol style="list-style-type: none"><li>1. Cannot do the formal accounts</li><li>2. Cannot control inventory</li></ol>	<ol style="list-style-type: none"><li>1. Cannot apply computer software for account system.</li><li>2. Cannot do the formal account</li></ol>
<b>Organization and management</b>	<ol style="list-style-type: none"><li>1. Education does not fit in with job description for the position</li></ol>	<ol style="list-style-type: none"><li>1. Education does not fit in with the job description for the position</li></ol>

Sources: From survey in Nakhon Ratchasima and Guiyang by interview, 2002 and 2004

Note: The problems are rank by percentage from higher to lower in each problem and

not more than 3 points.

### **3.3.3 The comparison of SMEs' demands between Nakhon Ratchasima and Guiyang.**

There are many problems of SMEs' business in Nakhon Ratchasima and Guiyang although the government has the policies to help them in both areas. Therefore, most of enterprises' demands on SMEs consist of many points, such as production, marketing, finance, accounting and organization, and management. The demands and recommendations of SMEs in Nakhon Ratchasima and Guiyang are different from each other. The results of the study are shown in Table 6 which can be concluded as follows:

#### ***1. Production***

SMEs' demands and recommendations for SMEs in Nakhon Ratchasima and Guiyang are different because the entrepreneurs in Nakhon Ratchasima know about the machines' maintenance, quality control of products and calculation of production cost. Some recommendations are not meant for Guiyang, because most entrepreneurs overthere want to get the standards of quality control and to use technologies in stead of large scale workers.

#### ***2. Marketing***

Two recommendations of SMEs in Nakhon Ratchasima are in the marketing sector. The entrepreneurs want to know the basic of marketing and its strategies, especially domestic market in the area. Unlike in Guiyang, the enterprises in SMEs' group need to find agencies outside of the country for exporting, to prevent the competitors who decrease the price by having lower quality products. They want the government to support by solving this problem.

#### ***3. Finance***

The financial institutions usually have the policies to help SMEs' business and also the large-scale enterprises in Nakhon Ratchasima,



Thailand, to follow the government's policy. However, most of SMEs in Nakhon Ratchasima have not enough working capital for their business and they need to know the process getting credit from the bank, especially the increase of capital from the financial institutions. The demands and recommendations in Guiyang, China are different from Nakhon Ratchasima. The financial institutions in Guiyang always give the credit to large-scale enterprises, so it is very difficult for SMEs' group to use services from the bank. Therefore, the SMEs in Guiyang need to find giant companies to join their businesses and to request for increasing credit from the bank. Besides, the bank in Guiyang should support SMEs' businesses by having long-run period of credit and loan with low interest rate.

#### ***4. Accounting***

The demands and recommendations for SMEs in Nakhon Ratchasima are 2 points. First, the SMEs' group need to know how to do the financial report and second, how to apply computer software for businesses. The second demand of enterprises in Nakhon Ratchasima is the same as in Guiyang.

#### ***5. Organization and management***

Most of SMEs in Nakhon Ratchasima and Guiyang share one aspect which is the most important for them. That is, they would like to be modern in management and increase organization relationship.

**Table 6: The comparison of SMEs' demands between Nakhon Ratchasima and Guiyang.**

<b>Items</b>	<b>Nakhon Ratchasima</b>	<b>Guiyang</b>
<b>Production</b>	<ol style="list-style-type: none"> <li>1. How to maintain the machines.</li> <li>2. How to know about quality control of products.</li> <li>3. How to calculate the cost of production.</li> </ol>	<ol style="list-style-type: none"> <li>1. How to get the quality control standard.</li> <li>2. How to use technologies in stead of large scale workers.</li> </ol>
<b>Marketing</b>	<ol style="list-style-type: none"> <li>1. How to know marketing strategies.</li> <li>2. How to know basic marketing</li> </ol>	<ol style="list-style-type: none"> <li>1. How to find agencies outside of country for exporting.</li> <li>2. How to prevent the competitors who decrease the price by lower quality of their products.</li> </ol>
<b>Finance</b>	<ol style="list-style-type: none"> <li>1. Financial institutions should support in working capital.</li> <li>2. How to know the process of credit from the bank.</li> </ol>	<ol style="list-style-type: none"> <li>1. How to find giant companies to joint their businesses.</li> <li>2. Interest rate for credit is not high.</li> <li>3. Long-run period of credit.</li> <li>4. Increasing credit from the bank</li> </ol>
<b>Accounting</b>	<ol style="list-style-type: none"> <li>1. How to do the financial report.</li> <li>2. How to apply computer software for businesses.</li> </ol>	<ol style="list-style-type: none"> <li>1. How to apply computer software for business.</li> </ol>
<b>Organization and management</b>	<ol style="list-style-type: none"> <li>1. How to increase organization relationship.</li> </ol>	<ol style="list-style-type: none"> <li>1. How to be modern in management.</li> </ol>

Sources: From survey in Nakhon Ratchasima and Guiyang by interview, 2002 and 2004.

Note: The SMEs' demand and recommendation are not more than 3 point by ranking.

## **Chapter 4**

### **Conclusion and Recommendations**

#### **4.1 Conclusion**

After the economic crisis in 1997, many countries in Asia have been interested in solving the problem of unemployment in urban and rural areas, especially the government has tried to help small and medium enterprises because their business could employ a large number of laid-off workers in urban areas and the people entering the workforces. The most important aspect of SMEs' business is to speed up the growth of economy. Thailand and China are located in Asia. Both countries have the policies to help SMEs although sometimes there are problems. An analysis of SMEs' problems and basic demands between Thailand and China in the case study of Nakhon Ratchasima and Guiyang is the internationally joint research which has three objectives: first, to study the general SMEs' problems and demands in Nakhon Ratchasima, Thailand; second, to study the general SMEs' problems and demands in Guiyang, the capital city of Guizhou province, China; and third, to study the differences in SMEs' problems and demands between Nakhon Ratchasima and Guiyang. The scope of this study covers the comparison of SMEs' problems and demands in Thailand and China. Nakhon Ratchasima is in the northeastern Thailand, and has the same socio-economic size as that of Guiyang, the capital city of Guizhou province. In 2001, there were 2.6 millions people in Nakhon Ratchasima and 3.3 millions people in Guiyang. The gross domestic product in Nakhon Ratchasima and Guiyang were 107,808 millions baht (20,900 millions yuan) and 157,000 millions baht (30,275 millions yuan), respectively. Therefore, this study is limited to Nakhon Ratchasima, Thailand and Guiyang, China only.

The methodology of study started with the collection of the secondary data from Internet, documents of private and public sectors which are related to SMEs and the results of other related researches. Besides, the data comes from the survey using questionnaires and interview of the entrepreneurs in Nakhon Ratchasima and Guiyang. The purposive random sampling was used in the target group. There are 683 samples to

use the questionnaires and 91 samples to interview face to face in Nakhon Ratchasima, but in Guiyang it was only to interview 14 types of SMEs' business because of timing restriction and budget constraint. The descriptive analysis has been used as analytical tool to analyze the collected data. The results from the study have been shown in percentages and tables. The conclusion is divided into three parts as follows:

#### **4.1.1 The comparison of SMEs' problems between Thailand and China.**

Both SMEs in Thailand and China have many problems although the governments in both areas have special policies and are always ready to help the SMEs' business. However, SMEs in Thailand have these 8 problems:

- 1) Marketing problems: can not export, lack of knowledge in marketing process and competition.
- 2) Capital shortage in business: cannot loan out the working capital from the bank, interest rate from private sector is too high and have no assets enough for credit's insurance.
- 3) Labour's problem: mobility of workers.
- 4) Technology restriction in production: take the simple technologies and lack of knowledge in modern academic techniques.
- 5) Management restriction: have not taken the experience management from learning by doing.
- 6) Government services: 8.1% of SMEs have the opportunity to use public services.
- 7) Promotion from public and private sector: SMEs are in every area and also have limitations of staffs and budgets from government sectors.
- 8) Complete information have not been provided to SMEs in every area of Thailand.

The problems of SMEs' business in China have ten points, some are different from Thailand as follows:

- 1) Unsound financial market and few financing channels are creating difficulties for SMEs as they seek money.

- 2) China's complicated administrative approval system keeps SMEs from taking advantage of their flexibility in business operations.
- 3) China has no sound land market. As a major production factor, land should have its own market and land resources should be allocated by the market. Land transfer is one way for SMEs to get the initial capital.
- 4) State-owned grain enterprises monopolize grain purchasing and sale. This has made it difficult for farmers to sell grain and increased the financial burden on the country's treasury.
- 5) Most SMEs are not authorized to engage in import and export business, preventing them from entering the international market. Only a small number of large enterprises in China are able to enter the world market.
- 6) Qualification required of China's SMEs are a bit too high, such as the necessity of having at least several hundred thousand yuan in registered capital, together with related technicians and professional accountants. The requirements in China are even higher than those in developed countries, and should be lowered to encourage people to start businesses.
- 7) Government does not change the roles although China moved from a planned economy to a market-oriented one.
- 8) SMEs' organization cannot work independently.
- 9) Business services, a component of SMEs' culture, are underdeveloped on the mainland. Compared with services in broad sense like laws and regulations, administration and justice, the services in narrow sense related to SMEs are lacking in China.
- 10) The government in backward regions often collect many fees in addition to taxes in order to make up for local fiscal shortages. This situation stifles SMEs' development.

#### **4.1.2 The comparison of SMEs' problems between Nakhon Ratchasima and Guiyang.**

Both SMEs' business in Nakhon Ratchasima and Guiyang are not different because they have the same problems of production, marketing, finance, accounting, and organization and management. However, most entrepreneurs in Nakhon Ratchasima are more experienced than in Guiyang because 55% of SMEs have worked in their business for more than 11 years, but only 29% in Guiyang. Comparing SMEs' education in both areas, 64% of SMEs in Guiyang finished College and Bachelor degree while only 38% of SMEs in Nakhon Ratchasima did. SMEs' business in both areas usually work as direct sales and the growth rate of sales for the last 2 years was increased, especially 93% of SMEs in Guiyang while 48% in Nakhon Ratchasima.

The problem of SMEs in both areas could be concluded as follows:

1. Both areas share two important problems in production. These problems are low capacity of machines and shortage of quality inputs. However, only one problem is different from each other: no quality control of products in Nakhon Ratchasima and loss in production process in Guiyang.
2. SMEs' businesses in both areas have only one serious problem in competition because this problem in Nakhon Ratchasima and Guiyang is higher than 80% of SMEs. Besides, Thai SMEs encounter the problem of low market share, while SMEs in Guiyang have the problem of exporting.
3. The two problems in finance sector occur in Nakhon Ratchasima and Guiyang; working capital is not adequate and non-performing loan (NPL). The other problem in both areas is that some entrepreneurs have not enough assets for credit insurances.
4. There are two problems of accounting in Nakhon Ratchasima, Thailand; they cannot do the formal accounts and cannot control the stock of inputs and outputs, especially the capital accounting. While

SMEs in Guiyang have two problems of being unable to apply computer software for their business and to do the formal accounts.

5. Both areas have only one important problem in organization and management which is the non-consistency of workers' education with job description. The important point from interview in both areas is that most SMEs would like to use modern management in every sector of their business.

#### **4.1.3 The comparison of SMEs' demands and recommendations between Nakhon Ratchasima and Guiyang.**

There are many recommendations for and from SMEs in both areas. The results are shown in Table 4 of Appendix E and Table 5 of Appendix F. However, the results of the study can be concluded in 5 areas: production, marketing, finance, accounting, and organization and management:

1. SMEs in Nakhon Ratchasima propose more than five recommendations in the area of production, especially they would like to know about the maintenance of machines and quality control of products. However, SMEs in Guiyang have demands and recommendations in four points: small entrepreneurs should have the quality control standard, the Government should have measures for product standardization, they want to use technologies instead of large scale workers, and to import modern machines from Italy and Japan.
2. Both areas have many demands and recommendations in marketing sector. Most SMEs in Nakhon Ratchasima need to have the knowledge on basic marketing and marketing strategies, while SMEs in Guiyang have an interesting point of finding agencies outside of the country for exporting, observing of marketing in another provinces, Competitors should not decrease the price by lower quality. Also, Guiyang's SMEs need to change the provincial government by revamping their roles to

- provided information for small and medium businesses, exporting, control the competitions, marketing promotion and transportation.
3. Nakhon Ratchasima and Guiyang are increasing SMEs in economically developed cities. So, financial institutions in both areas should give financial support to SMEs, especially working capital. Most of SMEs in Guiyang request the provincial government to support them by increasing credits from the bank.
  4. There are two problems of SMEs in Guiyang: they cannot apply computer software for business and cannot do the formal accounts and the last problem is the same as in Nakhon Ratchasima. In addition, SMEs in Nakhon Ratchasima have the problems of doing financial report and inventory control.
  5. Most of SMEs in both areas would like to improve their business by employing modern management, especially SMEs in Nakhon Ratchasima need to build up more and stronger organization relationship.

## **4.2 Recommendations**

An analysis of SMEs' problems and basic demands between Thailand and China in the case study of Nakhon Ratchasima and Guiyang has generated the results as shown in the research. However, some important recommendations are summarized again below:

1. Although both areas have many enterprises in SMEs' group and live everywhere, the government should provide enough and accurate information on marketing, production, finance, accounting, and especially moving to modern management by using mass media to publicize in all areas of the country.

2. Financial institutions should support SMEs' business in working capital by not having many steps in credit process. Likewise, the bank should be advisors to SMEs in administration of debt, non-performing loan and working capital.



3. SMEs in both areas should register their business in order to take some advantages from the government services and the government sectors should reduce of conditions for SMEs to register their business more conveniently.

4. SMEs in both areas should have the quality control of inputs and outputs, and try to get the standardized for exporting. However, the government sectors should support them by using international trade policies of World Trade Organization (WTO).

5. The government in both areas should increase the budgets to develop SMEs' business and evaluate outputs and outcomes for national economic development.

6. Private and public sectors in both areas should allocate some budgets to do the research on SMEs' business in every type of businesses in order to take future advantages.

## **Appendix A**

### **The questionnaires for surveys**

## Questionnaire

### Topic : An Analysis of SMEs' Demands and Recommendations in Nakhon Ratchasima and Guiyang.

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#### Explanation :

Guizhou University and Suranaree University of Technology decided to jointly do the research on SMEs' Demands between Thailand and China as the case study of Nakhon Ratchasima and Guizhou. The objectives of this questionnaire are to collect the data about problems, basic demands and propose some recommendations for SMEs. The results of study show the similarities and differences.

There are 3 parts of the questionnaire;

1. General data
2. Problems of business
3. Demands and recommendations

Researchers

From SUT and Guihou University

---

Name : .....

Address : .....

Phone number : ..... Fax : .....

E - mail : .....

**Part I : General data**

1. Sex :

- Male                       Female

2. Education :

- Primary School  
 Secondary School (High school)  
 Bachelor degree  
 Higher than Bachelor degree  
 Other .....

3. Position in business :

- Owner  
 Director or Manager  
 Board  
 Other .....

4. How many years have you been an entrepreneur:

- less than 3 years                       9 – 11 years  
 3 – 5 years                                 more than 11 years  
 6 – 8 years

5. Types of business:

- Agricultural Processing  
 Manufacturing  
 Services  
 Wholesaler or Retailer  
 Others .....

6. Characteristic of business

- Private Sector  
 Public Sector  
 Jointed-Ventures  
 Others .....

7. Number of Workers : .....

8. Market of product:

- In Area
- Outside of Area
- Export (Such As.....)
- Others .....

9. Market distribution (Distribution channel):

- Direct Sales
- Agencies
- Sales by Agencies
- To Take Employment
- Others .....

10. The growth rate of sale 2 years ago:

- Increase
- Decrease
- Constant
- Others .....

11. Other your business:

- None
- Type of Business .....

**Part II : Problems of business**

12. Production (choose not more than 3)

- Shortage of Quality Inputs
- Low Capacity of Machines
- No Quality Control of Outputs
- Loss in the Production Process
- Others .....

13. Marketing (choose not more than 3)

- Decrease of Sales
- Competition
- Price is Higher than Competitors' Products
- Low Market Shares
- Can not export
- Others .....

14. Finance (choose not more than 3)

- Working Capital is not Adequated
- Debts
- Have no Assets Enough for Credits' Insurance
- Non – Performing Loans
- Others .....

15. Accounting (choose not more than 3)

- Can not do Capital Account and Internal Controlling
- Can not Control Stock of Input and Outputs
- Can not do Formal Financial Report
- Can not Apply Computer Software for Account System
- Others .....

16. Organization and Management (choose not more than 3)

- Organization Relationship
- Education is not Consist of Job Description in Position
- Low Education or Unskill Labour
- To Demand of Wages and Welfares
- Others .....

**Part III : Demands and recommendations**

17. Production : .....

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18. Marketing : .....

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19. Finance : .....

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20. Accounting : .....

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21. Organization and Management : .....

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22. Training Needs: .....

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23. Others: .....

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## **Appendix B**

**General Basic Data on SMEs in Nakhon Ratchasima, Thailand.**

**Table 1: General data on education.**

<b>Items</b>	<b>Number (person)</b>	<b>Percentages (%)</b>
Primary school	235	35
High school	205	30
Bachelor degree	151	22
Higher than Bachelor degree	28	4
Others	64	9
<b>Total</b>	<b>683</b>	<b>100</b>

Source: From survey in Nakhon Ratchasima, 2002.

**Table 2: General data on positions in business.**

<b>Items</b>	<b>Number (person)</b>	<b>Percentages (%)</b>
Owner	451	66
Director	53	8
Board	46	7
Others	133	19
<b>Total</b>	<b>683</b>	<b>100</b>

Source: From survey in Nakhon Ratchasima, 2002.

**Table 3: Number of years of entrepreneurs.**

<b>Items</b>	<b>Number (person)</b>	<b>Percentages (%)</b>
Less than 3	126	18
3-5	134	20
6-8	119	17
9-11	73	11
more than 11	231	34
<b>Total</b>	<b>683</b>	<b>100</b>

Source: From survey in Nakhon Ratchasima, 2002.

**Table 4: Types of businesses.**

Items	Number (person)	Percentages (%)
Agricultural processing	52	8
Manufacturing	174	25
Services	-	-
Trading	185	27
Other	272	40
<b>Total</b>	<b>683</b>	<b>100</b>

Source: From survey in Nakhon Ratchasima, 2002.

**Table 5: Characteristics of businesses.**

Items	Number (person)	Percentages (%)
Private sector	525	77
Public sector	-	-
Joint ventures	138	20
Others	20	3
<b>Total</b>	<b>683</b>	<b>100</b>

Source: From survey in Nakhon Ratchasima, 2002.

**Table 6: Number of workers.**

Items	Number (person)	Percentages (%)
Less than 10	455	66
11-20	83	12
21-50	78	11
51-100	35	5
101-150	17	3
151-200	5	1
more than 200	10	2
<b>Total</b>	<b>683</b>	<b>100</b>

Source: From survey in Nakhon Ratchasima, 2002.

**Table 7: Market of products.**

<b>Items</b>	<b>Number (person)</b>	<b>Percentages (%)</b>
In area	495	72
Outside of area	143	21
Export	26	4
Others	19	3
<b>Total</b>	<b>683</b>	<b>100</b>

Source: From survey in Nakhon Ratchasima, 2002.

**Table 8: Market distribution.**

<b>Items</b>	<b>Number (person)</b>	<b>Percentages (%)</b>
Direct sales	399	59
Agencies	76	11
Sales by agencies	104	15
To take employment	61	9
Others	43	6
<b>Total</b>	<b>683</b>	<b>100</b>

Source: From survey in Nakhon Ratchasima, 2002.

**Table 9: The growth rate of 2 years ago.**

<b>Items</b>	<b>Number (person)</b>	<b>Percentages (%)</b>
Increase	177	26
Decrease	300	44
Constant	191	28
Others	15	2
<b>Total</b>	<b>683</b>	<b>100</b>

Source: From survey in Nakhon Ratchasima, 2002.

**Table 10: Other businesses of SMEs.**

<b>Items</b>	<b>Number (person)</b>	<b>Percentages (%)</b>
Have another one	539	79
None	144	21
<b>Total</b>	<b>683</b>	<b>100</b>

Source: From survey in Nakhon Ratchasima, 2002.

## **Appendix C**

**Problems of SMEs business in Nakhon Ratchasima, Thailand.**

**Table 1: Production problems.**

Items	Number (person)	Percentages (%)
Shortage of quality inputs	255	30
Low capacity of machines	183	22
No quality control of outputs	137	17
Loss in the production process	176	21
Others	99	12
<b>Total</b>	<b>850</b>	<b>100</b>

Source: From survey in Nakhon Ratchasima, 2002.

**Table 2: Marketing problems.**

Items	Number (person)	Percentages (%)
Decrease of sales	252	22
Competition	429	38
Prices higher than competitors' products	95	8
Low market shares	165	15
Can not export	118	10
Others	83	7
<b>Total</b>	<b>1,142</b>	<b>100</b>

Source: From survey in Nakhon Ratchasima, 2002.

**Table 3: Finance problems.**

Items	Number (person)	Percentages (%)
Shortage in operation capital	475	46
Debts	172	16
Have no enough assets for credit's insurance	187	18
Non-performing loans	151	15
Others	52	5
<b>Total</b>	<b>1,037</b>	<b>100</b>

Source: From survey in Nakhon Ratchasima, 2002.

**Table 4: Accounting problems.**

<b>Items</b>	<b>Number (person)</b>	<b>Percentages (%)</b>
Cannot do capital account and internal controlling	171	22
Cannot control stock of inputs and outputs	167	21
Cannot do formal financial reports	250	32
Cannot apply computer software for account system	157	20
Others	38	5
<b>Total</b>	<b>783</b>	<b>100</b>

Source: From survey in Nakhon Ratchasima, 2002.

**Table 5: Problems of organization and management.**

<b>Items</b>	<b>Number (person)</b>	<b>Percentages (%)</b>
Internal relationship	146	20
Education does not fit in with job description	164	23
Low education or unskilled labour	275	38
Demand of wages and welfares	80	11
Others	61	8
<b>Total</b>	<b>726</b>	<b>100</b>

Source: From survey in Nakhon Ratchasima, 2002.



## **Appendix D**

**Basic demands and recommendations for SMEs  
in Nakhon Ratchasima, Thailand.**

**Table 1: SMEs' demands for production.**

Items	Number (person)	Percentages (%)
How to decrease in electricity costs	319	27
How to repair and maintenance of machines	164	14
How to design on products	220	19
How to design on machines	58	5
How to calculate the cost of products	178	15
How to know in techniques of QC for inputs	123	10
How to do the standard for QC	82	7
Others	31	3
<b>Total</b>	<b>1,175</b>	<b>100</b>

Source: From survey in Nakhon Ratchasima, 2002.

Note: QC is the meaning of quality control.

**Table 2: SMEs' demands for marketing.**

Items	Number (person)	Percentages (%)
How to increase of internal market share	285	23
How to increase of external market share	96	8
How to calculate the cost of marketing	121	10
How to decrease of marketing cost	204	16
How to keep the customers	381	31
How to train the salemans	127	10
Others	23	2
<b>Total</b>	<b>1,237</b>	<b>100</b>

Source: From survey in Nakhon Ratchasima, 2002.

**Table 3: SMEs' demands for finance.**

<b>Items</b>	<b>Number (person)</b>	<b>Percentages (%)</b>
Supporting of working capital from the bank	305	24
Decrease in steps of capital services	155	12
First priority service for internal area enterprises	261	20
Government should provide financial support to local enterprises	370	29
High efficiency of finance services	177	14
Others	18	1
<b>Total</b>	<b>1,286</b>	<b>100</b>

Source: From survey in Nakhon Ratchasima, 2002.

**Table 4: SMEs' demands for accounting.**

<b>Items</b>	<b>Number (person)</b>	<b>Percentages (%)</b>
How to do the financial reports	230	27
How to have the quality control	157	18
How to administer the debts	163	19
How to apply computer software for account system	125	15
How to train the accountants	165	19
Others	19	2
<b>Total</b>	<b>859</b>	<b>100</b>

Source: From survey in Nakhon Ratchasima, 2002.

**Table 5: SMEs' demands for organization and management.**

<b>Items</b>	<b>Number (person)</b>	<b>Percentages (%)</b>
Loyalty of organization	255	27
Decrease rate of leaving	83	9
Skilled labours in organization	393	40
Social welfare for responsibility	195	21
Others	25	3
<b>Total</b>	<b>951</b>	<b>100</b>

Source: From survey in Nakhon Ratchasima, 2002.

## **Appendix E**

### **Data on SMEs from the interview conducted in Nakhon Ratchasima, Thailand.**

- General data on sex, education, position and number of years of entrepreneurs.
- Characteristics of business, number of workers, market distribution and growth rate of sales.
- Problems of businesses.
- Demands and recommendations from SMEs

**Table 1: General data on sex, education, position and number of year of entrepreneurs.**

<b>Items</b>	<b>Number (person)</b>	<b>Percentages (%)</b>
<b>Sex (unit : person)</b>		
Male	53	58
Female	38	42
<b>Educations:</b>		
Primary school	29	31
Secondary school or High school	27	29
College	7	8
Bachelor degree	26	30
Higher than Bachelor degree	2	2
<b>Position in business:</b>		
Owner	69	76
Director or manager	14	15
Board	-	-
Others	8	9
<b>Number of years as entrepreneurs</b> (unit : year)		
Less than 3	7	8
3-5	14	15
6-8	8	9
9-11	12	13
more than 11	50	55

Source: From survey in Nakhon Ratchasima, 2002.

**Table 2: Characteristics of business, number of labours, market distribution and growth rate of sales.**

<b>Items</b>	<b>Number (person)</b>	<b>Percentages (%)</b>
<b>Characteristics of business:</b>		
Private business	77	84
Public business	-	-
Joint ventures	6	7
Others	8	9
<b>Number of workers (unit : person)</b>		
Less than 10	57	63
10-19	13	14
20-29	8	9
30-39	3	3
More than 39	10	11
<b>Market distribution:</b>		
Direct sales	39	43
Agencies	2	2
Sales by agencies	8	9
To take employment	6	7
Direct sales and agencies	14	15
Direct sales and to take employment	13	14
Others	9	10
<b>Growth rate of sales 2 year ago:</b>		
Increase	14	48
Decrease	20	22
Constant	27	30

Source: From survey in Nakhon Ratchasima, 2002.

**Table 3: Problems of businesses.**

Items	Number (person)	Percentages (%)
<b>Production:</b>		
Shortage of quality inputs	15	27
Low capacity of machines	20	36
No quality control of outputs	9	15
Loss in production process	6	11
Others (Cost of production is very high, especially electricity)	6	11
<b>Marketing:</b>		
Decrease of sales	-	-
Competition	41	82
Prices higher than competitors' products	-	-
Low market share	4	8
Cannot export	-	-
Others (Advertising, market fluctuation, government conditions and low of purchasing power)	5	10
<b>Finance:</b>		
Working capital is not adequated	36	69
Debt	1	2
Have no assets for credit	1	2
NPL	13	25
Others (The loan interest rate is high)	1	2
<b>Accounting:</b>		
Can not do capital account and internal controlling	1	2
Can not control stock of inputs and outputs	3	9
Can not do formal accounts	31	89
Can not apply computer software for account software	-	-
Others	-	-



**Table 3: Problems of businesses. (Continued)**

Items	Number (person)	Percentages (%)
<b>Organization and Management:</b>		
Organizational relationship	1	7
Education does not fit in with job description for the position	3	20
Low education or unskilled labours	1	7
Demand of wages and welfares	-	-
Others (Missed communication, responsibility, high wages and mobility of workers.)	10	66

Source: From survey in Nakhon Ratchasima, 2002.

Note: Enterprises can choose more than 3 alternatives in each problem.

**Table 4: Demands and recommendations from SMEs.**

Items	Number (person)	Percentages (%)
<b>Production:</b>		
How to decrease in electricity cost from production process	1	4
How to maintenance the machines	9	31
How to design products	2	7
How to design machines for business	2	7
How to calculate the cost of production	3	10
How to know about quality control of Products	9	31
How to obtain standardization in quality control	-	-
Others (To know the packaging of products)	3	10

**Table 4: Demands and recommendations from SMEs. (Continued)**

<b>Items</b>	<b>Number (person)</b>	<b>Percentages (%)</b>
<b>Marketing:</b>		
How to promote in the market	2	16
How to know the sales' technique	2	16
How to export	1	8
How to know marketing strategies	3	22
How to know about basic marketing	3	22
Others (To know the business plan and jointed-ventures)	2	16
<b>Finance:</b>		
Financial institution should support in working capital	26	88
Financial institution should decrease in process for credits	1	0.5
Financial institution should be service internal area of SMEs	-	-
The government should take interest in local businesses	-	-
Know how to manage the working capital	1	0.5
Others (To know the process of credit from the bank)	3	11
<b>Accounting:</b>		
How to do the financial report	15	54
How to control inventory	3	11
How to administer debts	1	3
How to apply computer software for business	9	32

**Table 4: Demands and recommendations for SMEs. (Continued)**

<b>Items</b>	<b>Number (person)</b>	<b>Percentages (%)</b>
<b>Organization and management:</b>		
How to increase organization relationship	4	67
How to decrease rate of mobility	-	-
How to train unskilled labours	-	-
How to understand the optimality of wages	-	-
Others (Training of business topics)	2	33

Source: From survey in Nakhon Ratchasima, 2002.

## **Appendix F**

### **Data on SMEs from the interview conducted in Guiyang, China.**

- General data on sex, education, position and number of years of entrepreneurs.
- Types of business, characteristics and number of workers in business.
- Market of products, distribution, growth rate of business and other businesses.
- Problems of business.
- Demands and recommendations for SMEs

**Table 1: General data on sex, education, position and number of years to be entrepreneurs.**

<b>Items</b>	<b>Number (person)</b>	<b>Percentages (%)</b>
<b>Sex (unit : person)</b>		
Male	12	86
Female	2	14
<b>Educations:</b>		
Primary school	-	-
Secondary school or High school	4	29
College	5	35
Bachelor degree	4	29
Higher than Bachelor degree	1	7
<b>Position in business:</b>		
Owner	7	50
Director or manager	7	50
Board	-	-
<b>Number of years to be enterprises</b> (unit : year)		
Less than 3	4	29
3-5	2	13
6-8	4	29
9-11	-	-
more than 11	4	29

Source: From survey in Guiyang, 2004.

**Table 2: Types of business, characteristics and number of workers in business.**

<b>Items</b>	<b>Number (person)</b>	<b>Percentages (%)</b>
<b>Type of business:</b>		
Agricultural processing	1	7
Manufacturing	6	43
Services	4	29
Wholesales or retails	3	21
<b>Characteristic of business:</b>		
Private business	12	86
Public business	1	7
Joint ventures	1	7
<b>Number of Labours (unit : person)</b>		
Less than 10	2	14
10-19	1	7
20-29	2	14
30-39	1	7
More than 39	8	58

Source: From survey in Guiyang, 2004.

**Table 3: Market of products, distribution, growth rate of business and other businesses.**

<b>Items</b>	<b>Number (person)</b>	<b>Percentages (%)</b>
<b>Market of products:</b>		
In area	7	50
Outside of area	-	-
Export	-	-
In area and outside of area	7	50
<b>Market distribution:</b>		
Direct sales	9	65
Agencies	1	7
Sales by agencies	2	14
To take employment	-	-
Direct sales and sell by pass agencies	1	7
Others (government services)	1	7
<b>Growth rate of sales 2 year ago:</b>		
Increase	13	93
Decrease	1	7
Constant	-	-
<b>Other business:</b>		
None	9	64
To have other business	5	36

Source: From survey in Guiyang, 2004.

**Table 4: Problems from business.** (Chosse not more than 3)

Items	Number (person)	Percentages (%)
<b>Production:</b>		
Shortage of quality inputs	1	7
Low capacity of machines	1	7
Loss in production process	2	14
<b>Marketing:</b>		
Decrease of sales	2	14
Competition	13	93
Low market share	2	14
Cannot export	4	29
Others (Price depend on the old one, low demand in market, no have policy from government)	4	29
<b>Finance:</b>		
Working capital is not adequate	5	36
Debt	1	7
Not enough assets for credit	4	29
Non-performing loan	6	43
<b>Accounting:</b>		
Can not apply computer software for account systems	4	31
Can not do formal accounts	1	7
<b>Organization and Management:</b>		
Education is not consist of job description	3	23
Low education or unskilled labours	2	16
Demand of wages and welfares	1	8
Others (modern management)	4	31

Source: From survey in Guiyang, 2004.



**Table 5: Demands and recommendations.**

<b>Items</b>
<p><b>Production:</b></p> <p>Small enterprises should have the quality control standard.</p> <p>Government should have products' standardization.</p> <p>To use technologies in stead of large scale workers.</p> <p>To import the modern machines from Italy and Japan.</p>
<p><b>Marketing:</b></p> <p>To find agencies outside of country for exporting.</p> <p>To observe the marketing in another provinces.</p> <p>Competitors should not decrease the price by lower quality.</p> <p>Government should support the following;</p> <ul style="list-style-type: none"><li>- Marketing information.</li><li>- Exporting.</li><li>- Control promotion.</li><li>- Marketing promotion.</li><li>- Transportation.</li></ul>
<p><b>Finance:</b></p> <p>To find giant companies to joint their businesses.</p> <p>Interest rate for credit is not high.</p> <p>Long-run period of credit.</p> <p>Government should support by increasing of credits from the bank</p>
<p><b>Account:</b></p> <p>How to apply computer software for businesses.</p> <p>How to have the formal accounts.</p>
<p><b>Organization and management:</b></p> <p>To be modern management.</p>

**Table 5: Demands and recommendations. (Continued)**

Items
<b>Training needs:</b>
- Marketing
- Production
- How to operate their businesses
- Go to visit other companies or invite guest speakers.
- The government should support enterprises in Micro-training and the cost is not expensive.

Source: From survey in Guiyang, 2004.

## **Appendix G**

**The list of SMEs Types to interview  
in Guiyang, Guizhou Province, China.**

**List of enterprises**

1. Wholesale bookstore.
2. Souvenir factory.
3. Food processing from ducks.
4. Power electricity.
5. Car's sales.
6. Furniture factory.
7. Car's renting services.
8. Guizhou Ensure Chain Pharmacy.
9. Construction of irrigation works.
10. Sanitary products for women.
11. Packaging.
12. Mineral business.
13. Installation of electricity equipments.
14. Candy Factory and restaurant.

## Researchers' biography

**Name:** KWUNKAMOL DONKWA

**Academic Position:** Assistant Professor in Economics

**Address:**

School of Management Technology Institute of Social Technology

Suranaree University of Technology

111 University Avenue, Muang District Nakhon Ratchasima Thailand 30000

**Tel:** (66-44) 224249 , 224267

**Fax:** (66-44) 224205

**E-mail:** kwnkamol@ccs.sut.ac.th

**Date of Birth:** August 11, 1959

**Place of Birth:** Bangkok, Thailand

**Education:**

<u>Degree</u>	<u>University</u>	<u>D a t e</u>
Ph.D. (Agricultural Economics)	Kasetsart University, Thailand	April 25, 1997
M.S. (Economics)	Kasetsart University, Thailand	April 24, 1984
B. Econ	Ramkhamhaeng University, Thailand	May 24, 1981

**Work Experience:**

<u>Year</u>	<u>Position</u>	<u>P l a c e</u>
1984-1989	Planning analyst	Department of Town and Country Planning, Ministry of Interior
1990-1994	Economist	Office of Agricultural Economics Ministry of Agricultural and Cooperatives
1995-1998	Lecturer	Suranaree University of Technology
1999-Present	Assistant Professor	Suranaree University of Technology
Dec 22, 1999 - Nov 13, 2000	Assistant Rector	Suranaree University of Technology
Nov 13, 2000 – Seb 2, 2001	Assistant Rector, Acting	Suranaree University of Technology
2001-present	Chair, School of Management Technology	Suranaree University of Technology

**Courses Taught:**

## Undergraduate Program

1. Economics
2. Farm Business Management
3. Agribusiness, Marketing and Agricultural Prices
4. Agricultural Finance and Agricultural Project Analysis
5. Project Management Technology
6. Economics of Information
7. Food Product Development and Marketing (Food Marketing)
8. Introduction to Health Economics

## Graduate Program

1. Public Economics
2. Economic Analysis for Management
3. Business Research Methodology
4. Marketing Management
5. Project Evaluation
6. Project Feasibility Study

**Research:**

1. Provincial and Regional Planning (1984-1990)
2. Production and Marketing of Agricultural Products (1990-1995)
3. The Production and Export of Frozen Shrimp in Thailand (1997)
4. A Study of the Development of Household Handicraft Industries for Commercial Purpose in the Rural Area of Northeastern (1999)
5. How Information about Agricultural Economics is Obtained by Farm Household in Northeastern, Thailand (2000)
6. Potential and Trend of Border Trading in Northeastern, Thailand (2002)
7. An Analysis of SMEs' recommendations in Nakhon Ratchasima. (2002)
8. The Potential of Development for Marketing on the Herbal Foods in the Northeastern, Thailand. (2003)
9. Potentials and Trends of Retail Management in the Northeast, Thailand. (2003)

**Name:** SONG SHANMEI

**Academic Position:** Associate Professor

**Address:**

Department of Business Enterprise Administration,

College of Economics and Administration

Guizhou University, Huaxi, Guiyang

Guizhou province, China.

**Tel:** -86-851-3853593

**Fax:** -86-851-3621919

**E-mail:** Songshanmei@yahoo.com.cn

**Date of Birth:** 24 September 1963

**Place of Birth:** Guizhou

**Nationality:** China

**Marital Status:** Married

**Languages:** Chinese and English

**Education:** B (Agricultural Economics), Guizhou University, 1984.

**Teaching Courses:**

1. Agricultural Enterprise Administration
2. Business Administration
3. Commercial Bank Administration
4. Land Administration

**Current Publications**

1. Song Shanmei 2003. The basic idea for developing small town in Guizhou province. Rural Economy 2:P16-18.
2. Song Shanmei 2003. Re-Considering for construction of small town in Western China. Social Science Research 2:P60-61.
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**Name:** XIAOHONG LI

**Academic Position:** Lecturer

**Address:**

Department of Business Administration,  
College of Economics and Administration  
Guizhou University, Huaxi, Guiyang  
Guizhou province, China.

**Tel:** -86-851-3863480

**Fax:** -86-851-3621919

**E-mail:** shineon-li@sohu.com, shineon-li@163.com

**Year of Birth:** 1970

**Place of Birth:** Guizhou Province

**Nationality:** China

**Marital Status:** Married

**Language:** Chinese and English

**Education:** B (Economics), Beijing Normal University, 1995.  
M (Management), Guizhou University, 2003.

**Experience:** agricultural economics, human capital investment in backward regions, the development of Non-state-owned enterprises and employment.

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