Executive Summary

White Paper on MSMEs

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Thailand’s Gross Domestic Product (GDP) in 2020 was worth 15,703,021 million Baht, a year-on-year decrease of 1,195,069 million Baht or 6.1% compared to the 3.1% growth in 2019. This resulted from the COVID-19 pandemic which begun in the first quarter of 2020 and has continued to spread in Thailand and around the world until today. Its negative impact on global economies and trades has been widespread.

The agricultural sector’s GDP in 2020 was worth 1,357,503 million Baht, representing 8.6 percent of the country’s GDP. This was a year-on-year decrease of 3.4 percent. The GDP for non-agricultural sectors was worth 14,345,518 million Baht, representing 91.4 percent of the total GDP. The figure for non-agricultural sectors suffered 6.3 percent fall compared to the previous year. This was caused by lower economic activities in sectors that were mostly affected by the pandemic namely the service sector, the industrial sector, and retail sector, each experienced a fall in GDP by 7.4, 5.7 and 3.7 percent respectively.

Thai MSMEs’ contribution to the national GDP in 2020 amounted to 5,376,066 million Baht or 34.2 percent. This figure indicates a decrease from 35 percent of the total GDP in 2019. The expansion rate of MSMEs’ contribution also fell by 9.1 percent. When looking at GDPs based on enterprise groups, micro enterprises’ GDP was worth 417,304 million Baht or 2.6 percent, small enterprises (SE) had their share of 2,290,099 million Baht or 14.6 percent, and medium enterprises (ME) with 2,668,663 million Baht or 17 percent. Their year-on-year decreases were 15.8, 9.8 and 7.0 percent respectively.
Table 1  Value of GDP in 2020 by Enterprise Size

<table>
<thead>
<tr>
<th>Enterprise Size</th>
<th>Micro</th>
<th>SE</th>
<th>ME</th>
<th>MSME</th>
<th>LE and Others</th>
<th>National GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of GDP (Trillion Baht)</td>
<td>0.4</td>
<td>2.3</td>
<td>2.7</td>
<td>5.4</td>
<td>10.3</td>
<td>15.7</td>
</tr>
<tr>
<td>Contribution to Total GDP (%)</td>
<td>2.7</td>
<td>14.6</td>
<td>17.0</td>
<td>34.2</td>
<td>65.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Growth Rate (%)</td>
<td>-15.8</td>
<td>-9.8</td>
<td>-7.0</td>
<td>-9.1</td>
<td>-5.0</td>
<td>-6.1</td>
</tr>
</tbody>
</table>

Source: Office of the National Economic and Social Development Council as of February 15, 2021
Compiled by: Office of Small and Medium Enterprises Promotion (OSMEP)

Figure 1  Structure of Thailand’s GDP in 2020

Source: Office of the National Economic and Social Development Council as of February 15, 2021
Compiled by: Office of Small and Medium Enterprises Promotion (OSMEP)
The structure of Thailand’s GDP in 2020, categorized by economic activities, demonstrates that the service sector contributed the most to the economy, followed by manufacturing sector and the wholesale and retail sector, accounting for 41.5, 25.2 and 16.8 percent respectively.

In terms of the structure of MSMEs’ GDP in 2020 categorized by economic activities, the service sector had the largest share, followed by the manufacturing, and the wholesale and retail sectors, accounting for 40.5, 32.0 and 21.6 percent respectively.
Table 2  MSMEs’ GDP Categorized by Economic Activities

<table>
<thead>
<tr>
<th>Economic Activity</th>
<th>National</th>
<th></th>
<th></th>
<th>MSME</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GDP Value (Million Baht)</td>
<td>Contribution to Total GDP (%)</td>
<td>Growth Rate (%)</td>
<td>GDP Value (Trillion Baht)</td>
<td>Contribution to MSME GDP (%)</td>
<td>Growth Rate (%)</td>
</tr>
<tr>
<td>Agricultural Sector</td>
<td>1,357,503</td>
<td>8.6</td>
<td>-3.4</td>
<td>17,005</td>
<td>0.3</td>
<td>2.8</td>
</tr>
<tr>
<td>Manufacturing Sector</td>
<td>3,961,670</td>
<td>25.2</td>
<td>-5.7</td>
<td>1,720,253</td>
<td>32.0</td>
<td>-9.2</td>
</tr>
<tr>
<td>Wholesale and Retail Sector</td>
<td>2,639,317</td>
<td>16.8</td>
<td>-3.7</td>
<td>1,161,193</td>
<td>21.6</td>
<td>-2.9</td>
</tr>
<tr>
<td>Service Sector</td>
<td>6,933,212</td>
<td>41.5</td>
<td>-7.4</td>
<td>2,175,372</td>
<td>40.5</td>
<td>-13.9</td>
</tr>
<tr>
<td>Others*</td>
<td>1,236,514</td>
<td>7.9</td>
<td>-4.0</td>
<td>302,242</td>
<td>5.6</td>
<td>-0.7</td>
</tr>
</tbody>
</table>

Source: Office of the National Economic and Social Development Council as of February 15, 2021
Compiled by: Office of Small and Medium Enterprises Promotion (OSMEP)
Note: Others* refers to Mining, Construction, and Electricity, Gas, and Water Supply sectors.

MSME GDP by Key Economic Activities

• Manufacturing Sector

The 2020 GDP for the manufacturing sector totaled 3,961,670 million Baht or 25.2 percent of the national GDP. The GDP of large enterprises (LE) amounted to 2,241,417 million Baht or 56.6 percent. MSMEs contributed to 1,720,253 million Baht or 43.4 percent.
Within the manufacturing sector, the top three sub-sectors with the highest proportion of MSMEs’ contribution to the manufacturing sector’s GDP were manufacturing of food products (TSIC 10), with the value of 238,773 million Baht, followed by manufacturing of petroleum products (TSIC 19), with the value of 160,893 million Baht, and manufacturing of chemicals and chemical products (TSIC 20), with the value of 131,839 million Baht.

• Wholesale and Retail Sector

In 2020, the GDP of wholesale and retail sector amounted to 2,639,317 million Baht or 16.8 percent of the national GDP. Of this, 1,478,124 million Baht or 56.0 percent was from large enterprises (LE) while 1,161,193 million Baht or 44.0 percent was from MSMEs.

• Private Service Sector

In 2020, the GDP of private service sector amounted to 5,905,435 million Baht or 34.9 percent of the national GDP. Of this, 3,514,036 million Baht or 59.5 percent was from large enterprises (LE) while 2,391,399 million Baht or 40.5 percent was from MSMEs.

The top three service sub-sectors with the highest GDP contributions from MSMEs were educational service with 468,308 million Baht, followed by accommodation and food service, with 370,255 million Baht, and transport and storage service with 300,120 million Baht.
**Figure 3  GDP of Manufacturing Sector 2020 by Enterprise Size**

GDP of Manufacturing Sector

- **Micro**: 46,050 (1.1%)
- **SE**: 728,739 (18.4%)
- **ME**: 945,464 (23.9%)
- **LE**: 2,241,417 (56.6%)

Unit: Million Baht

**Figure 4  GDP of Wholesale and Retail Sector 2020 by Enterprise Size**

GDP of Wholesale and Retail Sector

- **Micro**: 106,030 (4.0%)
- **SE**: 486,754 (18.4%)
- **ME**: 568,409 (21.6%)
- **LE**: 1,478,124 (56.0%)

Unit: Million Baht

**Figure 5  GDP of Private Service Sector 2020 by Enterprise Size**

GDP of Private Service Sector

- **Micro**: 248,548 (4.2%)
- **SE**: 1,042,721 (17.7%)
- **ME**: 1,100,130 (18.6%)
- **LE**: 3,514,036 (59.5%)

Unit: Million Baht

Source: Office of the National Economic and Social Development Council as of February 15, 2021
Compiled by: Office of Small and Medium Enterprises Promotion (OSMEP)
Overview of International Trades in 2020

In 2020, the value of Thailand’s exports amounted to 7,178,494.05 million Baht, a contraction of 5.90 percent compared to 2019. From the total exports value, MSMEs’ share was worth 839,750.12 million Baht or 11.70 percent, a year-on-year contraction of 17.08 percent. Micro, small and medium-sized enterprises accounted for 1.43, 3.44 and 6.83 percent of the total exports value respectively. Thailand’s imports value was worth 6,502,406.59 million Baht in 2020, 12.43 percent contraction compared to 2019. MSMEs contributed to 1,018,921.19 million Baht worth of imports or 15.67 percent, a year-on-year contraction of 19.98 percent. Micro, small and medium-sized enterprises accounted for 2.18, 4.71 and 8.78 percent of the total imports value respectively. While Thailand had a surplus balance of trade of 676,087.46 million Baht, MSMEs experienced a deficit balance of trade of 179,171.07 million Baht in 2020.

In the context of international trades in US dollars, the overall exports of Thailand contracted by 6.01 percent compared to 5.90 percent in the form of Thai Baht. For MSMEs, their exports value decreased by 17.28 percent in US dollars compared to 17.08 percent decrease in Thai Baht.
During the period 2017 - 2020, the proportion of MSMEs’ exports compared to the country’s total exports reached the highest point at 13.28 percent in 2019. For MSMEs’ imports, they have increased over the years. The lowest figure was at 14.62 percent in 2017 while the highest figure was at 17.15 percent in 2019. In 2020, MSMEs’ imports value fell to 15.67 percent. Thai MSMEs have experienced a deficit balance of trades in the past three years.

Regarding MSMEs’ exports and imports in the last three years, MSMEs’ exports value experienced an expansion in 2017 - 2018 before decreasing at the rate of 0.32 and 17.08 percent in 2019 - 2020 respectively. There has been a clear trend that exports value was decreasing. During the same period, MSMEs’ imports value saw an increase in 2017 - 2018 at 14.32 and 18.04 percent respectively. Afterwards, the figure has been on a downward trend at the contraction rate of 2.74 percent in 2019 and 19.98 percent in 2020.
Overview of International Trades by Trading Partners

MSMEs’ exports to the top ten trading partners, which accounted for 70.78 percent of Thailand’s total exports, decreased by 10.63 percent while the national exports to the same partners fell by 3.02 percent. The key markets for Thailand’s exports including those of Thai MSMEs were the U.S., China, and Japan with 14.85, 12.88 and 9.88 percent of the total exports in 2020 respectively. For MSMEs, the total exports value to the three countries amounted to 340,871.23 million Baht, with MSMEs’ share of 16.09, 16.78 and 7.73 percent respectively. Markets in China and Japan saw contraction of 5.58 and 23.24 percent respectively while the US market experienced an expansion of 38.89 percent.

In 2020, the country that Thai MSMEs could increase their exports to the most was the U.S. at 38.89 percent. The U.S. was the only market that saw an expansion of MSMEs’ exports in 2020 while those to the other 9 markets decreased. This shows that Thai MSMEs had to face a fall in exports in almost all markets due to the COVID-19 pandemic.

Overall MSMEs’ imports from the top ten trading partners, which accounted for 78.31 percent of Thailand’s total imports, decreased by 15.25 percent while the national figure from the same partners fell by 8.69 percent. MSMEs’ imports from the key partners, namely China, Japan and the U.S. accounted for 24.13, 13.37 and
7.17 percent of the total imports value respectively. For MSMEs, the imports figure from the three partners amounted to 564,832.98 million Baht with imports from China, Japan and the U.S. accounting for 41.12, 9.05 and 5.26 percent respectively. In 2020, MSMEs increased their imports from China by 1.21 percent. However, for Japan and the U.S., MSMEs’ imports fell by 48.17 and 23.08 percent respectively.

Figure 3 Values and Expansion Rates of MSMEs’ Exports to the Top 10 Countries in 2020

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

Figure 4 Values and Growth Rates of MSME’s Imports to the Top 10 Countries in 2020

Source: Thai Customs
Compiled by: Office of Small and Medium Enterprises Promotion (OSMEP)
Overview of International Trades by Products

In the context of international trades by products, based on the Customs Department’s tariff classification in 2020, products in Chapters 84, 85 and 87 contributed the most to the national exports figure, accounting for 16.42, 14.86 and 10.59 percent of Thailand’s total exports respectively. The MSMEs’ share in the export of products under Chapter 84, namely machinery, computers, and devices amounted to 6.94 percent. For products under Chapter 85, namely electrical equipment and parts thereof, MSMEs contributed to 9.44 percent of their exports. And for products under Chapter 87, namely automobiles and parts thereof, MSMEs had 4.43 percent in their exports.

Products that were exported by MSMEs in the highest proportion were those under Chapter 85, namely electrical equipment and parts thereof, amounting to 9.44 percent. These were followed by products under Chapter 71, namely gems and jewelry, at 8.68 percent. The third highest proportion came from the products under Chapter 08, fruit and consumable nuts, accounting for 8.62 percent of the total MSMEs’ exports. During the reporting period, exports of products under Chapter 71 decreased by 46.92 percent. In contrast, exports of products under Chapters 85 and 08 expanded by 29.08 and 5.41 percent respectively.

In 2020, the products that had the largest share in the country’s overall imports, based on products under the Customs Department’s tariff classification, were those under Chapter 85, namely electrical equipment and parts thereof, amounting to 20.88 percent. These were followed by products under Chapter 84, namely machinery, computers and devices which amounted to 12.49 percent. The third largest share came from products under Chapter 87, namely automobiles and parts thereof, accounting for 4.58 percent of Thailand’s total imports.

The products that were imported by MSMEs in the highest proportion were those under Chapter 84, namely machinery, computers and devices, accounting for 15.79 percent. Next were those under Chapter 85, namely electrical equipment and parts thereof, at 14.61 percent. These were followed by products under Chapter 39, namely plastic and plastic products, amounting to 6.17 percent of MSMEs’ imports. The year 2020 saw a year-on-year fall in imports of products under all of the above Chapters by 16.09, 14.68 and 17.16 percent respectively.
Figure 5  Values and Expansion Rates of MSMEs’ Exports by the 2-Digit Tariff Codes in 2020

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

Figure 6  Values and Growth Rates of MSME’s Imports by 2-Digit Tariff Codes in 2020

Source: Thai Customs
Compiled by: Office of Small and Medium Enterprises Promotion (OSMEP)
In 2020, MSME Business Sentiment Indices greatly fluctuated throughout the year due to the COVID-19 pandemic which had affected the conduct of businesses since March and April 2020. This resulted in the Composite MSME Business Sentiment index for 2020 (an average of indices from January - September 2020) of 42.5, lower than the base index of 50. The composite index consisted of indices of components namely, purchasing orders, production volume, trades and services, profits, investment, and employment, which were at 39.2, 40.4, 38.4, 45.9, and 44.8 respectively. The stringent measures to control the pandemic and the restrictions of social activities meant that many enterprises had to suspend their operations, causing loss of revenue and low liquidity for businesses. The index for costs had a score of 46.6. This was a result of attempts to increase the variety of products in response to customers’ demands as well as higher prices of certain raw materials. Owing to suspension in logistics and manufacturing sectors, some products did not meet their demands.

Nevertheless, when the COVID-19 pandemic in Thailand eased, the government measures to stimulate spending were instrumental in increasing income and purchasing power. People were spending more, and this also led to higher number of domestic tourists.

The averaged three-month forward MSME Business Sentiment Index (an average of indices from January - September 2020) of 52.2, higher than the base index of 50, was a result of several factors including the government’s response to the new wave of COVID-19 pandemic where it imposed measures and restrictions only on certain controlled zones, the fact that the new wave was spreading in more limited areas compared to the first wave, and the government measures to stimulate spending still having a significant effect on consumers. However, concerns and lack of confidence that were shared among MSMEs were still prevalent. The situation had to be monitored carefully especially at a time when various measures to stimulate spending were coming to an end while foreign visitors could not visit Thailand yet.
Thailand’s economy was recovering. Investment was expanded due to support from the government. Back to being above the base index of 50 point in 6 months.

The government implemented proactive measures to stimulate the economy and support the tourism industry.

Resulted from domestic consumption at year end and the expansion of provincial economies, owing mainly to tourism.

The government’s relaxation of disease control measures and situation of the pandemic which had been better resulted in expansion of economic activities, leading to better sales for products and services compared to the previous month.

The third and fourth rounds of relaxation allowed almost all enterprises to reopen including domestic travels. The COVID-19 situation in Thailand became a lot better. This led to more activities and spending.

The overall situation of MSMEs was only slightly better than the previous month since the economy was still fragile from future risks especially as the increasing purchasing power slowed and the government’s assistance measures were coming to an end.

The government’s stimulus measures led to gradual economic recovery in all regions. The period saw the tourism sector started to pick up. The public adapted and led a more normal life.

The index had been increasing for the third month. This was the first time the index was above the base point since the pandemic began.

The purchasing power started to decrease with certain signs of deceleration of purchasing power in the future following the end of government’s assistance measures and the vulnerability of employment. Thus the general public had to be careful in terms of their spending especially the goods and services that were not needed.

The overall situation of MSMEs was only slightly better than the previous month since the economy was still fragile from future risks especially as the increasing purchasing power slowed and the government’s assistance measures were coming to an end.

MSME Current Month Index

<table>
<thead>
<tr>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
</tr>
</thead>
<tbody>
<tr>
<td>50.0</td>
<td>52.2</td>
<td>53.3</td>
<td>40.3</td>
<td>38.1</td>
<td>31.0</td>
<td>27.6</td>
<td>40.9</td>
<td>49.3</td>
<td>51.6</td>
<td>51.2</td>
<td>52.9</td>
</tr>
</tbody>
</table>

**Interpretation**

TSSI < 50 means worsening business situation. TSSI = 50 means business situation stabilized. TSSI > 50 means improving business situation.

**Source:** Office of Small and Medium Enterprises Promotion (OSMEP)
The averaged MSME Business Sentiment Indices for all business sectors in 2020 (January - September 2020) were below the base point of 50. When compared to the manufacturing and trade sectors, the service sector had the highest MSME Business Sentiment Index between January and September 2020 at 43.0. This was despite the effect of the COVID-19 pandemic on tourism and related businesses. Following the improved pandemic situation, businesses were allowed to reopen, resulting in more clients following a period of suspension. The government’s measures to stimulate domestic tourism like “Rao Tiao Duay Kan (We Travel Together)” and the long holidays also contributed to the recovery. Moreover, the behavior of consumers also changed as they moved towards online shopping. This resulted in the expansion of the shipping business. The manufacturing sector had the composite MSME Business Sentiment index (January - September 2020) of 42.4, owing to the demand in food and beverage, in particular the processed food that could be kept for a longtime during quarantine. When consumers were allowed to conduct outdoor activities again, there was higher demand for food and beverage. In terms of durable goods like furniture and goods made from metal, the recovery was gradual since there were still worries about future incomes.

In terms of trades, the composite MSME Business Sentiment Index in 2020 (January - September 2020) was 42.1. It continued to improve since the start of the year especially the traditional and modern trade retails due to the demands for consumables during the quarantine period. Moreover, when the pandemic situation improved, the government’s measures to stimulate spending through financial aids and the government co-payment scheme or “Khon La Khrueng” resulted in more spending at participating shops and stores.
3.2 MSME Business Sentiment Indices by Region in 2020

3.2.1 MSME Business Sentiment Indices in Bangkok and Vicinity

Key business sectors: consumables, tourism and related businesses, and shipping and logistics

The averaged composite MSME Business Sentiment Index in 2020 (January - September 2020) for Bangkok and vicinity was 40.0, which was below the base point of 50. This was due to the COVID-19 pandemic which affected business activities from the daily life of consumers to business operations. The businesses in this area had been affected since the first wave of the pandemic struck until the later waves which saw even higher number of infections. This significantly affected the tourism and related businesses. Some groups of population left the area to return to their hometowns. However, after the improvement in the COVID-19 pandemic, people came back to Bangkok and its suburbs, resulting in an increase in travels and steady demand for consumables. The government’s measures to stimulate economic activities led to more spending. The concern related to the disease influenced consumers to use more online services to limit travels into risk areas. Thus, those businesses with online channels expanded. Businesses that had not had online platform yet started to participate in response to consumers’ demands.

The composite three-month forward index for 2020 (January - September 2020) was 50.0, which was the same as the base point. This is because MSMEs expected a recovery in economic activities, with people returning to the area resulting in travels and consumption in various categories.
3.2.2 MSME Business Sentiment Indices in the Central Region

Key Business Sectors: Food and Beverage, Restaurants, Hotels, Non-routine Mass Transit, and Agriculture

The composite MSME Business Sentiment Index in 2020 (January - September 2020) in the Central Region was 45.4, which was below the base point of 50 due to strict measures to control the pandemic, resulting in suspension of social activities. Meetings, conferences, banquets, and events were canceled and postponed, affecting the related businesses such as catering services, restaurants, accommodation, and non-routine mass transit. They were affected by new waves of infection as well. Thus, the recovery had been slow. In terms of the consumers’ purchasing power and spending, they benefited from the government’s measures to stimulate spending through financial aids and the government co-payment scheme or “Khon La Khrueang” as well as the improvement in agricultural revenue during the rice harvest season. With these, the sales of consumables expanded.

The composite three-month forward index for 2020 (January - September 2020) was 53.1 which was above the base point of 50. This was because MSMEs expected normal social activities following the improvement in the COVID-19 pandemic.

3.2.3 MSME Business Sentiment Indices in the East

Key Business Sectors: Food and beverage, shipping, tourism and related businesses

The composite MSME Business Sentiment Index in 2020 (January - September 2020) in the East was 42.5 which was below the base point of 50 due to the COVID-19 pandemic which resulted in the suspension of operations of enterprises or factories. The volume of manufactured products fell along with the performance of enterprises. As their revenues decreased, so did the purchasing power of workers. The restriction imposed on travels caused delays in the transport of products or materials. However, after the relaxation of the disease control measures, several branches of business were able to reopen. The government’s measures to stimulate tourism and long holidays resulted in gradual recovery of the tourism sector. Yet, the related businesses were still lacking behind, especially accommodation and chartered transportation. As tourists were still concerned about the spread of the virus, many visits took the form of day trips rather than overnight stays. Spending was also limited to what was deemed necessary.

The composite three-month forward index for 2020 (January - September 2020) was 54.3 which was above the base point of 50. This was because MSMEs expected greater employment, which would lead to improvements in income.
and purchasing power of workers, leading to higher spending on restaurants and consumables.

### 3.2.4 MSME Business Sentiment Indices in the South

**Key Business Sectors:** tourism and related businesses, rubber and plastic, and agriculture

The composite MSME Business Sentiment Index in 2020 (January - September 2020) in the South was 44.8, which was below the base point of 50 due to the concerns shared by consumers on the COVID-19 pandemic and disease control restrictions imposed, resulting in the lack of visits and a fall in tourist confidence. Trips, hotel bookings, chartered transportation, and tours were canceled or postponed. Several businesses had to close temporarily. Even in the third quarter when the pandemic improved, some businesses were allowed to reopen, the government issued relief measures to stimulate spending resulting in improved consumers’ spending (mostly on consumables and restaurants participating in government’s campaigns), the revenue of agriculture benefited from the demand for agricultural products of the industrial sector, and seasonal harvests such as rubber and palm oil, yet the level of consumers’ spending was still low. The region lacked the purchasing power from foreign tourists especially seasonal tourists from Malaysia who used to frequent the provinces.

The composite three-month forward index for 2020 (January - September 2020) was 54.5 which was above the base point of 50. This is because MSMEs expected recovery in revenues and purchasing power of consumers as well as the government’s measures that would encourage consumers to spend especially in restaurants that participated in the campaigns. However, the factor of purchasing power from foreign tourists was something that needed to be monitored closely.

### 3.2.5 MSME Business Sentiment Indices in the North

**Key Business Sectors:** tourism and related businesses, and agriculture

The composite MSME Business Sentiment Index in 2020 (January - September 2020) in the North was 42.4 which was below the base point of 50 due to the COVID-19 pandemic, which had begun since the beginning of the year with widespread impact on all business sectors especially the tourism sector which had been directly affected from travel restrictions and decrease in confidence among Thai tourists. Hotel bookings were canceled and/or postponed. Key tourist destinations such as Chiang Mai and Chiang Rai suffered more as there were higher number of cases and from the lack of foreign tourists especially those from China. As the situation improved, the economic situation was supported by government’s measures to stimulate spending especially necessary consumables and the need
for agricultural products for decoration as well as seasonal fruit that could then be exported to other regions.

The averaged three-month forward figure for 2020 (January - September 2020) was 53.4, which was above the base point of 50. This is because MSMEs expected the COVID-19 pandemic to subside, resulting in improvement in tourism in the regions which would benefit other related businesses. However, the factor of purchasing power from foreign tourists was something that needed to be monitored closely.

### 3.2.6 MSME Business Sentiment Indices in the Northeast

**Key Business Sectors:** consumables, agriculture, restaurants and hotels

The composite MSME Business Sentiment Index in 2020 (January - September 2020) in the Northeast was 43.0. This figure was below the base point of 50 due to the concerns on vulnerabilities and unpredictability of income in the future as the COVID-19 pandemic caused employment to fall and those who were still in work saw their incomes fall. Disease control measures and suspension of activities such as conferences, trainings, and seminars resulted in low number of hotel bookings. However, during the pandemic, workers from other regions went home thus causing continuous spending on consumables. Moreover, the government’s measures to stimulate spending including financial aids and the government co-payment scheme or “Khon La Khrueng” as well as higher income of agriculturalists during harvest season helped increase income and purchasing power, thus benefiting traditional and modern trade retailers, and restaurants.

The averaged composite three-month forward index for 2020 (January - September 2020) was 52.5. This figure was above the base point of 50. This was because MSMEs expected more mobility of residents which would benefit hotels and restaurants. However, when the government’s measures to stimulate spending came to an end, there was worry that consumers’ spending would not increase much.

### 3.3 Survey on MSME Liquidity and Employment after the COVID-19 Pandemic

The survey on MSME liquidity and employment after the COVID-19 pandemic took place during June 20 - 27, 2020, gathering the data from 2,582 MSME respondents in 21 business sectors. From over 2,000 respondents, 618 were in the manufacturing sector, 912 in the trades sector and 1,052 were in the service sector. They came from all over Thailand with 684 from Bangkok and vicinity, 248 from the Central region, 442 from the North, 601 from the Northeast and 361 from the South. The
number of MSME respondents without loans was 1,434 or 55.5 percent whereas the number of MSME respondents with loans was 1,148 or 44.5 percent.

In terms of the source of loans for MSMEs, the survey considered formal and informal loans. It was found that the majority of MSMEs or 87.8 percent took loans from financial institutions while 12.2 percent took loans from informal sources that were not financial institutions. On the types of loans that MSMEs took, it was found that the majority of loans or 63.2 percent were taken out from banks and 12.3 percent were from finance/leasing institutions. Apart from these formal loans, MSMEs also took informal loans from friends/relatives amounting to 7.3 percent followed by loans through informal group savings arrangements which constituted 3.0 percent.

Regarding views on various aspects after the COVID-19 pandemic, 78.9 of the respondents thought that measures to suspend debt repayment both interests and principal should continue while 21.1 were of the view that the measures should not be extended. Among those who encouraged extending the suspension of debt repayment, 48.1 percent thought that the extension should not last for more than 6 months, 26.7 percent believed that the extension should not be more than 3 months. With all views gathered, it was concluded that the average period of extension was 4.7 months.

The type of loans that entrepreneurs believed should have their repayment extended the most was business loan with 39.8 percent of the respondents in favor, while 23.6 percent supported individual loan.

Regarding relief measures on debt repayment that were most in line with the business needs, 59.6 percent of respondents believed that they should constitute low-interest loans while 31.2 percent of respondents supported loans without guarantee.

In terms of amount of loans that businesses needed from government measures and the loan period needed to support their business operations, 40.3 percent of MSME respondents wanted loans in the range of 1,000 - 50,000 Baht whereas 19.2 percent of respondents wanted loans in the range of 100,001 - 500,000 Baht. On the loan period, 26 percent of respondents wanted the loan period of not more than 6 months while 25.6 percent of respondents wanted the period of not more than 12 months.

With data gathered from 2,582 respondents, the average workforce for each entrepreneur consisted of 8 persons (including family members and owner). On average, 2 of these were family members, 4 were permanent employees, and 2 were daily employees. The average proportion of wage per cost of an enterprise was 27.5 percent.
In terms of changes to employment after the COVID-19 pandemic, for enterprises with permanent and daily employees, 84.6 percent of the respondents said the number of workers would remain unchanged while 12.0 percent expected a decrease. On wages/salaries, 86.1 percent of the respondents informed that these would remain unchanged while 11.2 percent of respondents expected a fall. Most enterprises did not pay bonuses, and allowances for food/accommodation/travel.

### 3.4 Survey on Disruption Technology and MSMEs

The survey on disruption technology and MSMEs in the areas of marketing and consumers’ behavior related to technology gathered the data from 2,786 respondents. It was found that 65.1 percent believed that disruption technology had an effect on businesses with 30.2 percent believed that the effect would be moderate, 18.9 percent viewed the effect as significant, and 16 percent thought the effect would be small. Of the total respondents, 34.9 percent believed that disruption technology would not have an effect on their businesses yet.

In terms of the form that the effect would take following the technological disruption, 28.4 percent of respondents thought that there would be lower number of customers, 27.5 percent said that customers would adopt different behaviors and 15.7 percent thought that the prices of goods and services in the market would be lower than normal due to changing customers’ behavior. This would lead to some businesses experiencing a fall in customers.

On business adaptation plans in case of technological disruption, 22.4 percent of MSME respondents did not have any plan to adapt to the change in technology because small businesses with traditional forms of trade and services were not ready and did not understand the changes in technology. For those enterprises that had plans to adapt their businesses, it was found that 17.4 percent had applied new technology/digital technology to their businesses, 15.9 percent of respondents improved their products and services and 15.3 percent added online channel to their businesses.

In the aspect of what MSMEs wanted from the government when there was a change in technology, it was found that 88.5 percent of respondents wanted assistance from the government. Of this, 19.7 percent wanted trainings, 18.8 percent wanted the government to provide or advice on technology, digital technology and innovation, and 13.9 percent wanted the government to make available sources of loan for MSMEs.

It could be concluded that disruption technology had started to have an effect on MSMEs (65.1 percent). The majority of respondents believed the impact
would be a fall in customers and change in customers’ behavior where they want convenience and quick service. It cannot be denied that at present, there are various products, services and business models that help make our lives easier and more convenient for instance, Grab Food, Agoda, Traveloka, LINE MAN, foodpanda or even ordering goods and services online with delivery such as Amazon, Lazada, Shopee and eBay. Thus, MSMEs need to be able to adapt. From the survey, most MSMEs started to be prepared and applied new technology/digital technology in their businesses, improved their products and services, and added online platform to their businesses to expand access to new groups of customers. However, 22.4 percent of the respondents had no plans or preparations. What the respondents wanted most from the government were trainings, provision or advice on technology, digital technology and innovation so they could accurately and appropriately apply to their businesses and customers’ demands. They also wanted the government to provide them with the source of loans for MSMEs.
Chapter 4

Number of MSMEs and Their Employment Statistics in 2020

4.1 Number of MSMEs According to the New Definition

Thailand’s total number of MSMEs at the end of 2020 was 3,134,442, which represented a growth of 0.95 percent year-on-year. The MSMEs constituted 99.54 percent of the total enterprises. The number of micro enterprises stood at 2,673,992, making up 84.92 percent of the total enterprises. There were 415,673 small enterprises or 13.20 percent of the total enterprises, while 44,847 were medium enterprises representing 1.42 percent of the total figure.

4.1.1 Overview of MSMEs

Based on the types of business registration, MSMEs in 2020 can be divided into three categories: juristic entities (756,344 enterprises or 24.13 percent of the total MSMEs); sole proprietors and others (2,286,326 enterprises or 72.94 percent); and community enterprises (91,772 or 2.93 percent), as presented in figure 4.1.
The largest proportion of MSMEs was in the trades sector, totaling 1,288,256 enterprises or 41.10 percent of the total MSMEs. The next largest proportion was in the service sector, totaling 1,256,755 enterprises or 40.09 percent. There were 532,104 MSMEs in the manufacturing sector, representing 16.98 percent of the total MSMEs, while the figure in the agri-business sector was 57,327 enterprises or 1.83 percent. These are shown in figure 4.2 and table 4.1.
Table 4.1 The Number of MSMEs by Business Sectors and Types of Business Registration during 2019 - 2020 (Unit: Enterprise)

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Source: Department of Business Development, National Statistical Office, Department of Agricultural Extension, Social Security Office
Remarks: 1) Sole proprietors cover enterprises where ownership belongs to one or more ordinary persons. They also cover non-juristic ordinary partnerships.
2) Agri-business sector covers enterprises conducting economic activities under category A (01-03). These entries are limited to MSMEs which are juristic entities and community enterprises, not including sole proprietors.
Compiled by: Office of Small and Medium Enterprises Promotion (OSMEP)
Regarding the number of MSMEs by province grouping in 2020, Bangkok Metropolis had the highest volume at 563,487 MSMEs, or 17.98 percent of the total MSMEs. The next largest figure was in Bangkok’s vicinity, namely Nakhon Pathom, Nonthaburi, Pathumthani and Samut Prakan, and the Central region, at 272,615 enterprises or 8.70 percent of the total MSMEs. This represented a growth rate of 3.18 percent. Other provincial groupings with large number of MSMEs were the Lower Northeast 1 and the Peninsula Eastside as illustrated in figure 4.3.

**Figure 4.3  Number of MSMEs by Group of Provinces 2020**

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

**4.1.2 Number of MSMEs Categorized as Juristic Entities**

In 2020, the majority of MSMEs categorized as juristic entities were concentrated in the service sector, totaling 401,030 enterprises or 53.02 percent of the total juristic-entity MSMEs. This represented a growth rate of 3.03 percent. The next largest concentration of juristic-entity MSMEs was found in the trades sector with 249,829 enterprises or 33.03 percent, with a growth rate of 3.07 percent. Juristic-entity MSMEs in the manufacturing sector totaled 100,537 enterprises or 13.29 percent, a growth of 3.12 percent. The agri-business sector had 4,948 juristic-entity MSMEs, representing 0.65 percent of the total MSMEs categorized as juristic entities. These are shown in figure 4.4.
There were 249,829 juristic-entity MSMEs in the wholesale and retail business category or Category G. Among these, 124,489 were in the sub-category of wholesale except sales of automobiles and motorcycles, representing the largest proportion or 16.49 percent. The number expanded from 2019 by 3,568 enterprises or 2.95 percent year-on-year. These enterprises were concentrated in Bangkok with a total of 285,957 enterprises or 37.81 percent of the total juristic-entity MSMEs followed by Chon Buri. The province with the least number of juristic-entity MSMEs was Mae Hong Son.

4.1.3 MSMEs in the Category of Sole Proprietors and Others

MSMEs in the category of sole proprietors and others were found in the largest number in the trade sector totaling 1,035,799 enterprises or 45.30 percent of the nationwide category total. The next largest numbers of sole-proprietor MSMEs were in the service sector at 851,228 enterprises or 37.23 percent; and the manufacturing sector at 399,299 enterprises or 17.46 percent. These proportions are shown in figure 4.5.
Figure 4.5  Number of MSMEs in the Category of Sole Proprietors and Others by Business Sectors

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

There were 1,035,799 sole proprietor MSMEs in the wholesale and retail business category or Category G. Among these, 799,076 were in the sub-category of wholesale except sales of automobiles and motorcycles, representing the largest proportion or 34.95 percent of the nationwide count for MSMEs in the category of sole proprietors and others. They were concentrated in Bangkok totaling 277,410 enterprises or 12.13 percent of the total MSMEs in the category of sole proprietors and others. The next largest concentration was in Chiang Mai. The province with the least number of sole proprietors and others’ MSMEs was Samut Songkhram.

4.1.4 Number of Community MSMEs

In 2020, the number of community enterprises amounted to 91,772, all of which were categorized as MSMEs (all were in the category of micro enterprises). The largest proportion was in the agri-business sector with 52,379 enterprises or 57.08 percent, representing an expansion of 17.14. The next largest proportion was in the manufacturing sector with 32,268 MSMEs or 35.16 percent. This represented a decrease of 4.58 percent. There were 4,497 community MSMEs in the service sector or 4.90 percent of the total community MSMEs, a 3.26 percent growth. In the trades sector, there were 2,628 community MSMEs or 2.86 percent, representing a 3.06 percent growth. These figures are shown in figure 4.6.
The majority of community MSMEs were concentrated in the sub-sector of crops and livestock at 50,012, an increase of 7,312 or 17.12 percent from 2019. This represents 54.50 percent of the total community enterprises. The next largest sub-sector was the food item production. Community MSMEs were concentrated in Roi Et, amounting to 5,136 enterprises or 5.60 percent, followed by Si Sa Ket with 4,178 enterprises or 4.55 percent. Community MSMEs had the smallest concentration in Bangkok with 120 enterprises or 0.13 percent.

4.2 Business Establishment and Dissolution Figures in 2020

MSMEs that were established in 2020 totaled 62,321 while 20,853 MSMEs concluded their closure and liquidation.
Figure 4.7 Establishment and Dissolution of Juristic-entity MSMEs

Source: Department of Business Development
Compiled by: Office of Small and Medium Enterprises Promotion (OSMEP)
The sector with the highest number of newly established juristic-entity MSMEs was the wholesale sector other than sales of automobiles and motorcycles at 11,243 enterprises followed by retail except sales of automobiles and motorcycles at 8,918 enterprises and construction at 6,318 enterprises.

The abovementioned sectors also featured as those with the highest number of juristic-entity MSMEs that concluded their closure and liquidation namely; wholesale except sales of automobiles and motorcycles sector, constituting 4,436 enterprises; retail except sales of automobiles and motorcycles, with 2,609 enterprises; and construction, with 1,828 enterprises.

Other juristic-entity MSMEs that saw their operations terminated were in the sectors of wholesale other than sales of automobiles and motorcycles, with 6,300 enterprises, construction, with 3,912 enterprises; and lottery ticket sales with 2,632 enterprises.

4.3 Employment of MSMEs

4.3.1 Overview

In 2020, the overall employment figure by all Thai enterprises was 17,734,161. Of these, 5,019,245 were hired by large enterprises (LE) and 12,714,916 were hired by MSMEs, thus representing 71.70 percent of the total employment. Micro enterprises had the highest share compared to total employment at 29.74 percent. They also had the highest proportion compared to MSMEs at 41.48 percent.

MSME employment based on business establishments in 2020 may be divided into 2 types namely juristic entities with 7,672,180 employees, amounting to 60.34 percent of nationwide MSME employment, and sole proprietors and others with 5,042,736 employees or 39.66 percent of the nationwide MSME employment. These figures are shown in figure 4.8
MSME employment was mostly concentrated in the service sector with 5,551,599 employees or 43.66 percent of the total service sector employment, representing an increase of 3.91 percent year-on-year. The next largest concentration of MSME employment was in the trades sector with 4,240,446 employees or 33.35 percent of the nationwide trades sector employment, an increase of 8.19 percent. The manufacturing sector had 2,859,069 employees or 22.49 percent, a rise of 4.19 percent. The agri-business sector (only juristic-entity businesses) had 63,402 employees, representing an expansion of 0.50 percent as shown in figure 4.9 and table 4.3.
Table 4.2  Number and Employment Proportion based on Business Sectors during 2019 - 2020

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<th>MSME</th>
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<th>Total</th>
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<td>Trade</td>
<td>482,022</td>
<td>456,125</td>
<td>793,451</td>
<td>1,086,336</td>
<td>525,864</td>
<td>579,833</td>
</tr>
<tr>
<td>Service</td>
<td>1,006,029</td>
<td>871,883</td>
<td>1,470,545</td>
<td>1,846,424</td>
<td>963,354</td>
<td>930,633</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>186,711</td>
<td>193,654</td>
<td>766,113</td>
<td>899,706</td>
<td>769,659</td>
<td>744,184</td>
</tr>
<tr>
<td>Agri-business</td>
<td>10,750</td>
<td>12,749</td>
<td>23,017</td>
<td>29,218</td>
<td>21,118</td>
<td>21,435</td>
</tr>
<tr>
<td>Sole Proprietors and Others</td>
<td>3,740,318</td>
<td>3,740,318</td>
<td>1,136,315</td>
<td>1,136,315</td>
<td>166,103</td>
<td>166,103</td>
</tr>
<tr>
<td>Trade</td>
<td>1,779,217</td>
<td>1,779,217</td>
<td>295,289</td>
<td>295,289</td>
<td>43,646</td>
<td>43,646</td>
</tr>
<tr>
<td>Service</td>
<td>1,356,131</td>
<td>1,356,131</td>
<td>470,601</td>
<td>470,601</td>
<td>76,327</td>
<td>76,327</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>604,970</td>
<td>604,970</td>
<td>370,425</td>
<td>370,425</td>
<td>46,130</td>
<td>46,130</td>
</tr>
</tbody>
</table>

Source: Department of Business Development, National Statistical Office, Social Security Office, Department of Agricultural Extension

Remarks: Agri-business sector covers enterprises conducting economic activities under category A (01-03). These entries are limited to MSMEs which are juristic entities and community enterprises, not including sole proprietors.

Compiled by: Office of Small and Medium Enterprises Promotion (OSMEP)
Regarding MSME employment by provincial groupings, the highest concentration was in Bangkok with 3,597,413 employees or 28.29 percent of the total MSME employment followed by Central non-Bangkok provinces and Eastern Region 1 provinces respectively. These are shown in figure 4.10.

Figure 4.10 MSME Employment in 2020 Based on Provincial Groupings

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

4.3.2 Employment in Juristic-entity MSMEs

In 2020, there were 7,672,180 employees in the juristic-entity MSMEs. Compared to 7,017,633 employees in 2019, the 2020 figure represented a 9.33 percent expansion. Most were concentrated in the service sector with 3,648,940 employees or 47.56 percent of the country’s juristic-entity MSME employment. This represented a growth rate of 6.08 percent compared to the previous year. The next largest proportion of workers in juristic-entity MSMEs was in the trades sector with 2,122,294 employees or 27.66 percent, a 17.82 percent increase. The manufacturing sector had 1,837,544 employees or 23.95 percent, a 6.68 percent increase. In the agri-business sector, there were 63,402 employees or 0.83 percent, a 17.66 percent growth rate. These are shown in figure 4.11.
The largest portion of employment in juristic-entity MSMEs was in the wholesale and retail businesses or category G with 2,122,294 employees, 1,064,051 employees were in wholesale other than sales of automobiles and motorcycles, or 13.87 percent of employment in juristic-entity MSMEs. This grew by 18.62 percent. The next largest portions were found in the manufacturing sector (category C) and construction sector (category F). Bangkok had the highest number of employment in juristic-entity MSMEs with 2,894,841 employees hired or 37.73 percent of nationwide employment in juristic-entity MSMEs. This was followed by Samut Prakan. The province with the smallest number of juristic-entity MSME employment was Mae Hong Son.

4.3.3 Employment in Sole-Proprietor and Other MSMEs

In 2020, the employment figure in sole-proprietor and other MSMEs amounted to 5,096,931. Of these, 5,042,736 were hired by MSMEs, amounting to 98.94 percent of the total sole-proprietor and other MSMEs in the country. The largest proportion of employment was in the trades sector with 2,118,152 employees or 42 percent. This was followed by those in the service sector with 1,903,059 employees or 37.74 percent. The manufacturing sector had 1,021,525 employees or 20.26 percent. These are shown in figure 4.12.
Employment in sole-proprietor and other MSMEs was concentrated in wholesale and retail category or 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% of the employment in sole-proprietor and other MSMEs. This was followed by the manufacturing sector (category C) and hospitality and food service businesses (category I). Bangkok had the highest number of employment in sole-proprietor and other MSMEs with 702,572 workers or 13.93 percent of the total employment in sole-proprietor and other MSMEs. 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.
The Office of Small and Medium Enterprises Promotion (OSMEP) has been regularly provided with the data from the survey of quarterly sales from the National Statistical Office of Thailand (NSO) to be used in the analysis and monitoring of MSMEs’ situation. The survey of quarterly sales has been conducted since 2001 to monitor the trend of changes to quarterly sales or revenues of enterprises. The survey covers enterprises with at least one worker. Enterprises that were included in the survey were those engaged in one of the following businesses; retail; accommodation; food and beverage; film, video and TV production; voice recording; rental of individual and household effects; or other services for individuals. The survey was based on the 2009 Thailand’s industry standard. The number of enterprises participated in each quarterly survey was 12,990.

With data from the survey, the analysts first extract MSMEs’ data from the overall quarterly sales during 2019 - 2020. MSMEs were determined using a set of criteria based on their annual revenues. This analysis uses the average percentages and base year indices to compare data in various periods as accurately as possible. The average sample size of small and medium enterprises for each quarter was 5,700 enterprises. The sample consisted of enterprises engaged in retails except automobiles and motorcycles, accommodation, food and beverage, rental and leasing services, arts and entertainment, sports, entertainment and recreation, computer repairs and personal effects, as well as other services for individuals.
In 2020, the GDP growth of every country saw a downward trend due to the COVID-19 pandemic, which has been a major crisis affecting global and national economies. The pandemic has wreaked havoc in America, Europe and Thailand, which experienced a fall in foreign and domestic tourists. According to unwto.org, the overall tourism industry was expected to recover in the middle - end of 2021. In April 2021, the number of hotel searches was still 20 percent compared to the same period last year. In the ASEAN region, hotel searches increased by 4 percent year-on-year, while hotel booking was still falling at the rate of 7 percent compared to the previous year. Despite this, there is a general upward trend, albeit not fully normal. The main factor that led to the fall in MSMEs’ sales by quarter in 2020 was employment. As the number of employment fell, the number of workers under the social security scheme, in accordance with Article 33 of the Social Security Act B.E. 2533 (1990) also decreased from April 2020. This, as survey participants mentioned, led to a fall in purchasing power. At the same time, there have been increases in the number of those under social security scheme seeking help as they were unemployed or made redundant at 103.30 and 297.88 percent respectively as of March 2021. This shows that the purchasing power and employment constitute a major factor that significantly affects sales of entrepreneurs.

From the analysis of quarterly sales during 2019 - 2020 of MSMEs engaging in trades and services, all economic activities were affected by the COVID-19 pandemic at the end of 2019 and through 2020. The impact was severe in many economic activities such as accommodation, food and beverage, and rental and leasing services. The main factor was due to the global economic recession, the suspension of travels of visitors from all countries, as well as the significant decrease in demand for exported goods from Thailand. These have severely affected the economic activities in the middle of 2020.
In the fourth quarter of 2020, sales started to pick up, but they were not back to normal or 2019 level. The average sales in 2020 fell by 45.5 percent compared to the same period in 2019.

Accommodation and food and beverage sectors, which were badly affected by the fall in tourism, have experienced a similar decreasing trend. The index of accommodation sector for the second quarter of 2020 was 68.26 and later fell to 29.56. This demonstrates the scale of the damage on the sales of hotel rooms following the fall in foreign visitors, especially from the key markets of Thai tourist industry such as China, due to travel restrictions imposed to prevent the spread of the COVID-19 pandemic. In the third and fourth quarters of 2020, the index was on the increase as Thailand was successful in controlling the spread of the virus. The public was able to lead a more normal life yet not the pre-pandemic level due to the lower purchasing power and unemployment following the closure of several enterprises in the second quarter of 2020.

The food and beverage sector which saw its index in the second quarter of 2020 at 59.0 suffered a greater fall than the accommodation sector. This was due to the public’s concern regarding dining in and restriction measures imposed on dining in and opening hours. However, this sector’s recovery seemed to have been better than that of the accommodation sector. The index bounced to 36.49 owing to the adaptation of enterprises with the help of online tools and the availability of food delivery platforms.

Arts and entertainment sector saw a downward trend in 2020, reaching the lowest point in the third quarter of 2020 at 14.18 due to the measures to restrict gatherings in the previous quarter. The same could be said for sports, entertainment, and recreation. However, sport events could still be held at certain times with some management to control the spectators. This resulted in its index increasing to 58.87 and 58.38 in the third and fourth quarters of 2020. Nevertheless, the index was still much lower than that in 2019, suggesting that the situation was not yet back to normal.
In the context of changes to the base year indices, quantitative changes to the quarterly sales values in 2020 compared to those in 2019 could also reflect the situation on the ground. The comparative study compares data from the same quarter in 2020 and 2019 (year on year). The results of changes in value of the overall quarterly sales are as follows:

**Expansion Rate of MSMEs’ Sales in Quarters 1 - 4/2020**

The comparison of expansion rates of MSMEs’ quarterly sales between 2020 and 2019 shows that in the first to fourth quarters of 2020, MSMEs’ sales decreased by 35.81, 47.06, 51.34, and 47.45 percent year-on-year. The sales hit the lowest point in the third quarter of 2020 due to the COVID-19 pandemic in the second quarter. In general, two factors that contributed to the fall in sales were the postponing of purchasing power of the private sector. They still had concerns about the ongoing pandemic. The other factor was the fall in employment in various economic sectors. In the fourth quarter of 2020, the situation seemed to have recovered from the previous quarters due to greater public confidence following an effective control of the pandemic.

Entrepreneurs also responded on what they thought were the contributing factors on the sales in 2020. The factor that came up most frequently in the survey was consumers’ purchasing power at 37.11 percent, followed by economic factors at 27.51 percent, and seasonal and festival-related factors at 19.13 percent.
In 2020, the Office of Small and Medium Enterprises Promotion (OSMEP) conducted SME Surveys to gather information and views about the situations, structures, issues, and opportunities in business operations, as well as requirements for services and support from the government and possible solutions to address the impact from the COVID-19 pandemic.

Two surveys were conducted in 2020 namely, (1) study on the development of financial systems to improve equal access to sources of capital for micro enterprises; and (2) study on capacity-building for micro enterprises to facilitate their adaptation to the digital economy. The essence of the two surveys is as follows:

**Survey 1: Study on the Development of Financial Systems to Improve Equal Access to Sources of Capital for Micro Enterprises**

Issues and obstacles that have prevented MSMEs, especially small enterprises, access to credit provided by financial institutions may arise from the enterprises themselves as they may suffer from lack of guarantees, lack of good business plans, lack of liquidity, lack of experience and credits, inaccurate accounting system, lack of financial disciplines. However, there are also limitations on the part of financial institutions that provide loans. There are too many conditions for loans and the government’s policy on loans has not been comprehensive with some commercial banks not included in such policy. While state-owned banks provide support for micro enterprises, the amount of loans has not been sufficient.

The government has emphasized the issue of access to sources of capital of MSMEs. It has been designated as part of the national strategy and government’s
policies. Particular focus has been given to micro enterprises which constitute crucial
doundation of the country’s economy. Several measures have been implemented
to assist these enterprises including soft loans, measures to solve informal loans,
loan guarantees for micro enterprises and OTOP enterprises. However, the loans
have not been sufficient. Moreover, several micro enterprises still cannot access
information on sources of capital, and lack knowledge and understanding on how
to access capital.

In order to facilitate relevant government agencies to implement policies and
measures to support micro enterprises to access sources of capital comprehensively
and equitably, a study was deemed necessary to look into areas including the
requirements for capital of micro enterprises, current sources of capital for micro
enterprises both from government and the private sector, the ability to access
different kinds of existing capital, adequacy, issues, appropriateness of financial
support measures of the government in providing solutions for micro enterprises,
as well as recommendations for micro enterprises to have full access capital.

In the study on the development of financial systems to improve equal access
to sources of capital for micro enterprises, the following issues were taken up:

1) funding requirements and existing sources of capital, utilization and
   adequacy
2) ability of micro enterprises to access various types of capital from the
government and private financial institutions through regular means and
access to the government’s financial support measures
3) issues and obstacles that had made micro enterprises not able to access
funding both through regular means and the government’s financial
assistance measures
4) the need for the government’s support measures in creating opportunities
   for micro enterprises to access capital
5) the current financial structures and the ability to respond to requirements
   of micro enterprises and factors that affected the approval of the requests
   for loans and other types of capital, as well as the analysis of strengths
   and weaknesses of the existing system
6) suitability of the government’s financial assistance measures for micro
   enterprises such as soft loans, measures to address informal loans, loan
guarantees, and joint ventures and analysis of strengths and weaknesses
of measures
7) recommendations on appropriate measures for micro enterprises to equally
access capital.
Outcomes of the survey of views from micro enterprises and the results of focus group meetings involving relevant bodies from the government, the private sector and micro enterprises groups, can be summarized as follows:

1) funding requirements for businesses – during the current COVID-19 pandemic, many were made redundant, causing a fall in income, a fall in purchasing power, and a decrease in demand for products and services. Hence, most entrepreneurs did not require additional funding because they had not planned to expand their business operations. They also wanted to decrease debt burdens.

2) In terms of funding for business operations, it has been found that over half of enterprises used their own funds and accumulated profits of businesses to further fund their businesses, followed by those who invested in renewable assets, paid off informal debts and paid off formal debts in other financial institutions, respectively. Most entrepreneurs were of the view that the conditions for loans of government-owned commercial banks and specialized banks were appropriate and allowed micro enterprises to access the loans. At the same time, they viewed that the amount of loans was not sufficient for their businesses. There were also groups that had not been granted loans due to the lack or insufficiency of guarantees, bad history of loan payment, NPL, and credit bureau records.

3) Many micro enterprises also lacked the readiness to access capital because business operations were conducted as family businesses, without any business plans. Many lacked understandings in financial transactions, lacked correct accounting, lacked financial disciplines, and received low income from businesses and were facing issues regarding loan guarantees. Another cohort had history of inability to pay debts and were classified as NPLs or were on the credit bureau’s records. At the same time, those enterprises who were eligible, did not enter to have access to capital in the system because the majority of them were concerned about retrospective tax investigations.

4) issues and obstacles that limited micro enterprises from access to capital

4.1) Micro enterprises usually faced the issue of credibility. It was difficult for banks to access the database of this group of customers even with the help of trade or commercial registrations.

4.2) The purposes of loans for micro enterprises including to pay off informal debts or rents were usually not in line with the banks’ policies.

4.3) Micro enterprises lacked advisors from government agencies that provide assistance to them.
4.4) Most banks were focused on target groups which were juristic persons rather than ordinary persons. Moreover, entrepreneurs who did not receive any loans were usually those who did not have any credit because they had not taken up loans from any other banks.

4.5) The amount of loans that micro enterprises received were not reasonable and sufficient for their businesses.

4.6) Banks used the same loan criteria for large, medium, small and micro enterprises. Therefore, it was more difficult for micro enterprises to access sources of capital.

4.7) The operations of the banks were under the conditions and regulations of the Bank of Thailand. Banks had to take these into account when selecting target groups, ways, and conditions in the provision of loans. In entrepreneurs’ views, the least appropriate among the conditions and regulations was the loan period, followed by loan guarantees, time taken to consider loan applications, and interest rates.

5) The government financial support measures – From the survey of micro enterprises, the measure that micro enterprises had received the most was soft loans. Apart from this measure, enterprises would like to have trainings on several topics to prepare them to apply for loans for investment including business planning, financial planning/management, business accounting, and marketing plans. The meeting among stakeholders yielded the following views on the measures to support access to the government’s source of capital:

5.1) The government’s financial support measures lacked continuity. New projects were established when additional budget arrives without trying to work on and continue the existing projects.

5.2) There was a need to expand the scope of MSMEs under OSMEP’s responsibilities to cover micro enterprises in the agriculture sector. Having participation of other agencies will help develop grassroots economy.

5.3) While there were different types of the government’s financial support measures, limitations remained as financial institutions were reluctant since this had the potential to generate higher risks for banks.

5.4) Some policies and regulations did not facilitate the implementation of alternative sources of capital.
The following recommendations were put forward to ensure that relevant government agencies implement policies and measures to assist micro enterprises to access sources of capital comprehensively and equitably:

1) The database of nationwide commercial registrations should be established so that financial institutions, agencies related to the support and development of micro enterprises, and the public can access easily similar to that of the juristic entity registration.

2) Thai Credit Guarantee Corporation (TCG) should play a more proactive role in the future, given more emphasis will be on micro enterprises, by increasing ways of providing guarantees to cover more enterprises.

3) Increase incentive measures to encourage micro enterprises to enter the capacity-building processes so more of them can access loans and reduce risks on financial institutions.

4) Increase incentive measures for banks and non-bank financial institutions to provide more loans for micro enterprises.

5) Develop a system to support and develop micro enterprises to be implemented by government agencies and connect such system to loan provision of financial institutions especially government financial institutions. Banks may approve loans for enterprises who participate in government projects and are eligible. Then the Thai Credit Guarantee Corporation may provide loan guarantee in the form of portfolio guarantee as agreed between the TGC, and financial institutions and relevant agencies. In any case, the government needs to improve methods to enhance MSMEs towards development.

6) Encourage cooperation between enterprises with big data and financial institutions to provide loans for micro enterprises by taking into consideration the volume of transactions of loan applicants rather than proofs of income. This is to increase the opportunity to access loans of micro enterprises who usually have limitations in terms of required documents for loans, eliminate the need for guarantee, and accelerate the process of loan approval.

7) Encourage cooperation between entrepreneurs who buy products and services from micro enterprises, and financial institutions. Financial institutions will be encouraged to provide loans for micro enterprises in the supply chain. Buying enterprises may inform financial institutions directly of the information on transactions with consent from micro enterprises. This is in order to generate confidence for financial institutions.

8) Improve procurement regulations – procuring government agencies need to give consent to service providers to use invoices for factoring loans.
9) Establish an online financial advice center for micro enterprises so they can request for advice from experts online in various formats including chat, phone call, and VDO call.

Survey 2: Capacity-building for Micro Enterprises on Digital Economy Adaptation

According to rankings conducted by world-class agencies such as IMD and WEF, Thailand is considered to be in the mid-level in terms of its preparedness for digital economy compared to the rest of the world while ranking third in ASEAN. The business sector is capable of adapting to digital economy but digital technologies need to be accelerated to improve business processes and formats or develop innovation of products and services. Thailand’s digital industry is strong on exports especially hardware but continues to face a downward trend. It also faces limitation in terms of capital to expand businesses especially MSMEs. While the number of internet users is quite high in Thailand, the public’s digital skills are still low, with quality deficiency seen among the digital workforce. Thailand has good business environment to accommodate digital economy, yet improvements are needed in terms of law and regulations to reduce obstacles and prepare for digital economy. More importantly, in the area of digital content market where most enterprises are MSMEs, there are still a lot of imports or contract manufacturing. Having own intellectual property will be an important foundation for long-term digital content industry. However, the main obstacle to develop work with our own intellectual property comes from the lack of financial support and expensive software. Moreover, the lack of human resources and the fact that some government policies are not conducive to competitiveness also contribute to the problem.

Such issue arises from both the weaknesses and limitations of enterprises, and the unreadiness of other factors including (1) the lack of human resources on ICT and digital technology at the national level and in micro enterprises. Most personnel in micro enterprises obtain education qualifications not higher than high vocational certificates; (2) lack of research, development and innovation as well as the fact that many enterprises are contract manufacturing type; (3) Thailand’s digital products and services markets are small since most are domestic markets; (4) most MSMEs are traditional enterprises that are not aware of the importance and uses of digital technology; (5) Thailand’s digital products and services lack standards and credibility; (6) rules and regulations are not conducive to the growth of digital economy industry; (7) lack of integration between relevant government agencies; (8) decreasing purchasing power of customers while businesses within the country are facing more intense competitions; (9) concentration of telecommunication
networks in big cities, causing inequality in terms of access to services between cities and rural areas; and (10) issues related to intellectual property, security and safety of communication network and prevention of violations of personal data, data accuracy, and financial transactions.

Topics that had been taken into account in the survey on capacity-building for micro enterprises on digital economy adaptation include:

1) Thailand’s digital economy situation, current state of e-commerce, digital and e-commerce plans of various agencies, policies and measures of the government to support and enhance capacity of micro enterprises in the digital economy era both in Thailand and in the wider world, as well as other related matters
2) Government agencies with responsibilities and roles in promoting micro enterprises to have knowledge and skills for digital technology
3) Status of digital technology usage of Thailand’s micro enterprises, the readiness of micro enterprises in adapting, issues and obstacles, opportunities and limitations
4) Current status of micro enterprises in their application of digital technology to businesses for instance, awareness of necessity, utilization, learning, readiness in applying to businesses, issues, obstacles and limitations to apply to businesses, access to government’s support, and forms of support required
5) Current status of the application of digital technology of micro enterprises in Thailand in the areas of business operations, future business planning and goal setting, business model and customer experience
6) Readiness of enterprises, personnel, tools and equipment as well as other supporting factors in facilitating adaptation to digital economy, the application of digital technology in businesses, issues, obstacles, opportunities and limitations
7) Ability to access government’s support
8) Recommendations on effective capacity-building measures for micro enterprises.

Outcomes of the survey of views from micro enterprises and the results of focus group meetings can be summarized as follows:

1) On the current state of readiness and capabilities of micro enterprises in the use of digital technology, most micro enterprises were sole proprietors where average employment stood at around 5 employees. It was found that most had adopted the internet in their business operations for 3 - 5 years and the internet was an integral part of their daily business undertakings.
The average maximum internet usage per day amounted to 5 - 6 hours. This group had enough funding. Enterprises that did not use the internet gave several reasons including not knowing how to use it, not being able to learn how to use it, and not having adequate tools and equipment. Moreover, most enterprises used the internet to sell products and services online. The next purposes that respondents gave include the use of internet to publicize or advertise their products and services, to find and buy materials for production as well as other tools and equipment, to follow information on government’s support measures, and to look up information. Most use Facebook, websites and LINE. Main users are business owners themselves. Moreover, the interviews of micro enterprises show that most used simple technology through smart phones to sell products online. The technology had not been used to plan complex businesses since most businesses were family enterprises. They were small and lacked tools and equipment such as computers and software for business management. They also lacked knowledge on the use of such tools and equipment related to digital technology. Exceptions were those new generation of entrepreneurs who had good digital skills. Some micro enterprises did not see the need to use the internet in their businesses as it complicated their businesses. Also, some older generation of entrepreneurs refused to learn how to apply technology to their businesses.

2) In terms of requirement for government’s support, most micro enterprises wanted government agencies to provide trainings that would allow them to truly become successful in conducting their businesses. This was especially important for older generation of entrepreneurs who could not apply digital technology to their businesses.

3) It was found that there were several government agencies that had played a role in supporting micro enterprises to adapt to digital economy.

4) Some micro entrepreneurs, who had participated in trainings on the use of digital technology, could apply the knowledge they had learned from the trainings to their business conduct including creating websites, and joining online shopping platforms. Moreover, enterprises believed that government agencies should facilitate infrastructures such as more efficient wifi signal. While there had been projects to develop these in the past, there should have been follow-up activities to ensure practical uses and smooth running of the projects.

5) On the issues and obstacles, most enterprises did not have access to the internet in their areas or the internet speed was slow. Paying high prices for internet services was a burden for micro enterprises. Some did not have...
smartphones and computers while some could not speak English. The meetings with focus groups also discussed issues that most entrepreneurs were facing. The outcome can be summarized as follows:

(1) Entrepreneurs were not ready especially those in the provinces. They lacked knowledge and skills on digital technology as well as equipment needed to attend certain training courses.

(2) Entrepreneurs lacked understanding on processes related to online shopping.

(3) Most micro entrepreneurs did not finish their trainings as determined by the government.

(4) Some products could not be transported using ordinary posts or normal shipping channels, thus making it difficult to sell products online.

Regarding the problems faced by promoting agencies, they were as follows:

(1) Budget limit, resulting in trainings not covering as many areas as they should be

(2) Lack of integration and synergy of government agencies, resulting in assistance being duplicated and confusing

(3) Lack of follow-up mechanisms in terms of support for online shopping of entrepreneurs, specifically in the volume of sales data occurred in IP Mart

(4) Unreadiness of telecommunication infrastructures, causing technical issues such as internet signal or the use of various equipment. The internet coverage that did not cover all regions in rural areas presented one of the major problems.

(5) Lack of Thailand’s specific platform. Currently, Thailand still needed to rely on platforms of other countries. There was also an issue of choosing a platform that was not suitable for products of respective entrepreneurs.

(6) Government’s support projects to encourage some entrepreneurs to invest in digital technology may have had high investment costs. This created problems for micro enterprises as they needed to secure funding to invest or they would not invest at all.

(7) In the first 3 - 5 years of business registration, micro enterprises were exempted from taxes as they entered into the system of BOI. Afterwards, with taxation, they would likely leave the BOI system.

(8) Implementation of projects that had received support from government agencies lacked flexibility. TORs could not be changed according to circumstances.
The following are key recommendations for relevant government agencies to implement policies and measures to help micro enterprises to adapt to the digital era:

(1) The government should support business groups or networks among micro enterprises both horizontally and vertically across the value chains to promote adaptation to digital technology that is connected throughout the system.

(2) Promote and encourage descendants of micro entrepreneurs who are among the new generation equipped with skill sets and with at least bachelor’s degree to help their families’ businesses.

(3) Continue capacity-building efforts for micro enterprises:

(3.1) Study and design ways to enhance capacity of micro enterprises in applying digital technology to their business operations.

(3.2) Avoid duplication in terms of trainings and improve follow-up mechanisms.

(3.3) Focus on outcome of trainings and try to limit the number of trainings.

(3.4) Each entrepreneur who joins the training programmes should be assessed on their readiness to apply digital technology to their businesses and the need for further trainings. Should it be found that some entrepreneurs need further trainings, the government should also accommodate such requirement to facilitate continuous development of digital capacities.

(3.5) The number of micro enterprises that have participated in the capacity-building programmes on digital technology was still very low.

(3.6) Conduct follow-up mechanisms on the ability to use digital technology of micro enterprises and use the results of such assessments to improve and fine tune training programmes or methods of training regularly.

(4) Establish service center to provide advice, recommendations, and assistance for entrepreneurs on the application of digital technology to their businesses. The center is to be equipped with experts to provide advice and assistance online. Micro entrepreneurs throughout the country should be able to ask for advice from experts at the center without charge.
The COVID-19 pandemic that is wreaking havoc around the world has had widespread political and economic impact with significant changes to ways of life. Standards of health, sanitation and safety at the individual level have been raised. Digital technology has become intertwined in our daily life. Yet, it is still not clear where the world is heading or how the norms will change from the new normal. The prediction of the Next Normal will help reflect the changing socio-economic circumstances which have bearings on entrepreneurs’ operations and future business opportunities. They will form the approach that will lead to policies to promote and support entrepreneurs. This is where the government needs to monitor to determine appropriate directions to cope with the changing contexts. The scope and definition of the Next Normal may mean “the change in attitude, behavior, ways of life or organizational operations to cope with changes that have occurred in society, business, the economy, and politics following the spread of COVID-19”. Case studies are drawn from six places with outstanding economic performances namely the United States, China, India, Ireland, Vietnam and Chinese Taipei.

The United States of America

The United States of America is one of the most influential countries in the world. The US also experiences the highest values of trade and foreign investment in the world. It is the world’s largest economy with the highest level of digital competitiveness.

The COVID-19 pandemic has caused changes in the US at the macro level in several areas. These include the realization by the US government of the need to restore the country’s digital infrastructure and improve research and development of digital technology. The Fed is also considering the use of “digital dollars” in the future. The pandemic has shown that the use of digital dollars would allow the
government to distribute financial grants to the people much more quickly and effectively. Moreover, the government and the civil society in the US both realize the importance of improving the country’s health service system. The current administration particularly emphasizes the development of care services and sustainable recovery with the use of clean energy according to the “Build Back Better” policy and the move to bring the country towards “stakeholder capitalism” or capitalism that takes into account the interests of all stakeholders in an economy.

At the micro level, consumers have changed their behavior. Americans have become more interested in taking care of their own health and adjust their behavior on the use of health services. Telemedicine where doctors and pharmacists provide online consultations has become an outstanding trend. The sector has grown 2 - 3 times during the COVID-19 pandemic. Moreover, online shopping will continue even after the pandemic subsides. Brand loyalty will be lower since it has become easier for consumers to find goods and services, access new brands, and compare products from different brands in no time. From the business point of view, many businesses have decided to invest to accelerate the digital transformation. There is a growing trend for businesses to adopt hybrid work system amidst a growth of platform businesses. The US is seeing more of the Environmental Social and Governance prioritization or ESG among its businesses.

The US Bureau of Labor Statistics predicted that the industry related to electronic data has a potential to grow fastest based on estimated economic values in the next 10 years. Health service industry has a potential to grow the fastest based on employment while manufacturing is the industry that will likely decline quickly both in terms of economic value and employment. The US economy relies a lot more on services than manufacturing. The national GDP from services in the private sector amounted to more than 70 percent of the national GDP.
Table 1  Industries with the Potential to Grow and Decline in the US

<table>
<thead>
<tr>
<th>Fast-growing Industry</th>
<th>Fast-declining Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Software Production</td>
<td>Tobacco Production</td>
</tr>
<tr>
<td>Other Information Services*</td>
<td>Alumina and Aluminium Manufacturing and Processing</td>
</tr>
<tr>
<td>Oil and Gas Drilling</td>
<td>Postal Services</td>
</tr>
<tr>
<td>Computer System Design and Related Services</td>
<td>Textile and Textile Product Factory</td>
</tr>
<tr>
<td>Outpatient Health Services</td>
<td>Defence Fixed Assets Consumption</td>
</tr>
</tbody>
</table>

Sources:  BLS, 2020a
*Other information services include industries related to the provision, storage, and acquisition of data, data search and data retrieval, as well as website operations that utilize search engines or publish and publicize information on the internet.

People’s Republic of China

The People’s Republic of China is the second largest economy in the world. For over 30 years, China has seen rapid economic growth and become an engine of growth in the region and the world. The Chinese government has continued its stimulus packages and measures to stabilize trades and foreign investment. In 2021, China has become the country with the highest volume of foreign investment. In the same year, China was the only large country with positive economic growth of 2.3 percent while the global economy contracted by 4.5 percent. The International Monetary Fund (IMF) also predicted that by the end of 2021, the Chinese economy will have expanded by 8.2 percent despite the raging COVID-19 pandemic.

The COVID-19 pandemic has resulted in several changes at the macro level. These include the reprioritization of the government towards digital investment and infrastructure development as well as infrastructure on data processing centers such as Big Data Center. The COVID-19 pandemic has prompted the government to accelerate the development of digital infrastructure with the private sector, partly to cope with the crisis. In terms of the environment, China aims to reduce carbon emission by 65 percent by 2030 and become carbon neutral by 2060. China also wants to pursue a new goal in the production of renewable energy for long-term domestic use. In addition to this, the Chinese government also encourages urbanization and cashless society through the promotion of online payment, mobile payment, and QR payment during the COVID-19 pandemic to avoid getting in contact with the virus. This means that China is becoming the first country in the world to become a fully cashless society.
Changes at the micro level include the growth of online shopping, increasing consumers’ attention on holistic health, the application of digital technology in businesses, the growth of electric car business, and the growth of e-commerce by leaps and bounds. It has also been predicted that, after the COVID-19 pandemic, foreign manufacturers and suppliers will be less likely to be dependent on China. They will move their production bases elsewhere either to their countries or other countries such as India or Southeast Asian countries to diversify the risks.

Table 2 shows industries with the potential to become the fastest growing and fastest declining in China. The industries with the growth potential are those that benefit from the Dual Circulation strategy and the 14th 5-year Economic and Social Development Plan. They are also those that respond to changes in consumers’ behavior both before and after the COVID-19 pandemic. In terms of fast-declining industries, their income growth rates have been continuously falling.

Table 2  Industries with the Potential to Grow and Decline in China

<table>
<thead>
<tr>
<th>Fast-growing Industry</th>
<th>Fast-declining Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicine</td>
<td>Sales of Clothes with Storefronts</td>
</tr>
<tr>
<td>Insurance</td>
<td>Production of Cutleries and Kitchen Utilities</td>
</tr>
<tr>
<td>Extravagance/ Luxury goods</td>
<td>Sales of Camera with Storefronts</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>Sales of Shoes with Storefronts</td>
</tr>
<tr>
<td>Online Retails and E-commerce</td>
<td>Production of Plastic Parts</td>
</tr>
</tbody>
</table>

Source: IBISWorld (2021) and Analysis by the Kenan Foundation Asia (2021)

Republic of India

The Republic of India is an emerging market with the continued expansion of population and urbanization. India was heavily affected by the COVID-19 pandemic, resulting in the fall in GDP by 8 percent in the financial year of 2020. Following the lockdown measures announced in March 2020, the unemployment figure increased to 23.52 percent in April of the same year. However, economic growth and consumers’ confidence were still showing positive factors of economic recovery after the COVID-19 pandemic. India still has a potential for economic growth after the crisis where the prediction is as high as USD 5 trillion by 2025. Given the high proportion of working age population and low age dependency ratio, as well as the commitment by the Indian government to develop various infrastructures to promote exports and reduce reliance on imports from China, India is a country to study closely.
The COVID-19 pandemic has propelled changes in macro and micro levels in India in several aspects. Digital technology has increasingly been applied in all sectors, be it digital transactions, online shopping for goods and services or telemedicine. Such changes have been supported by investment from both the government and the private sector. Various digital trends have also led to growth of e-commerce and related platforms. This means that “gig economy” and gig workers will grow in parallel. The application of business models that focus on direct contact with consumers will be more popular. While digital technology allows workers to work remotely, such option will not be extensively adopted because the majority of the workforce do not work in sectors that can always work remotely.

At the same time, Indian economic structures may change due to the migration of workers from the agricultural sector to manufacturing and service sectors. A few factors have contributed to this, including low proportion of remote working arrangement, the government’s investment in infrastructures and projects to promote manufacturing, and expansion of urbanization. Such migration of workers will result in more employment for those in the middle and high income, while those in the low-income group will see their income fall. However, the use of robots and automatic systems that are becoming more widespread will be an obstacle for people to find work since such change would mean redundancy for manual workers. The increasing importance of technology will also lead to larger role of startups in Indian society.

The demand and focus of consumers will change. More focus will be on goods and services that provide values and fulfilling feelings. Consumers will also be interested in goods and services related to health. Moreover, such demand will have a positive effect on food processing industry especially supplementary food and innovations that focus on health.

Table 3 shows Indian industries with the potential to grow and decline quickly in the future. The list of industries with the potential to growth results from the data from industry growth analysis and prediction in the research paper “India in 2025.” The data gathered from McKinsey Global Institute and CEOs of NITI Aayog shows that fast growing industries include those in technology and communications, chemical products, automobiles, electronics, and health industry. The list of industries with the potential to decline is concluded from the statistical estimates of growth rates of each industry in the past, in parallel with the study on Production Linked Incentive (PLI) project of the current administration as well as the data from India in 2025 of McKinsey Global Institute. It has been found that industries with the potential to decline include those in the agricultural sector, hospitality and food, real estate, coals, petroleum and fuels as well as mining and quarries.
### Republic of Ireland

Ireland is ranked the world’s fifth highest country for freedom of trade and investment. Ireland’s economy is open for foreign investments. In 2019, the figure of foreign direct investment into Ireland was the fifth in the world. It is one of the countries that can attract high volume of high-value FDIs. According to estimates, more than 20 percent of private employment is from FDIs. Given Ireland’s attractive corporate tax rates and highly educated workforce, Ireland has been able to attract a lot of world-class companies and technology startups to invest in Ireland. Dublin, the capital of Ireland is among the 40 cities across the world with environment conducive to startups. It can be said that Ireland is becoming a Silicon Valley of Europe. In general, Ireland is a knowledge-based economy with outstanding performances in technology services, bioscience, and financial services.

The study of Ireland’s economy in the macro and micro aspects has found that the effects and directions of change following the COVID-19 pandemic are on par with the global and European trends. The development policy still focuses on building national economic potentials by adopting digital technology in businesses especially MSMEs which constitute 99.8 percent of the total businesses in Ireland. Apart from economic growth and technology, workers’ flexibility at work is one of the aspects that Ireland pays attention to. Laws and regulations have been enacted and issued to promote remote working and good working environment through the principle of the right to disconnect. Moreover, Ireland focuses on sustainability, in particular the reduction of carbon emissions.

Changes to consumers and industries are in line with the trends at the global and national macro-level namely significant growth in online shopping and transactions following the COVID-19 pandemic. The use of digital technology has allowed consumers...
to further limit their travels and work remotely. The concern about the pandemic has made people paying more attention to health and well-being. The pandemic has urged people to care about the environment and sustainability, and connect themselves with communities and families. At the same time, there has been a concern on future expenses and financial status. The business sector thus needs to adjust themselves to the macro changes and changes in consumers’ behavior ranging from applying digital technology to increase the efficacy of businesses, having more understanding on the changing demands and supplies as well as the supply chains, and monitoring the market direction to understand consumers and industries, with a view to reduce impact from changes and be flexible in bad circumstances like the COVID-19 pandemic.

In addition to this, Ireland has grown to become the manufacturing base for the production of materials for medicines and pharmaceuticals and chemical products. Its strength is also on the molecular production and development. The country is also one of the five centers for global medical technology, owing to the conducive environment for the cooperation among major medical technology and pharmaceutical companies, innovative startups and MSMEs.

Table 4 shows the list of industries in Ireland with potentials to grow and decline quickly in the future. In general, the future industries of Ireland include those in digital and communication technology, medicine, financial services. Industries with the potential to decline are traditional businesses that have been affected by technological changes.

Table 4  Industries with the Potential to Grow and Decline in Ireland

<table>
<thead>
<tr>
<th>Fast-growing Industry</th>
<th>Fast-declining Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Technology</td>
<td>Traditional Retains</td>
</tr>
<tr>
<td>Medical Equipment</td>
<td>Prints</td>
</tr>
<tr>
<td>Biopharmaceuticals and Chemical Products</td>
<td>Electronics except Computers and Software</td>
</tr>
<tr>
<td>ICT and Digital Technology</td>
<td>Retail Banking and Investment Management</td>
</tr>
<tr>
<td>Financial Services and Financial Technology</td>
<td></td>
</tr>
</tbody>
</table>

Source: Data and Analysis by the Kenan Foundation Asia (2021)

The Socialist Republic of Vietnam

The Socialist Republic of Vietnam is an emerging market that has seen rapid economic growth and high economic potential at the regional level. These have made Vietnam a destination for foreign direct investment. Vietnam has also entered
into free trade agreements in various frameworks, putting it at an advantage when compared to other countries in the same region. The government has also adopted several policies to attract investment from other countries including relaxation of regulations, tax benefits, tax reductions and duplicating tax exemptions. Vietnam was ranked 70 out of 190 countries across the world in the ease of doing business ranking in 2020.

Changes following the COVID-19 pandemic have resulted in structural changes in Vietnam’s economy in several respects. The clearest trend is the adjustment to the management of supply and value chains for manufacturing and services of various industries including the creation of products and services that are currently in demand in the COVID-19 era. In Vietnam, digital technology is the main factor that contributes to the continuity of businesses. Digital services emerged and spread quickly. These include online shopping and food delivery, creating online social groups for marketing activities and brand experiences, opening up new business channels that consumers can access through digital platforms, development of licensed software to provide services digitally including COVID-19 test kit development made in Vietnam, telemedicine, and government-supported education portals like VNPT e-learning and ViettelStudy.

The new trend resulted from changing consumers’ behavior is a wake-up call for MSMEs to change their business operations in line with the market demands and apply technology and innovation to distribute risks in business operations and increase competitiveness. Such adjustments may include a new form of logistics management to streamline the process of product transportation and shipping through measures such as online storage system, and application of technology to adjust the organization’s infrastructure such as the use of FinTech to develop digital infrastructure to provide financial services and promote financial transactions online such as e-payment system. The restructuring of marketing and distribution channels through online and digital platforms will help MSMEs to manage their production resources and business management in a way that reduces materials while being more efficient.

Industries that have the potential to grow are those that benefit from the government support policies such as the 5-year National Economic and Social Development Plan (2021 - 2025), the National Strategy on Fourth Industrial Revolution toward the Year 2030 and the 5-year Smart City Development Plan (2021 - 2025) as well as those that respond to the changes in consumers’ behavior both before and after the COVID-19 pandemic. These industries have seen continued growth in the past and they are expected to grow in the future. As for industries that are fast-declining, they include those that are affected from the changes in government’s
policies. They have seen declining growth both before and after the COVID-19 pandemic. Details are shown in Table 5 which shows industries that have the potential to grow and decline quickly in Vietnam.

**Table 5  Industries with the Potential to Grow and Decline in Vietnam**

<table>
<thead>
<tr>
<th>Fast-growing Industry</th>
<th>Fast-declining Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronics, Computers and Phone Components</td>
<td>Mining and Quarries</td>
</tr>
<tr>
<td>Online Retails and E-commerce</td>
<td>Traditional Wholesales and Retails</td>
</tr>
<tr>
<td>Medicine</td>
<td>Automobiles</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>Crude Oil and Natural Gas</td>
</tr>
<tr>
<td>Machines and Equipment</td>
<td>Coal</td>
</tr>
</tbody>
</table>

*Source: Data and Analysis by the Kenan Foundation Asia (2021)*

**The Republic of China**

The Republic of China or Chinese Taipei has electronics industry as the key industry that plays a major role in its economy which is the fourth largest producer in the world. It is also the world’s largest distributor of semiconductors. When the COVID-19 pandemic struck in 2020, it was predicted that Chinese Taipei’s economy would be hit severely. On the other hand, its economy grew at an unprecedented speed in which the GDP grew by 2.98 percent. The key industry with the highest volume of growth was the semiconductors as the pandemic has caused the rise in demand. As there was still limitation in terms of shipping and production capacity, semiconductors became scarce at the global level. Chinese Taipei thus benefited directly from the higher prices of semiconductors.

The COVID-19 pandemic has affected the overall direction of Chinese Taipei to focus more on promoting domestic investment and looking for business partners as well as building business ecosystem and supply chains that are resilient to crises. This will help protect the economy from the risk of overreliance on investment from a particular country. Moreover, the global economy which is becoming more digital has accelerated Chinese Taipei to full digitalization. At the same time, driving the economy that is environmentally friendly presents a challenge for Chinese Taipei as it is a trend that is being emphasized across the world. It will be a factor that contributes to the expansion of business partners and attracts domestic investment. Environmental Social and Governance prioritization or ESG will be an important trend for Chinese Taipei. In addition to this, the government, by the Financial Regulatory Board has
proposed the Three-year Corporate Governance 3.0 – Sustainable Development Roadmap to promote the acceleration of sustainable business development along the line of the ESG with a view for every business unit to be ready and prepared for the economic recovery following the COVID-19 pandemic.

At the micro level, consumers’ behavior is still concentrated in retails. They emphasize even more on consuming safe and healthy food. However, what has changed is the form of shopping as people have significantly moved toward online shopping more to reduce contact and risk of infection. Thus, the retail sector has adapted itself to online platform. Moreover, the entrepreneurs themselves have adapted to the future direction by focusing more on businesses that pay more attention to health and society. At the same time, businesses are also eager to adopt digital technology in accordance with the consumers.

Considering the rate of growth of businesses in various sectors in 2020, agriculture, mining, services and manufacturing have the potential to grow, whereby their economic volumes have increased by 0.27, 0.24, 0.09 and 0.01 percent respectively. On the other hand, transport, construction, public administration and utilities have seen their economic volumes fall by 0.88, 0.14, 0.06 and 0.04 percent respectively. The majority of industries that are in decline are traditional industries that are not related to technology including steel and steel product manufacturing, plastic, rubber, machines, petrochemical, textiles and services, in particular hospitality and food. While the employment rate was higher at 3.77 percent, it does not signify better growth because most workers are in traditional industries and there have been many workers who have been on leave without pay. From the above information, the fast-growing and fast-declining industries, based on their economic volumes, are shown in table 6.

Table 6  Industries with the Potential to Grow and Decline in Chinese Taipei

<table>
<thead>
<tr>
<th>Fast-growing Industry</th>
<th>Fast-declining Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>Shipping and Transport</td>
</tr>
<tr>
<td>Mines</td>
<td>Construction</td>
</tr>
<tr>
<td>Services</td>
<td>Public Administration</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>Utilities</td>
</tr>
</tbody>
</table>

*Source: Data and Analysis by the Kenan Foundation Asia (2021)*
Business Development Services (BDS) constitute one of the support mechanisms for MSMEs’ capacity building. A BDS entity may take the form of an organization or an individual who provides assistance to businesses in other areas apart from finance. They aim to help businesses develop their potentials and generate opportunities in areas such as marketing, management, product development, and access to information. In general, an agency or organization that works as a BDS entity may be a government agency, state enterprise, private business, association, non-profit organization, academic institution, or specialized institution established with the specific purpose of providing certain services for businesses. This depends on the circumstances in each country.

BDS adopts a market-driven approach. Entrepreneurs choose BDS that are most suitable to their requirements. Hence, the number of BDS needs to be high enough while the services offered need to be comprehensive to provide entrepreneurs with options to choose from. The key process is to have a mechanism to stimulate changes both in the demand and supply sides. With financial support, MSMEs will want to develop their businesses further, leading to even more BDS due to higher demand. Moreover, more BDS will lead to competitions according to market mechanism, thus resulting in better services and higher quality for enterprises. These will benefit medium enterprises, making them even more efficient.

On the other hand, a key hurdle affecting the promotion and development of MSMEs through BDS is the lack of information of entrepreneurs on BDS. This hinders
the ability of BDS to provide assistance. Moreover, a number of entrepreneurs do not know what areas they need to develop. A lot of BDS do not provide comprehensive services that correspond to entrepreneurs’ demands. Hence, the government should emphasize the importance of BDS’ potentials and quality both in terms of time and business services.

Information from a survey reveals what MSMEs want from BDS. The majority of MSMEs would like to have assistance in the area of business development for growth including development of marketing, product, human resources, technology, and the organization as well as the utilization of experience from the clients’ side. MSMEs seem to trust trade association BDS because a trade association is a gathering of business entrepreneurs in the same field. Moreover, private-sector BDS are popular because they have expertise.

In terms of issues arisen from business operations, it has been found that the majority of MSMEs prefer BDS who are able to provide solutions to issues including those related to trades or standards that may result in the loss of opportunity for businesses. The provision of assistance to businesses should be diverse as entrepreneurs have their own respective and specific problems. Moreover, micro enterprises, especially newer ones who may lack knowledge in business operations, should be given higher attention. This is because they are more prone to effects from changes in business compared to medium enterprises. Thus emphasis should be made to assistance in the form of trainings for business development.
The COVID-19 pandemic has caused widespread impact with the potential to become even more severe. The Ministry of Finance and the Bank of Thailand (BoT) have been implementing measures to stabilize the economy and the financial system during the COVID-19 pandemic. Various schemes have been in place to help entrepreneurs continue their business operations as well as to stimulate consumption. These include soft loans for financial institutions and measures to maintain the level of consumption, comprising two projects, namely (1) the Project for Holders of Government Welfare cards and (2) the first phase of government co-payment scheme or “Khon La Khrueng”. Results of the implementation can be outlined as follows:

Objective and Outcome of the Soft Loan Measure: The soft loan measure involves providing loans for financial institutions at low interest rates to support or help MSMEs to overcome the COVID-19 pandemic. Additional loans contribute to liquidity of MSMEs. Repayment suspension has also been adopted to be in line with the ability to repay loans of MSMEs.

After implementation, 76,713 enterprises received soft loans. Of these, the commercial sector has seen the highest number of enterprises participating in the scheme with 52 percent of the total enterprises joining the programme. This was followed by the manufacturing and service sector, and other sectors, amounting to 20 percent and 14 percent respectively. The total amount of loans approved was 132,835 million Baht or on average, 1.7 million Baht per person. In terms of the size of debtors where small, medium, and large debtors receive loans of 0 - 20
million Baht, 20 - 100 million Baht and 100 - 500 million Baht respectively, it has been found that small debtors made up 76 percent of the loans provided. In other words, 100,955 million Baht in loans have been provided to small debtors.

Objective and Outcome of the Measures to Maintain the Level of National Consumption – (1) the Project for Holders of Government Welfare cards and (2) the government co-payment scheme or “Khon La Khrueng” were aimed at stimulating spending on the consumers’ side.

<table>
<thead>
<tr>
<th>Purpose of the Measure</th>
<th>Project for Holders of Government Welfare Cards</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Phase 1:</strong></td>
<td>to provide help and reduce expenses for around 14 million holders of government welfare cards. During the COVID-19 pandemic, they have not been able to work normally. They have seen their incomes reduced with no other alternative source of income.</td>
</tr>
<tr>
<td><strong>Phase 2:</strong></td>
<td>to help maintain the well-being of holders of government welfare cards. This would result in spending in localities, thus helping local entrepreneurs which constitute a key factor in grassroots economies.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>The Government Co-payment Scheme or “Khon La Khrueng”</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Phase 1:</strong></td>
<td>to restore grassroots economy by reducing the public’s expenses including food, drinks, and general consumables. This would increase domestic consumption demand which would then increase income for micro enterprises especially hawkers and peddlers.</td>
</tr>
<tr>
<td><strong>Phase 2:</strong></td>
<td>to continue restoring grassroots economy throughout the first quarter of 2021 by stimulating consumption and spending of the general public.</td>
</tr>
<tr>
<td>Performance of Each Project</td>
<td>Project for Holders of Government Welfare Cards</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td>Phase 1:</td>
<td>Average spending of 499.42 Baht/person/month</td>
</tr>
<tr>
<td></td>
<td>Average spending of 416.13 Baht/time/month</td>
</tr>
<tr>
<td>Phase 2:</td>
<td>Average spending of 498.44 Baht/person/month</td>
</tr>
<tr>
<td></td>
<td>Average spending of 485.49 Baht/time/month</td>
</tr>
<tr>
<td>Total amount of the expenses for this project:</td>
<td>40,287.78 million Baht</td>
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</tbody>
</table>
The Project for Holders of Government Welfare Cards involved 100,326 enterprises. Meanwhile, 1,137,630 enterprises participated in the government co-payment scheme or “Khon La Khrueng”. These figures covered a significant portion of micro enterprises. Both projects resulted in as much as 142,353.08 million Baht spending which has been circulated in the economy. Of this, 40,287.78 million Baht was from the Project for Holders of Government Welfare Cards and 102,065.30 million Baht was from the government co-payment scheme or “Khon La Khrueng”. Thus, the two projects have achieved their objective in stimulating consumption in the country. They have also contributed to the overall economic expansion.
Direct and Indirect Benefits for MSMEs and the National Economy

Direct Benefits
- Blue Flag micro enterprises had seen higher revenues and sales. They have been able to retain and/or increase the level of employment in retail and/or other related sectors.

Indirect Benefits
- Blue Flag micro enterprises have been able to connect/contact manufacturers of cheaper products both within and outside their areas. They have learned how to operate new ordering and payment systems, contributing towards higher sales and revenues.

Benefits to the Economy The Fiscal Policy Office has predicted that the implementation of the projects in two phases will be able to increase domestic consumption by 0.57 percent and the economy by 0.12 percent compared to the situation if the projects had not been implemented.

Limitations and Policy Recommendations for Future Measures
- In the short-term, such measures have been effective in stimulating the economy. To improve it further, an online system should be used to link data among the relevant government agencies.

- In the long term, more capacity-building measures should be implemented to help entrepreneurs become more competitive and sustainable.
Executive Summary
White Paper on MSMEs

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RECOVERY, RESILIENCE
AND RESOLUTION

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