



## Part II

# Thai SMEs Structure and Status in 2004



**SMEs**

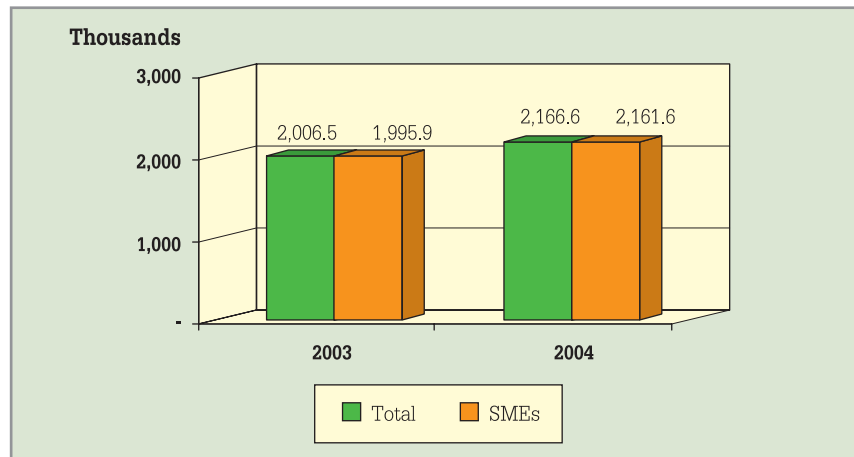


## Chapter 2 Overview of Thai SMEs and Their Distribution in 2004

### 2.1 Number of Small and Medium Enterprises

In 2004, Thailand had a total of 2,166,621 enterprises, of which 2,161,577 or 99.8 percent were SMEs. The increase of 165,648 SMEs over the previous year partially resulted from the updating of the 2003 SMEs database in order to improve its coverage (Figure 2.1).

**Figure 2.1 Number of Small and Medium Enterprises in 2003 and 2004**



Source: The 1997 Industrial Census and The 2002 Business Trade and Services Census  
by National Statistical Office

: List of registered establishments, Department of Business Development, Ministry of Commerce.

: List of insured employees, the Social Security Office

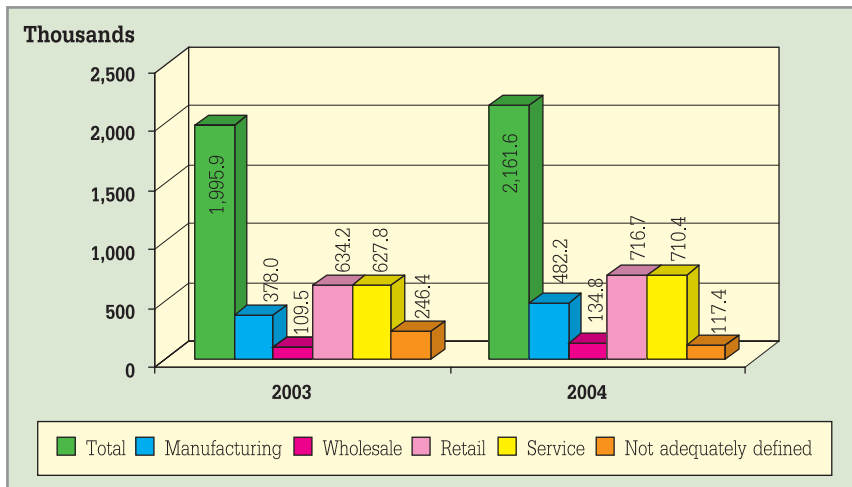
: List of registered manufacturers, Department of Industrial Works

Compiled by: the Office of Small and Medium Enterprises Promotion

## 2.2 Number of Small and Medium Enterprises in 2003-2004 by Sector

Retail remained the first sector in terms of number of SMEs. It was recorded that 716,725 of them or 33.1 percent of all were in this sector. Services came as a close second with 710,420 SMEs or 32.9 percent. Manufacturing accounted for 482,229 SMEs or 22.3 percent. The wholesale sectors recorded 134,776 SMEs or 6.3 percent, while as many as 117,427 of them or 5.4 percent were not adequately defined. In general, the number of SMEs in every sector increased in comparison to 2003. This was partially due to the fact that the 2004 database had been updated with more comprehensive coverage resulting in a lower number of those under the 'not adequately defined' category.

Figure 2.2 Number of Small and Medium Enterprises in 2003 and 2004 by Sector



Source: The 1997 Industrial Census and The 2002 Business Trade and Services Census by National Statistical Office

: List of registered establishments, Department of Business Development, Ministry of Commerce.

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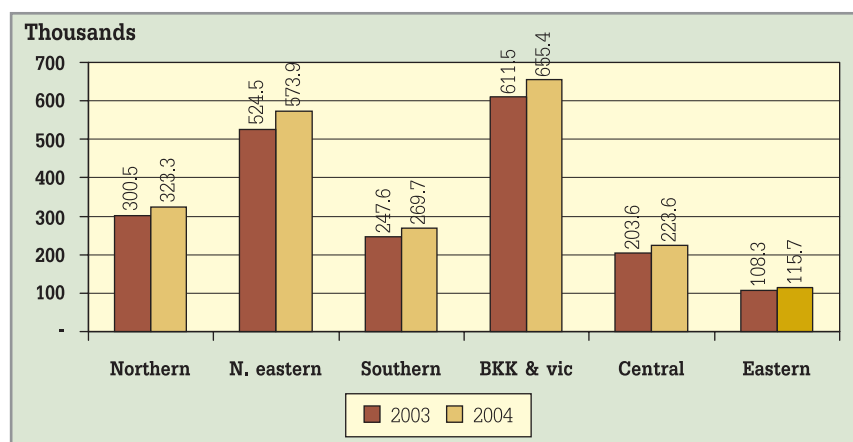
: List of registered manufacturers, Department of Industrial Works

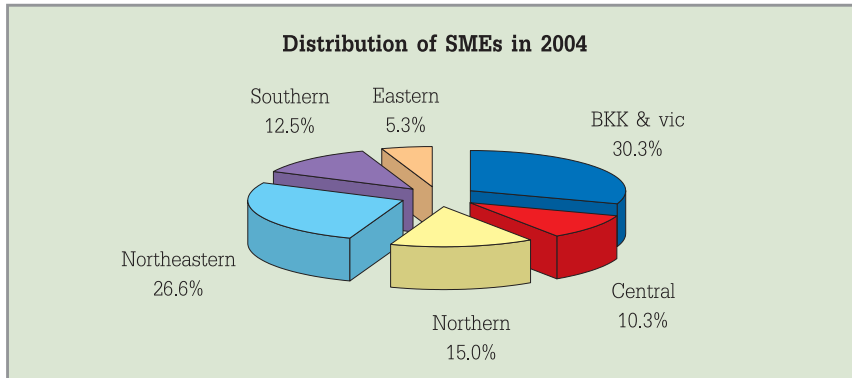
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### 2.3 Distribution of Small and Medium Enterprises by Region

In 2004, the majority of small and medium enterprises, 655,797 of them or 30.3 percent of all to be precise, were located in Bangkok and vicinity. The Northeastern region, formed by 19 provinces, had the second highest number of SMEs at 573,934 or 26.6 percent of all. The 17 provinces forming the Northern region hosted 323,277 SMEs or 15 percent of all. In the 14 provinces of the Southern region, there were 269,665 SMEs or 12.5 percent of all. The Central region had 223,556 of them or 10.3 percent of all. Lastly, the Eastern region had the smallest number of SMEs at 115,711, or 5.3 percent of all (Figure 2.3).

**Figure 2.3 Number and Proportion of Small and Medium Enterprises in 2003 and 2004 by Region**





Source: The 1997 Industrial Census and The 2002 Business Trade and Services Census

by National Statistical Office

: List of registered establishments, Department of Business Development, Ministry of Commerce.

: List of insured employees, the Social Security Office

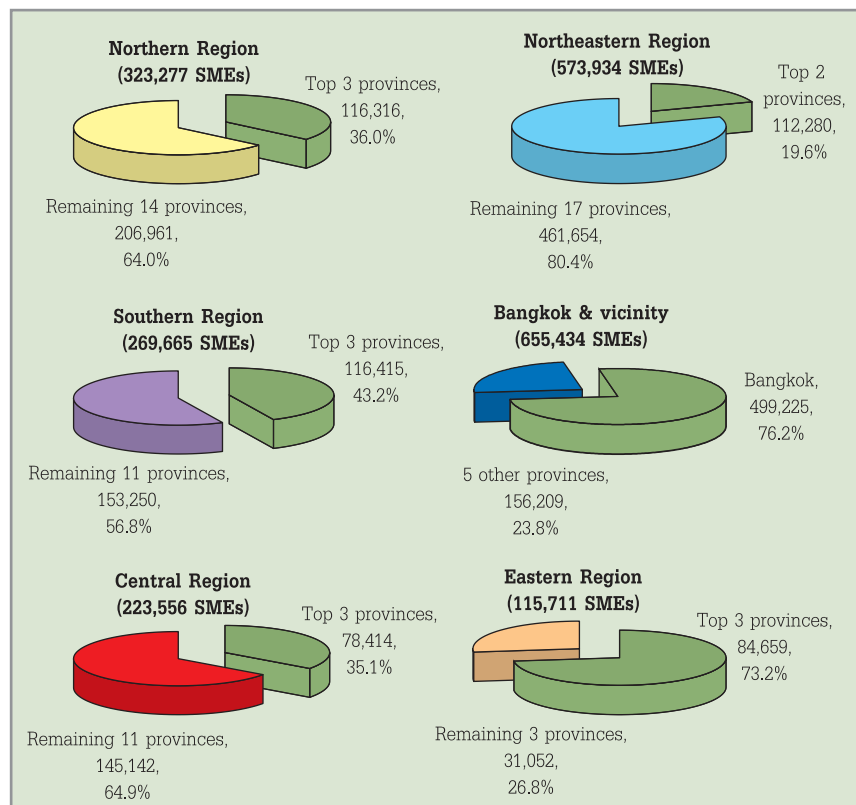
: List of registered manufacturers, Department of Industrial Works

Compiled by: the Office of Small and Medium Enterprises Promotion

As for the distribution of Thai SMEs, they were generally concentrated around major cities functioning as centers for economic activities in their region. Take Bangkok and vicinity for example, of the 655,434 SMEs found there, as many as 76.2 percent or 499,225 of them were in Bangkok, the capital city, while the remaining 156,209 spread out among the 5 surrounding provinces. The same situation occurred in the 17 provinces forming the Northern region. Out of the total of 323,277 SMEs, 36 percent or 116,316 were in 3 provinces namely Chiang Mai, Nakhon Sawan, and Chiang Rai. Also in the 19 provinces forming the Northeastern region, 112,280 out of 573,934 SMEs, or 19.6 percent of all, were in 2 of the larger provinces i.e. Khon Kaen and Nakhon Ratchasima. This also occurred in the Southern region; out of 269,665 SMEs located in these 14 provinces, 116,415 or 43.2 percent of them were confined to only 3 provinces namely Songkhla, Nakhon Si Thammarat, and Surat Thani. The Central region had a total of 223,556 SMEs, of which 35.1 percent or 78,414 were situated in 3 particular provinces i.e. Nakhon Pathom, Pra Nakhon Si Ayutthaya, and Kanchanaburi. The situation was even more obvious in the Eastern

region where 73.2 percent or 84,659 out of 115,711 SMEs were located in only 3 provinces i.e. Chon Buri, Rayong, and Chachoengsao (Figure 2.4).

**Figure 2.4 Distribution Structure of Small and Medium Enterprises in 2004 by Region**



Source: The 1997 Industrial Census and The 2002 Business Trade and Services Census by National Statistical Office

: List of registered establishments, Department of Business Development, Ministry of Commerce.

: List of insured employees, the Social Security Office

: List of registered manufacturers, Department of Industrial Works

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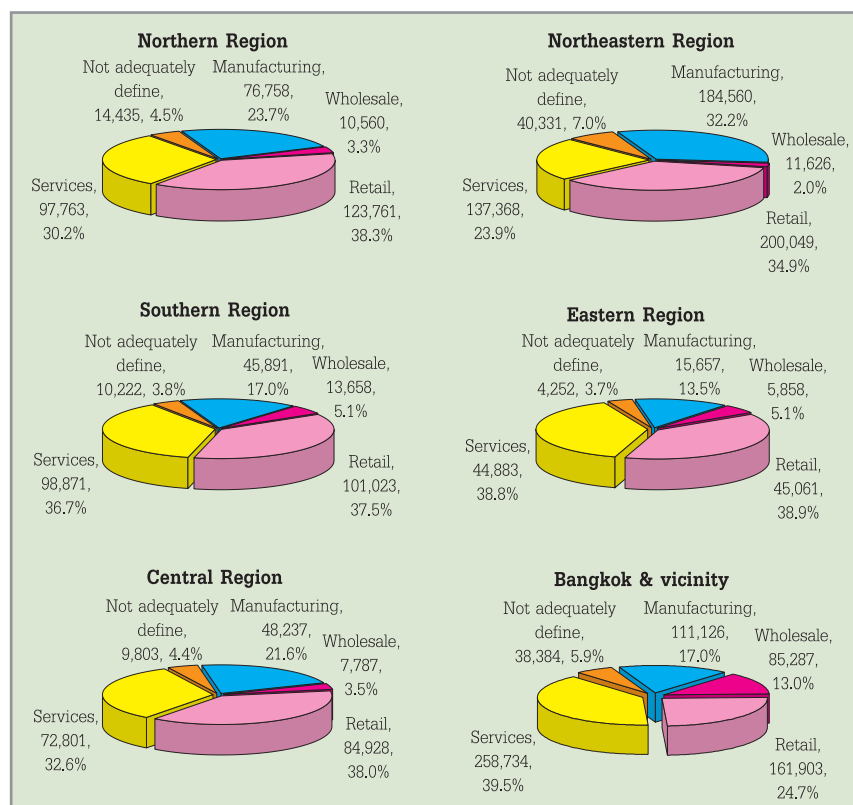
## **2.4 Number of Small and Medium Enterprises in Major Provinces of each Region**

The structure of SMEs in each region in 2004 was by and large similar to that of the previous year. The retail trade and services enterprise simply outnumbered those in manufacturing, except in the Northeastern region where the opposite occurred. This region also had the lowest proportion of services enterprise, reflecting its unique structure of economic activities.

Bangkok and vicinity was the region with the greatest proportion of services SMEs at 39.5 percent. The Eastern region, with its 44,883 services SMEs or 38.8 percent of the total, ranked second.

On the whole, every region had a similar proportion of retail trade SMEs, that is, between 34-38 percent of the total. Only in Bangkok and vicinity did the retail trade share stand as low as 24.7 percent. This was possibly referable to the rapid expansion of large retail trade enterprises in Bangkok and vicinity which was noticeably faster than other regions (Figure 2.5).

**Figure 2.5 Distribution of Small and Medium Enterprises in 2004  
by Sector and Region**



Source: The 1997 Industrial Census and The 2002 Business Trade and Services Census  
by National Statistical Office Thailand

: List of registered establishments, Department of Business Development, Ministry of Commerce.

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: List of registered manufacturers, Department of Industrial Works

Compiled by: the Office of Small and Medium Enterprises Promotion



## **2.5 Number and Type of Small and Medium Enterprises in 19 Provincial Clusters According to the Provincial Clusters Development Strategy**

Paying close attention to the number of SMEs in each provincial cluster, it was found that in many of them, the strategies developed did not fully correspond to their existing structures. Nevertheless, most provincial clusters had the highest number of their SMEs under retail trade and services.

**1. The Upper Northern Provincial Cluster - Chiang Rai, Chiang Mai, Mae Hong Son, Phayao, Lamphun, Lampang, Nan, and Prae:** This region strategically aimed at being Thailand's base and portal for trade, with extensive communication network covering the Me Kong sub-region and South Asian countries. The cluster's strength lies in tourism business and services, environmental friendly handicrafts, and organic agriculture. It also put a lot of efforts in developing centers for health services, software industry, and international trade. In 2004, this provincial cluster had 180,965 SMEs, the highest number among the regions except Bangkok and vicinity. Among its SMEs, retail had the highest number of 61,381 or 33.9 percent of the total SMEs. Services accounted for 56,217 of them, or 31.1 percent. Manufacturing shared 49,315 SMEs or 27.2 percent, while the number of wholesale SMEs stood at 6,245, or 3.5 percent of the total.

**2. The Central Northern Provincial Cluster - Tak, Sukhothai, Phitsanulok, Uttaradit, and Petchabun:** The region strategically aimed to develop a supporting and coordinating point for economic activities including border trade, manufacturing industries, agricultural marketing, as well as tourism in the Lower Northern region. In 2004, a total of 74,871 SMEs were operating in the region. The majority of them, that is, as many as 33,624 SMEs, or 44.9 percent of the total, was in the retail trade business. The region also had 21,738 services SMEs, accounting for 29.0 percent, and 14,140 SMEs or 18.9 percent of the total, under manufacturing.

**3. The Lower Northern Provincial Cluster - Nakhon Sawan, Phichit, Kamphaeng**

**Pet, and Uthai Thani:** This region adopted the strategy of becoming the country's major center for trade and export of Thai rice. In 2004, it had 67,441 SMEs, of which, 28,756 or 42.6 percent of the total, were under the retail trade sector. The services sector accounted for 19,808 SMEs, making a 29.4 percent share. Lastly, 13,303 of the regions' SMEs or 19.7 percent of the total were under manufacturing.

**4. The Upper Central Provincial Cluster (Group 1) - Nonthaburi, Pathum Thani, Phra Nakhon Si Ayutthaya, and Ang Thong:**

This region set a strategic goal to create a learning society utilizing technology to add economical value, and to act as a transportation hub for distribution of goods and services. In 2004, there were 106,400 SMEs in the region, of which 43,558 or 41.0 percent were under the services sector. The retail sector accounted for 32,495 of them or 30.5 percent, while 17,916 or 16.8 percent were under manufacturing.

**5. The Upper Central Provincial Cluster (Group 2) - Chai Nat, Lop Buri, Saraburi, and Sing Buri:**

The cluster had strategic aims of developing a source and center for export of agricultural goods, and a service center for transport and commerce. There were 52,034 SMEs in the region, of which 21,927 or 42.1 percent were under the retail trade sector. The services sector accounted for 17,104 SMEs or 32.9 percent of the total, while 9,575 or 18.4 percent of them were under the manufacturing sector.

**6. The Lower Central Provincial Cluster (Group 1) - Nakhon Prathom, Kanchanaburi, Suphanburi, and Ratchaburi:**

This group adopted a strategic aim of becoming a base for manufacturing and export of agricultural industrial goods to the western border and the international market. In 2004, the cluster had a total of 93,312 SMEs, with 35,070 or 37.6 percent of them under the retail trade sector. Some 30,618 SMEs, or 32.8 percent of the total, were under the services sector, and 20,091 of them, or 21.5 percent, were under manufacturing.

**7. The Lower Central Provincial Cluster (Group 2) - Samut Sakhon, Samut Songkhram, Phetchaburi, and Prachuap Khiri Khan:** This region strategically aimed at developing centers of production and processing of fishery and agricultural goods, ecotourism attractions, and a gateway to Southern Thailand. In 2004, there were 51,430 SMEs in the cluster with as many as 18,476 or 35.9 percent of them under the retail trade sector. The group's services SMEs totaled at 17,839, or 34.7 percent, and its manufacturing SMEs totaled at 9,690 or 18.8 percent.

**8. The Lower Central Provincial Cluster (Group 3) - Chachoengsao, Samut Prakan, Nakhon Nayok, Sa Kaeo, and Prachin Buri:** This cluster had adopted a set of strategic goals i.e. becoming a satellite to support expansion of the capital and the Suvarnabhumi International Airport, becoming centers for ecotourism, and manufacturing of high quality agricultural goods. It also planned to develop centers for the cluster of motor vehicles, electrical and electronic parts, textiles, articles of leather, and processed food industries. Besides, the region was set to become a center for business and commerce services as well as logistics. In 2004, it had 104,217 SMEs, of which 38,849 or 37.3 percent were under retail trade. The services sector had 32,962 SMEs or 31.6 percent, while other 21,863 SMEs, or 21.0 percent, were under manufacturing.

**9. The Central (Eastern) Provincial Cluster - Chonburi, Rayong, Chantaburi, and Trat:** This region adopted strategic aims of becoming a leader in export of both industrial and agricultural goods, developing an international tourism center, and becoming a trade portal to Indochina. In 2004, it had a total of 88,083 SMEs comprising of 37,034 SMEs or 42.1 percent of the total, under the services sector, 31,518 or 35.8 percent were under retail trade, and 11,390 or 12.9 percent, were under manufacturing.

**10. The Upper Northeastern Provincial Cluster (Group 1) - Udon Thani, Nong Bua Lam Phu, Nong Khai, and Loei:** This region placed itself under the strategic goals of

developing manufacturing and distributing centers of goods for Upper Northeastern Thailand. In 2004, its 88,229 SMEs were consisted of 32,362 or 36.7 percent retail trade SMEs, 22,944 or 26.0 percent manufacturing, and 21,100 or 23.9 percent services SMEs.

**11. The Upper Northeastern Provincial Cluster (Group 2) - Mukdahan, Sakon Nakhon, Nakhon Phanom, and Kalasin:** This cluster had the strategic aims of developing centers of commerce and tourism and a gateway to Indochinese region and beyond. In 2004, out of its 101,450 SMEs, 39,303 or 38.7 percent of the total were under the manufacturing sector, another 27,955 or 27.6 percent were under the retail trade sector, while 26,619 or 26.3 percent were services SMEs.

**12. The Upper Northeastern Provincial Cluster (Group 3) - Khon Khaen, Maha Sarakham, and Roi Et:** This region strategically aimed at becoming an international center of trade, investment, and services. In 2004, there were 125,119 SMEs in the cluster. The majority of them, that is, as many as 40,554 or 32.4 percent of the total, were under the manufacturing sector. Retail trade SMEs accounted for 40,426, or 32.3 percent of the total, while another 34,022 SMEs or 27.2 percent, were services SMEs.

**13. The Lower Northeastern Provincial Cluster (Group 1) - Nakhon Ratchasima, Chaiyaphum, Surin, and Buriram:** This cluster held a strategic goal of being the Northeastern Thai international gateway. It had the second highest number of SMEs, lower only than the Upper Northern provincial cluster. Its 159,037 SMEs consisted of 63,477 or 39.9 percent retail trade SMEs, 46,239 or 29.1 percent manufacturing, and 35,324 or 22.2 percent services SMEs.

**14. The Lower Northeastern Provincial Cluster (Group 2) - Yasothon, Si Sa Ket, Amnat Charoen, and Ubon Ratchathani:** The region had the strategic aims of developing a cluster to promote economical partnerships, tourism, manufacturing,

trade, and investment among the neighboring countries. In 2004, it had 100,099 SMEs. The majority of them i.e. 35,829 or 35.8 percent of the total, were retail trade SMEs, 35,520 of them or 35.5 percent were Manufacturing SMEs, and 20,303 or 20.3 percent of the total, were under the services sector.

**15. The Upper Southern Provincial Cluster (Group 1) - Surat Thani, Ranong, and Chumphon:**

This region adopted the strategic goals of becoming a center for transport of goods between the Andaman countries and the Gulf of Thailand, developing a center for agricultural goods, and becoming a leader in tourism. In 2004, the majority of its 51,686 SMEs were under the retail trade and services sector. Retail trade had a total of 21,327 SMEs or 41.2 percent, while 19,436 were under the services sector. Lastly, 7,439 of its SMEs, or 14.4 percent of the total, were under manufacturing.

**16. The Upper Southern Provincial Cluster (Group 2) - Nakhon Si Thammarat, Phatthalung, and Trang:**

The cluster put its strategic aims at becoming centers for manufacturing, marketing, agriculture, and ecotourism. In 2004, it had a total of 76,598 SMEs, of which 29,378, or 38.3 percent, were retail trade SMEs. Some 26,546 SMEs, or 34.7 percent of the total, were under the services sector, and 15,178 of them, or 19.8 percent, were manufacturing SMEs.

**17. The Upper Southern Provincial Cluster (Group 3) - Krabi, Phang-Nga, and Phuket:**

This group adopted the strategic goals of becoming a world-class marine tourism destination as well as a gateway connecting the region's economies with the South Asian countries. However, it had the lowest number of SMEs at 42,766, of which, 18,451 or 43.2 percent were under the services sector, 13,695 or 32.0 percent were under retail trade, 5,957 or 13.9 percent were under manufacturing, and, finally, 2,139 or 5.0 percent of the total were under the wholesale trade sector.

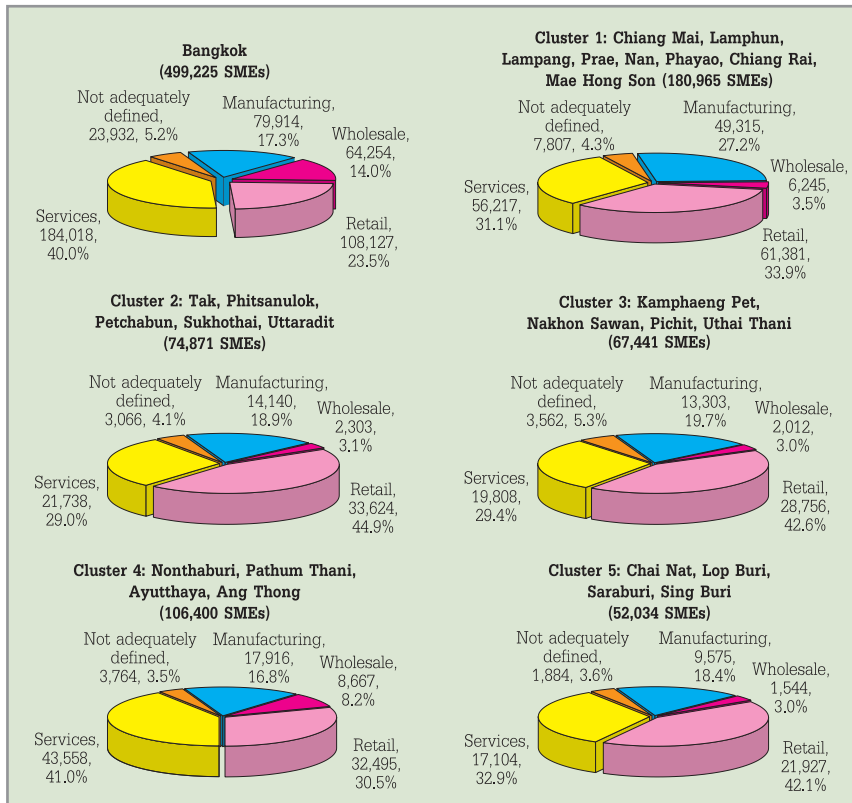
**18. The Lower Southern Provincial Cluster (Group 1) - Pattani, Yala, and Narathiwat:**

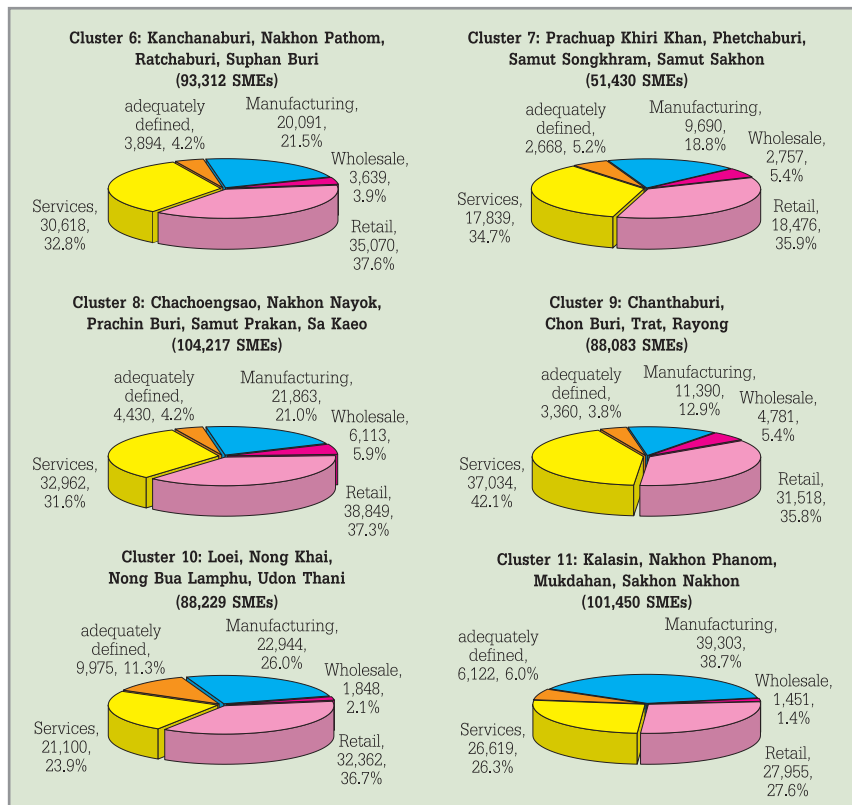
This region's strategic aims included; becoming the center for Halal food industry, international Islamic education, and the center of trade with the neighboring countries and Islamic world. In 2004, its 44,172 SMEs included 17,171 or 38.9 percent under the retail trade sector, 15,205 or 34.4 percent under services, and 7,989 or 18.1 percent under the manufacturing sector.

**19. The Lower Southern Provincial Cluster (Group 2) - Songkhla and Satun:**

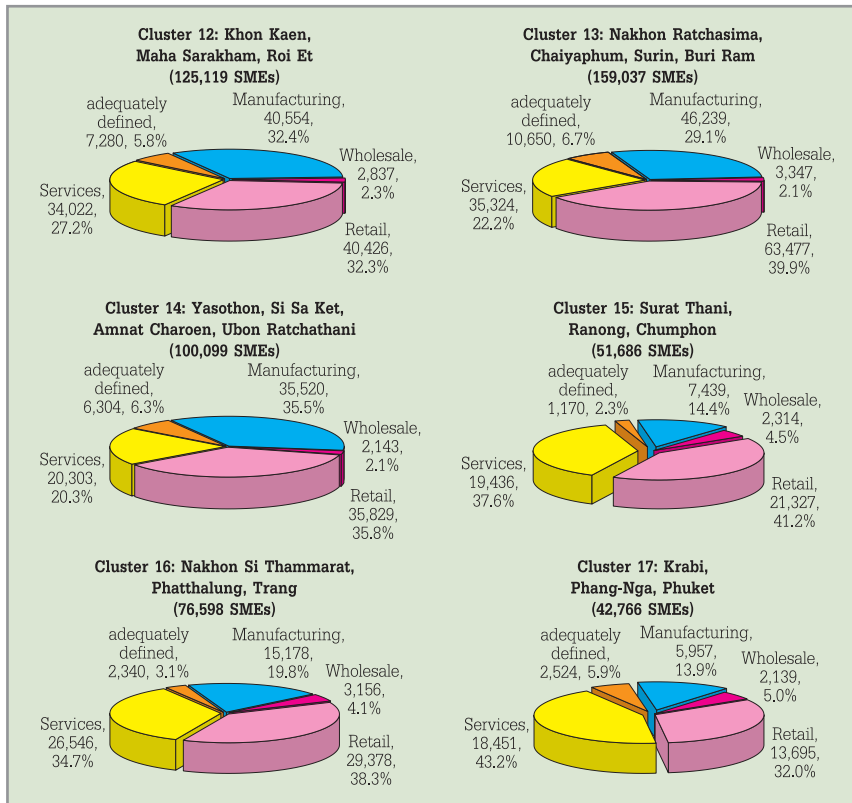
This cluster's strategic aims included; developing a global center for rubber, building ports with access to either coasts, and becoming the Southern Thailand's center of trade and business, tourism, and education. In 2004, the region had 19,452 SMEs consisting of 19,452 or 35.7 percent under the retail trade sector, 19,233 or 35.3 percent under services, and 9,328 or 17.1 percent under manufacturing.

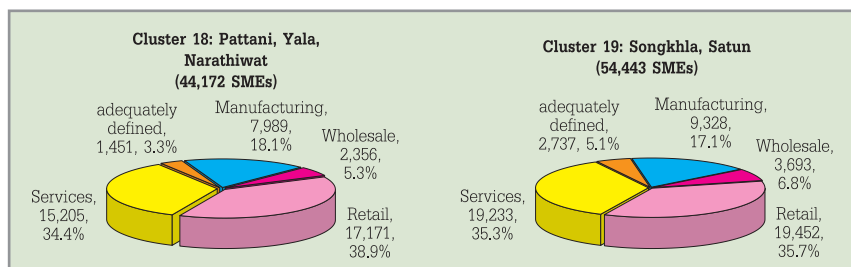
**Figure 2.6 Number of SMEs in 2004 by Provincial Cluster (19 Clusters) and Sector**











Source: The 1997 Industrial Census and The 2002 Business Trade and Services Census by National Statistical Office

: List of registered establishments, Department of Business Development, Ministry of Commerce.

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Compiled by: the Office of Small and Medium Enterprises Promotion

## 2.6 Number of Manufacturing Small and Medium Enterprises

In 2004, the manufacturing SMEs totaled at 482,229, accounting for 99.7 percent of the entire manufacturing sector. The top 5 industries in the sector were food and beverage, clothing, textiles, wood and wood products (excluding furniture) and tobacco products. The number of SMEs under each industry, and their proportion in manufacturing SMEs, can be summarized as follow:

- Food and beverage manufacturing; 135,227 SMEs accounting for 28.0 percent of the manufacturing SMEs
- Clothing manufacturing; 72,315 SMEs accounting for 15.0 percent of the manufacturing SMEs
- Textiles manufacturing; 57,504 SMEs accounting for 11.9 percent the manufacturing SMEs
- Wood and wood products manufacturing; 45,208 SMEs accounting for 9.4 percent
- Tobacco products manufacturing; 31,532 SMEs accounting for 6.5 percent (Table 2.1)

**Table 2.1 Number of Manufacturing Small and Medium Enterprises in 2004 by Industry**

Industries	Total	No. of LE	No. of SMEs	% of SMEs in particular industry	% of SMEs in an entire sector
1. Food and beverages	135,376	149	135,227	99.9	28.0
2. Clothing	72,349	34	72,315	100.0	15.0
3. Textiles	57,606	102	57,504	99.8	11.9
4. Wood and wood products ex furniture	45,224	16	45,208	100.0	9.4
5. Tobacco products	31,579	47	31,532	99.9	6.5
6. Metal parts ex machinery and equipment	27,616	63	27,553	99.8	5.7
7. Furniture manufacturing	23,883	46	23,837	99.8	4.9
8. Other non-metal products	10,459	48	10,411	99.5	2.2
9. Printed matter, printing and reproduction of media	9,082	33	9,049	99.6	1.9
10. Rubber and plastic products	7,298	110	7,188	98.5	1.5
11. Machinery and equipment	5,848	40	5,808	99.3	1.2
12. Articles of leather, bags and footwear	4,917	25	4,892	99.5	1.0
13. Chemicals and chemical products	3,917	54	3,863	98.6	0.8
14. Paper and paper products	2,368	34	2,334	98.6	0.5
15. Base metal	2,188	59	2,129	97.3	0.4
16. Radio, television, equipment and tools	2,018	120	1,898	94.1	0.4
17. Electrical machinery and tools	1,953	60	1,893	96.9	0.4
18. Motor vehicles, trailers and semi-trailers	1,906	100	1,806	94.8	0.4
19. Other transport equipment	787	10	777	98.7	0.2
20. Medical instruments, optical instruments, clocks and watches	623	17	606	97.3	0.1
21. Coke products from petroleum distillation and nuclear fuel	297	12	285	96.0	0.1
22. Recycling	137	-	137	100.0	0.0
23. Office appliances, accounting machines computer	80	4	76	95.0	0.0
24. Others	35,972	71	35,901	99.8	7.5
<b>Total</b>	<b>483,483</b>	<b>1,254</b>	<b>482,229</b>	<b>99.7</b>	<b>100.0</b>

Source: The 1997 Industrial Census and The 2002 Business Trade and Services Census by National Statistical Office

: List of registered establishments, Department of Business Development, Ministry of Commerce.

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Compiled by: the Office of Small and Medium Enterprises Promotion

## 2.7 Number of Services Small and Medium Enterprises

Out of the total of 711,914 services enterprises recorded in 2004, only 1,494 were large enterprises, while 710,420 or 99.8 percent of the total were SMEs. The industry with the highest number of enterprises at 190,845 was hotel and restaurant, and as many as 190,656 or 99.9 percent of these enterprises were SMEs. Hotel and restaurant SMEs also accounted for 26.8 percent of all SMEs in the services sector. The sector's second largest industry was transport services which had 103,089 enterprises. Only 112 of them were large enterprises, while 102,977 or 99.9 percent of them were SMEs. This industry thus accounted for 14.5 percent of all SMEs in the entire service sector (Table 2.2).

**Table 2.2 Number of Services Small and Medium Enterprises in 2004 by Industry**

Industries	Total	No. of LE	No. of SMEs	% of SMEs in particular industry	% of SMEs in an entire sector
1. Hotel and restaurants	190,845	189	190,656	99.9	26.8
2. Transport services	103,089	112	102,977	99.9	14.5
3. Real estate services	70,575	421	70,154	99.4	9.9
4. Recreation, culture and sports	52,291	133	52,158	99.7	7.3
5. Health and social services	21,011	37	20,974	99.8	3.0
6. Business services	5,740	6	5,734	99.9	0.8
7. Computer and associated services	1,569	84	1,485	94.6	0.2
Other	266,794	512	266,282	99.8	37.5
<b>Total</b>	<b>711,914</b>	<b>1,494</b>	<b>710,420</b>	<b>99.8</b>	<b>100.0</b>

Source: The 1997 Industrial Census and The 2002 Business Trade and Services Census

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## 2.8 Business Establishment and Dissolution

It is not possible to identify small or medium enterprises using information available from the process of juristic person registration under the Department of Business Development, Ministry of Commerce. Consequently only a general view of the establishment and dissolution of enterprises as juristic persons can be presented. In table 2.3, the trend of slow down in establishment can be detected. Only 44,868 new enterprises were registered, a tiny amount of 821 increase over 2003, presenting a growth of 1.9 percent.

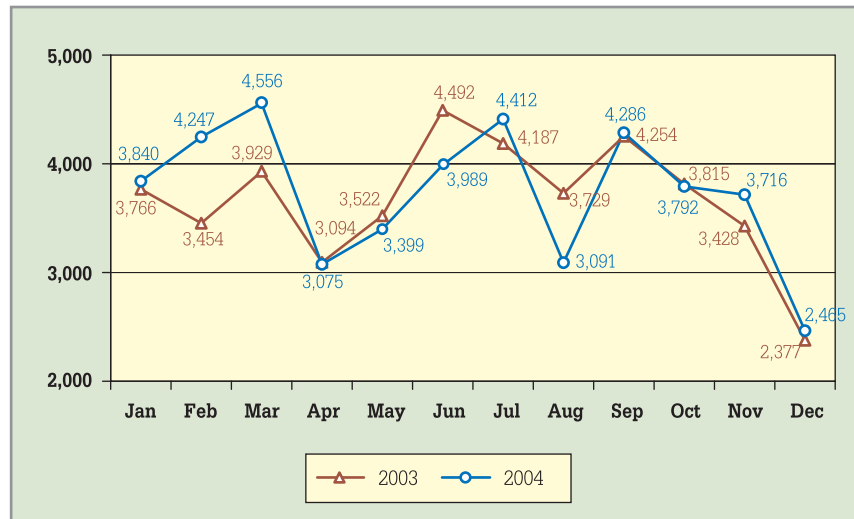
**Table 2.3 Business Establishment and Dissolution 2000-2004**

Year registered	2000	2001	2002	2003	2004
New establishment	29,148	31,757	35,381	44,047	44,868
Growth rate	12.9%	9.0%	11.4%	24.5%	1.9%
Dissolution	24,817	19,223	24,397	16,987	17,761

**Source: the Department of Business Development, Ministry of Commerce**

Records on business establishment registration as juristic person under the Department of Business Development, Ministry of Commerce, in 2004, showed a small decrease in number of new establishments in the January to December period. The registration peaked on March when 4,556 businesses were established, while the month with the lowest number of registration i.e. 2,456 establishments, was December. On the whole, a total of 44,868 juristic persons were registered in 2004 (Figure 2.7).

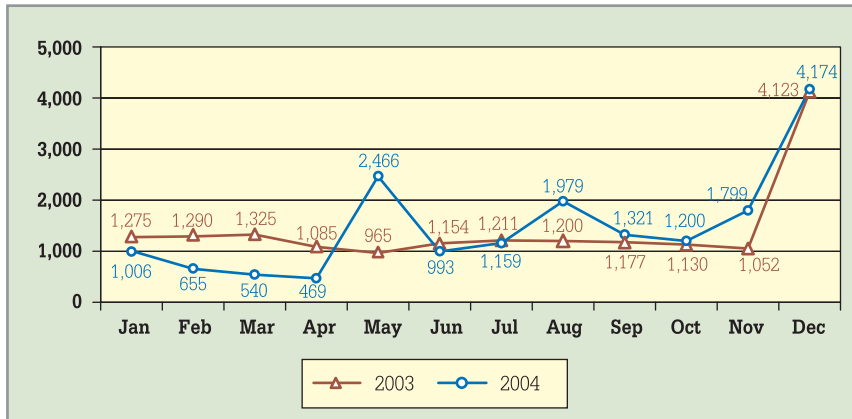
**Figure 2.7 Juristic Person Registration 2003-2004**



Source: the Department of Business Development, Ministry of Commerce

Dissolution of establishment as juristic person also showed a trend of decreasing. The 2004 average of business dissolution stood at 1,480 per month. The month with the highest number of dissolution was December, with a total of 4,174, while April was the month with the lowest number at 469. In general, a total of 17,761 business dissolutions were recorded in 2004 (Figure 2.8).

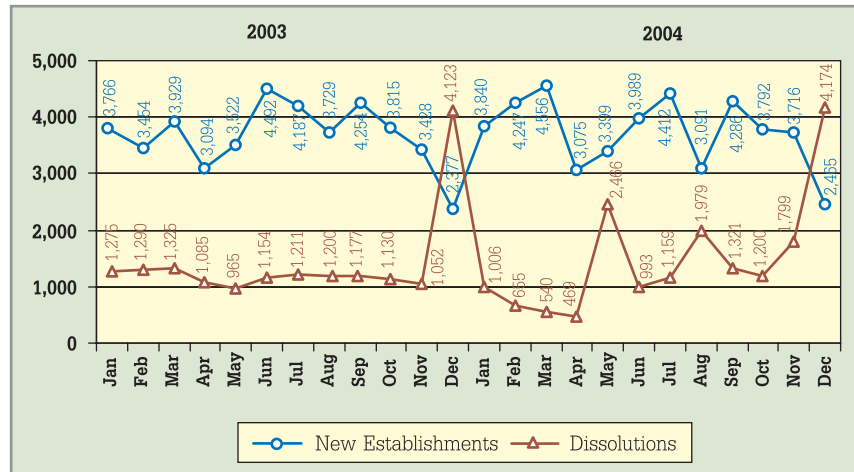
Figure 2.8 Juristic Person Dissolution 2003-2004



Source: the Department of Business Development, Ministry of Commerce

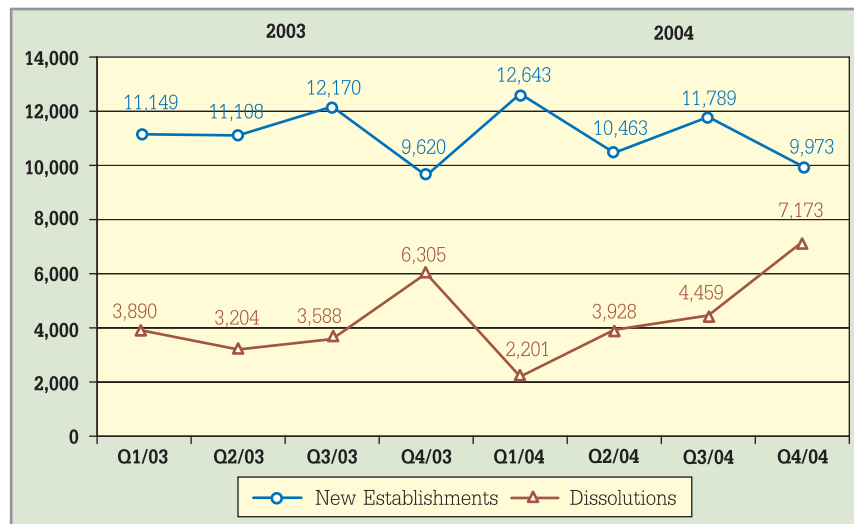
In conclusion, there were 27,107 business establishments in 2004, 47 more than the previous year or a 0.2 percent increase. The greatest number of the newly registered businesses was recorded in the first quarter, and the number of dissolutions was also the lowest during the same period, making it the time with the highest net business establishment. On the contrary, the fewest new registrations and highest dissolutions simultaneously occurred towards the end of the year (Figure 2.9).

Figure 2.9 Monthly Business Establishment and Dissolution 2003-2004



Source: the Department of Business Development, Ministry of Commerce

Figure 2.10 Business Establishment and Dissolution 2003-2004  
(Year-On-Year Average)



Source: the Department of Business Development, Ministry of Commerce