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Reducing Poverty and Inequality of OTOP Household Entrepreneurs: Evidence from Thailand

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Abstract: This research is part of the dissertation “Reducing Poverty and Inequality of Household Enterprises of One Tambon, One Product of the Local Cotton Processing at Ubon Ratchathani Province,” and this research paper seeks to analyze the solutions to the problems of poverty and inequality of OTOP household entrepreneurs using the community enterprise development processes as a tool for solutions to poverty and disparity among the people. The research instruments were in-depth interviews and focus group discussions with 42 key informants who are entrepreneurs, officials of the sections supporting the project, and a group of academicians to draw conclusions on poverty reduction and disparity of OTOP household entrepreneurs using the community enterprise development processes. The research findings indicated that four important guidelines for community enterprise development feasibly leading to the reduction of poverty and inequality among OTOP household entrepreneurs is to improve the work were: 1) System and mechanism development for business support/development, 2) Entrepreneurship development, 3) Product development, and 4) Marketing opportunity.

Keywords: Reducing Poverty, Inequality, OTOP, Community Enterprises

INTRODUCTION

Back to the times Thailand and the people at all levels were facing an economic crisis with a number of problems with which one being beset by the grassroots who were the majority of the country was *poverty*, Thai Rak Thai party-led government under Prime Minister Taksin Shinawatra declared a *war against poverty* with one policy announced to the Parliament to organize the **One Tambon, One Product (OTOP) project** (henceforth “OTOP”) in order for each community to utilize the local wisdom in its own product development. With the government prompt assistance in modern technology and the network management of the linkage between the community products and both domestic and international markets via the

network and internet-based store systems, this should well encourage and promote the local development processes and the establishment of a strong, self-reliant community. Later, the Office of the Prime Minister Regulations on the One Tambon, One Product National Board (2001) were formally announced, assigning the OTOP Directive Committee under the Prime Minister's Office, authorized to formulate strategic policies and operational master plans "One Tambon, One Product," to define standards and criteria for selection and registration of *OTOP Product Champions* of the sub-districts, and to support efficient implementation according to the policies, strategies and master plan. (Jaiborisudhi, W., 2011; Pinchai, K., 2013).

The OTOP program would play an important role in reducing still considerably high poverty and inequality in Thailand, especially in the Northeast of the country—the region with poverty spread in 17 provinces, regarded as the highest number in the country. With that in consideration, the research *Reducing Poverty and Inequality of Household Enterprises of One Tambon One Product of the Local Cotton Processing in Ubon Ratchabani Province* was conducted, investigating the performance of three OTOP textile business groups in the Northeastern region of Thailand. It is designed to analyze the solutions to the problems of poverty and inequality of OTOP household entrepreneurs using the community enterprise development processes as a tool for solutions to poverty and disparity among the people.

LITERATURE REVIEW

1. The situations of poverty and inequality in Thailand

1.1. The situations of poverty

Poverty is one of the major obstacles and problems of the people being faced with, particularly all around the world. As of 2013, there were about 2.47 billion people in the world, living in poverty with an income of USD 2 or less a day, of which most are from developing or under developing countries located in African and Asian continents. The population living under poverty only declined from 2.59 billion to 2.47 billion between 1981 and 2013 (Hussain, M. D., Bhuiyan, A. B. & Bakar, R., 2014).

As for poverty in Thailand, the incidence of poverty has continuously declined from around 33.8% in 1988 to 9.0% in 2008. The poverty rate of 9.0% is relatively low compared to other middle-income countries (Bird, K., Hattel, K., Sasaki E. & Attapich, L. 2011). Most recently in 2015, overall poverty rate has fallen to 7.2 percent, or equaling to 4.8 million deprived people in the country, still populated in the Northeast, due to low education, main agriculture-based jobs, and a high proportion of non-registered workers (Office of National Economic and Social Development Board: NESDB, 2016b). Of the declined rate of poverty, however, the indigent of 2.24 percent or about 1.5 million poverty-stricken people still need public concern. The most worrying issue for this group is their inability to provide security assurance for their children allowing generations of poverty cycle. The main policy on any support for this group shall, therefore, be very purposive and specific, covering social security and welfare (Jitsuchon, S. & Plangpraphan, J., 2013).

1.2. The situations of inequality

As for the situations of inequality, the disparity in income or income distribution as a whole is relatively poised, with an issue of income distribution at a moderate level. When viewed through the Gini Coefficient, the rate is about 0.4-0.5, prone to slightly decrease from 0.487 in 1988 to 0.445 in 2015. However, when the

income gap between the richest and the poorest is considered, the difference is about 22.1 times in 2015 due to the fact that 10% of the income is concentrated in a small group of people, especially the richest group, holding 39.3% of the total income, while 10% of the poorest group possesses only 1.6% of the total income. The disparity in expenditure on consumption or *the inequality in living standard* of people in the Thai society is still present but seems less problematic than the income disparity. On financial asset disparity, financial assets are clustered together in a small group of people as deposits appears in the savings and fixed deposit accounts in commercial banks fixed in to a group of only about 0.1% of the total numbers of accounts with a credit limit of 10 million baht or more. However, the total deposit amount of this group hits up to 46.5% of the entire deposit amount in the system (NESDB, 2016).

2. OTOP Implementation for Poverty and Inequality Issues

In a big picture of the mechanisms, activities and project performance, the OTOP project was driven by the government important policy of increasing careers and income for the community from the grassroots level, so the mechanisms and the organizations in charge were assigned in a strict and careful manner. Thus, apart from the nomination of the National Directive Committee, nine subcommittees were also appointed, comprehensively responsible for scheme and budget planning, promotion of production, standardization and product selection criteria, marketing promotion, research, and so forth. Moreover, there were other organizations associated to take responsibility, namely 1) Community Development Department 2) Ministry of Internal Affairs 3) Ministry of Agriculture and Cooperatives by the Cooperative Promotion Department 4) Ministry of Commerce 5) Office of Small and Medium Enterprise Promotion 6) Department of Industrial Promotion 7) The Thai Industrial Standards Institute 8) Office of the National Economic and Social Development Board, and 9) Office of the Permanent Secretary, Prime Minister Office (Office of Economic Research and Assessment, Excellent Business Management Co., Ltd., 2015)..

According to the aforementioned important activities, work outcome has been achieved as planned. In 2012, there were 36,090 entrepreneurs with 71,739 products registered in the Community Development Department. The Thai Industrial Standards Institute (TISI) managed to set up the Community Product Standards including 1,469 standard items applicable to entrepreneurs for standard certification. In addition, through the years 2003 - 2014, The Thai Industrial Standards Institute granted certifications to accredited 60,490 products of the OTOP businesses. As for the intellectual property registration, 6,961 items were involved in 4,843 registered trademarks, 1,055 registered local wisdoms, and the rest in other types of intellectual property registrations such as copyrights, trade secrets, petty patents, and geographical indications. The patent registration was overall viewed as a considerably low rate, however. In terms of income, the total sales of 736,878 million baht made an increase of 5.86% average cumulative rate per year during 2002-2013. Nonetheless, the assessment of the project according to the plan is considered an unachieved success (Office of Economic Research and Assessment, Excellent Business Management Co., Ltd., 2015).

On operating mechanisms supporting OTOP businesses in the study area, the OTOP business groups in Ubon Ratchathani province officially registered in the system of the Community Development Department have all been supported by the units according to the national mechanisms formulated together with the Provincial Administrative Organization, the Provincial Chamber of Commerce, Non-Formal Education Center and local higher education institutions (Ubon Ratchathani University and Ubon Ratchathani Rajabhat University). The most frequent practical activities so far have included mentoring,

entrepreneurship development, production skill improvement (weaving, cutting, sewing, etc.), designing patterns, productivity, book-keeping, product standard development, consultation on patent and intellectual property registrations, budget support, campaigns for marketing channels, and selection of best products in the areas.

When tracking the success of the project in the area, however, the research team considered the success of the operation in terms of increasing income and reduction of poverty and inequality to be unclear. The fact that the activities and the results are unstable and inconclusive should call for attention: most of the participating members feel that their own household condition is still mediocre, while most of the participants with fewer family members and if especially in working age indicate that their income and living condition are even more likely to improve. On the contrary, those with more family members and if most in an older age indicate that earning a living, income status and living condition tend to worsen.

The study of factors indicating success and failure in SMEs suggests that as SME businesses continue to be an important channel for increasing income to the grassroots community which have still been maintained by the Thai government (2559a) and other countries in Asia, Europe, America, Africa and Russia (Pletnev, D. & Barkhatov, V., 2016).

To develop a more successful model of community business schemes, a number of researchers conducted researches to draw a conclusion of factors influencing community business operations (Laowchod, A., 2004; Nimpanich, J. & Prommapun, B., 2005; Jongwutiwes, N. Singhalert, R. & Patsago, S., 2009; Thanoosorn, S. Chantasena, C. & Bunjerdrud, S., 2010; Vesdapunt, R. & Santipolvut, S., 2012) twelve factors were suggested in the success of the community business: Leader, Labor Management Process, Production Process, Capital, Marketing, Management and Administration, Product Development, Organization Regulations, Membership Participation, External Interactions, Community Welfare Management, and Sufficiency Economy Model.

METHODOLOGY

In this research, several methods were employed as follows:

1. **Research approach:** this qualitative research was given data by the key informants including the *entrepreneur group* comprising manufacturers, entrepreneurs, and academic staff/governmental officials serving as group mentors, of ten members apiece, 30 participants in total, and *Ubon Ratchathani supporting academician group* consisting of 12 academic staff.
2. **Research tools:** in-depth interviews and focus group discussions
3. **Data collection:** In the first phase, group discussions were held in the target villages with business groups. The data obtained from the interviews was analyzed for an optimal development guideline for OTOP textile business of Ubon Ratchathani Province in the second phase. Finally, in the third phase, an academic group discussion was held with the academicians for a summary of optimal development guideline for OTOP textile business of Ubon Ratchathani Province.

FINDINGS AND ARGUMENTS

The findings included feedback given by the target groups to the work in reducing poverty and inequality of OTOP household entrepreneurs using community enterprise development processes according to the previous activities promoting OTOP business development: any types of activities emphasizing knowledge

and education provided by the supporting organizations in the forms of trainings and consultation with trainers or specialized facilitators have been of moderate practical use. This is due to the promoters' belief that such development processes would render solutions to product, administration, and marketing issues and seek increasing income for the people resulting in reduction of poverty and inequality among the OTOP entrepreneurs. In fact, however, the previous course of action still seems beyond practicality in that any supporting operational processes lack the essence of true potential drawn from the business groups, particularly groups, in particularly areas with a discrepancy of knowledge, competence, and skill of the executives, manufacturers, distributors, time and cooperation dedicated by the group members. Therefore, a number of times of occasional success in the development processes assisted by the consultants and facilitators, to the products, administration and marketing are usually unsustainable ones. Moreover, assistance and support given at times are based on superficial information or an overview of problems at parts rather than as a whole. Thus, the support can only fix specific parts, not all others, affecting new constantly occurring issues. Finally, another problem that follows the activities that do not fix the contextual requirements is the fading enthusiasm with which the members pay in the participation, thereby lowering group cooperation, strength, and business competitiveness.

The key components that can lead to the solution of poverty and inequality problems of OTOP household entrepreneurs consist of the four main issues as follows;

- 1) System and mechanism development for business support/development: Researches should be conducted, and database of each business segment should be provided, for instance the group development, previous performance reports, current conditions of business potential, group management potential, production skills, quality, product standards, marketing, distribution, problems and obstacles to be coped with urgently, etc., so as to be able to provide supporting plans with ultimate goal and activities facilitating the development emphasizing the cooperation of both internal and external sections of duty, skill, and expertise and to develop the textile businesses in production, administration, and distribution with more income distribution leading to reduction of poverty and inequality in a practical manner.
- 2) Entrepreneurship development: Under the development cheme in accordance with guidelines and plans, this should be done with emphasis on the benefits, needs, participation (in the sharing, planning, and decision-making processes), and a sense of responsibility for the social, cultural and environmental diversities in the community as the first priority for sustainable community enterprise development leading to income distribution and reduction of poverty and inequality of the household members.
- 3) Product development: Support should be given to the study and collection of *local wisdom manuscripts* and establishment of the *local wisdom library* together with development guidance and extended productivity using local wisdom, clarification and time-and-process saving manner of assisting the business group members in eligibility for community product quality certification under the *Geographical Indication Mark* that will lead to pricing and bargaining power of the community products. This is hoped for steady income that will help to reduce poverty and inequality.
- 4) Marketing opportunity: Expansion of OTOP markets or distributing centers should be supported in various other communities, provincial OTOP exhibition centers coordinating with the local

government sections and private department stores, and connections between OTOP businesses and tourism in tourist attractions and hotels in the province to facilitate OTOP promotions. The OTOP sub-committee at the provincial level may coordinate with business sections, such service centers as hotels, restaurants, department stores, etc. to increase the use of OTOP products in the province for increased sales as another way to increase income and reduce poverty and inequality.

CONCLUSIONS

The OTOP project implemented by the Thai government is one of the mechanisms to fight against the problem of poverty, create jobs, and promote income of the grassroots economy in the community level which has been operating since 2001 up to the present. Results from the project assessment have been shown at a mediocre level due to problems in the government sector supporting processes limited to some aspects of integrated work with others resulting in the inability to reduce poverty and inequality of the household entrepreneurship. The results of this research suggest that the importance of the database system of the business groups, the development plan appropriate for individual group, the focus on the households having been assessed as developed, and mobilization of participation from all the parties involved could lead to the tangible solution of poverty and inequality of the OTOP household entrepreneurs. Public participation is another way to reduce conflicts in resource sharing with the Thai government's decision to set a policy that is beneficial to the people with more effective participation. This way participants can gain tangible benefits from efficient public participation processes. However, the expectations of planners and citizens must be equivalent to the efficient processes.

The OTOP implementation by the Thai government as a mechanism to cope with poverty problem has not been very successful due to limited support on integrated work provided by the government sector resulting in intangible poverty reduction and household disparity. The results of this research have important suggestions as in the following:

1. Community enterprise development should be under the network partnership, both government and private sectors collaborating on these issues with the focus on database system of the enterprise partnership for an up-to-date catch in the modern era with information technology in methods of order placing and marketing for accessibility to a variety of target groups both domestically and internationally.
2. The development plan is made appropriate for individual groups especially in the age of mobile competitiveness. Activities for enterprise group development should be based on the needs of the business, not directed by the government as a project developer. Therefore, the sections responsible for the coordination should take this idea as a priority and jointly design activities together with the enterprise groups.
3. Enterprise group development with a "quantitative" focus rather than a "quality" focus as previously done has proved to be inefficient. To maximize the implementation of the activity plan, an opportunity for all the parties involved to brainstorm, to study, to prioritize and to find out how to resolve those issues together should be considered. This aims to jointly set policies beneficial to the people and to seek the solution to poverty issue and disparity reduction of the OTOP household entrepreneurs.

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