

At present, under the restructuring of the MOAC, the Agricultural Technology Transfer Centers (TTC), a Tambon level organization, have been established nationwide. Each will act as a major interface between the government extension units and the rural people. Their major duty is to transmit all agricultural knowledge and technology to the farmers in a one-stop-service manner at the Tambon level. At present, the total number of TTCs for the whole country is 7,094. These are 1521 in the North, 2,636 in the Northeast, 1,890 in the Central Plain and 1,047 in the South. Until recently, its only quantifiable output is the number of TTCs established. Lack of clarity over some key issues, such as harmonizing its functions with those of the corresponding TAOs, its budgetary framework for TTCs, and the monitoring and evaluation of its operation, are yet to be straightened.

With reference to a study on Development of Agricultural Extension System in Thailand (DOAE, 1998) and the observations from field studies to the four case study provinces, the major issues facing agricultural extension services can be listed as follows:

- Too much emphasis on commodity oriented agricultural research and extension instead of those on farming system, which combine the knowledge on crops, livestock and fishery;
- Insufficient numbers of extension workers and specific subject specialists at field level, especially in the field of horticulture, livestock and irrigation practices;
- Weak coordination between research and extension and among the extension workers from all the concerned agencies;
- The weakest link is found between the extension services and market information.

(5) Water Resources for Agriculture Not Utilized Enough

Problems relating to water for agriculture come in various forms, namely, shortage of water, floods, poor water quality and excessive water uses. Water resources for agriculture in Thailand are primarily obtained from four major sources e.g., rainfall, irrigation water, unregulated surface water such as rivers, lakes, swamps etc. and groundwater. In general, the total amount of rainfall in a year is enough for most rainy-season crops. Its distribution, however, may not fully match with the requirement of some crops at a critical period of the time during the crop season. Supplemental irrigation water can fill out the gap in both the wet and the dry seasons.

As of 2000, Thailand had about 34.3 million rai of irrigated area or about 26.3% of the total landholdings in the country, out of which about 22.7 million rai were served by the large and the medium-scale irrigation projects; 8.5 million rai by RID's small-scale projects, and about 3.1 million rai by electric pumping projects of DEDP. In the past, huge resources were invested on the development of water resources for agriculture. However, those developments still were not sufficient to satisfy all the villagers' needs. The majority of the irrigable areas are in the Central Plain where irrigable area shares about 46% of the total irrigable area in the country or about 55% of the total farmland in the region, followed by the North (26%), the Northeast (17%) and the South (11%) respectively. Details on the distribution of water resources development for agriculture and irrigable areas by region are shown in Table 1.1.6.

Table 1.1.6 Water Resources Development and Irrigation Areas by Region as of 2000

Region	Reservoirs	Weirs	Community, Farm Ponds	Dredging	Electric Pump project	Irrigation Areas (rai)	Irrigation ration (%)
North	1,804	3,793	11,594	46	700	9,372,340	33.15
Northeast	4,031	8,432	30,097	559	995	6,906,053	12.03
Central Plain	1,713	2,358	9,478	36	188	14,653,138	56.61
South	808	1,749	6,128	22	95	3,372,712	17.93
Whole Kingdom	8,356	16,332	57,297	663	1,978	34,304,243	26.31

Source: Agricultural Statistics of Thailand crop year 2000/2001 Office of Agricultural Economics, MOAC

Among the four case study Provinces, Nakhon Si Thammarat occupies the largest number of irrigable areas of 1,494,227 rai, followed by Lampang, 829,419 rai, Angthong, 507,760 rai and Buri Ram, 325,690 rai. However, the existing water resources for agriculture are limited, while the construction of new large-scale water resources development projects has become more difficult if not impossible. This is due to the scarcity of suitable dam sites coupled with the contradictory environmental and social points of views. Groundwater is neither adequate for extensive use in agriculture. At present groundwater is utilized exclusively for domestic and household water supply in rural areas.

Looking at the aforementioned situation and considering future development requirements, the major issues concerning water resources for agriculture may be summarized as follows:

1) Enough Water Resources but Not Controlled

In general, Thailand has a great variation in its rainfall distribution. About 85% of the annual rainfall falls during the six months of the rainy season from May to October except in the South where the rainy season usually lasts until February. Water supply in the dry season of January to April in most regions is not adequate and the flow rate of major rivers greatly decreases. Shortage of water for agriculture in the dry season often occurs where irrigation facilities are inadequate. For planning consideration, storage dam in high water potential water resources areas and farm pond excavation on rainfed agricultural land are deemed necessary.

2) Low Irrigation Efficiency: Weak water users organization

At present, the irrigation efficiency of some existing irrigation projects is as low as 30% to 40%. The O&M budgets are limited and the water users' organizations are not active. Hence, the functional performance of existing projects needs to be improved, and the water users' organization, strengthened to be able to take up project management.

3) Low Water Quality

Water quality in some reach of main rivers is very low because of pollution and lack of effective control measures. An effective control measure should be provided in order to prevent further deterioration of water resources and assure sustainable benefit of further development.

(6) Low Farm Household Income and Poverty

The low income of farm household is the causes of low agricultural income, small

opportunity of non-agricultural income sources, and the low level of value added products such as agro-processed products. Low income is both the cause and consequence of a number of economic phenomena. In the upstream, low income hampers appropriate application of productive inputs and hence continued low productivity and persistent low level of income prevail. It also impedes HRD, thus narrowing the opportunity to earn more. In the downstream, low income is the consequence of low productivity, low quality of output, low output prices, etc., not to mention problematic natures of agricultural output (seasonality, perishability and low price and income elasticity). Improved agricultural income, while leading to better HRD, requires a number of efforts to be exerted.

Statistically, the per capital annual income in the four regions of the country in 1999 was highest in the Central Plain (71,334 baht), followed in order of magnitude by the South (51,284 baht), the North (37,905 baht) and the Northeast (25,367 baht). With average incomes in the East (144,230 baht) and the West (55,734 baht) separately calculated, the country average of 74,675 baht is even higher than that of the Central Plain. The average income in Bangkok (203,778 baht) was nearly three times of the country average.

In close relation with the income status, **the incidence of poverty** in terms of the percentages of the poor in the four regions in 2001, the smallest percentage in the Central Plain (4.6%), followed by the North (10.6%), the South (13.5%) and the Northeast (24.5%); in Bangkok was 0.8%. While all others follow the logic that those with higher average income should have less incidence of poverty, the South, however, with higher income than the North had more percentage of the poor.

Of all the poor in the nation, those in the farm sector take the highest share. Statistics show that the agricultural landholders and farm workers accounted for 28.1% and 24.5% respectively of all the poor in the country in 2001. Those in other occupational groups ranged between 0.9% of the professional, technical and management field, to 20.8% of the general workers. With the majority of the rural population engaged in agricultural production, the rural poorest are found the most in the Northeast of Thailand.

They have also been affected the most by the aftermath of the financial crisis of 1997. While it is believed by many that one among other causes of poverty in the agriculture sector is small farm size, empirical findings do not fully confirm it. In 1998, the average farm size for the whole country was 24.4 rai. The Central Plain with the largest farm size of 31.4 rai did have the highest average annual income. The Northeast with the smallest income, however, had the second largest average farm size of 25.6 rai. The North with larger farm size (22.8 rai) than the South (22.1 rai) had lower income, and vice versa. In the case-study provinces, the largest farm size was in Buri Ram (23.2 rai), followed by those in Ang Thong (22.3 rai), Nakorn Sri Thammarat (18.3 rai), and Lampang (11.4 rai).

As to the status of landholdings in Table 1.1.7, the South leads all others with 92% of land ownership, followed by the Northeast (88%), the North (75%) and the Central Plain (70%). The same order is found in the case-study provinces, which indicates the appropriateness of their selection. To exemplify, the percentage of landholdings is the highest in Nakhon Si Thammarat (88%) representing the South, followed by Buri Ram (83%) representing the Northeast, Lampang (81%) representing the North, and Ang Thong (62%) representing the Central Plain. Again, this does not indicate any relationship between income level and land ownership.

Table 1.1.7 Landholdings, Those Owned and Belonging to Others Crop Year 2000/2001

Region	Total (rai)	Own (rai)	Other (rai)	% Owned	% Other
North	28,274,892	21,228,876	7,046,016	75.08	24.92
Northeast	57,429,749	50,768,902	6,660,847	88.40	11.60
Central Plain	25,833,514	18,175,499	7,658,015	70.36	29.64
South	18,805,370	17,317,775	1,487,595	92.09	7.91
Province					
Lampang	994,526	803,126	191,400	80.75	19.25
Buri Ram	3,803,346	3,171,661	631,685	83.39	16.61
Ang Thong	463,990	285,841	178,149	61.60	38.40
Nakon Sri Thammarat	3,062,459	2,680,032	382,427	87.51	12.49

Source: OAE, Agricultural Statistics of Thailand, Crop Year 2000/2001

Despite the unconfirmed relationship between agricultural income and size of landholdings, other factors, namely insufficient investment capital, lack of knowledge, research operation, and extension services, inappropriate and less application of agricultural inputs, etc. are believed to have close relationship with the level of productivity.

The following indicators tell the evidence that farm workers have been the second largest group of the country poor (24.5%). The average monthly wage rate in the agriculture sector in 2001 was 2,375 baht compared with 4,460 baht for those working in the construction sector and 13,998 baht in the public utility sector. The country average was 5,749 baht. A report prepared by the NESDB¹ indicates that most of the poor are in the agriculture sector, particularly among those with small land holdings, low education and large family.

Another document prepared for the same workshop² also reveals that agricultural households and hired farm labors in the agriculture sector constitute the highest proportion of the poor (6.3 million or 70.8% of the total 8.2 million poor). Of these, 4.9 million were landowners, and 1.4 million, farm labor.

With much efforts having been exerted and planned toward mitigating the problem of low farm income, the extent to which this problem and all the related negative consequences will be alleviated calls for a careful monitoring and evaluation (M&E) system. In fact, the establishment of an efficient and effective M&E system in all development programs and projects has gained more and more recognition at present. This may be seen in a 3-month long training program of the Institute of Agriculture and Cooperative Administrative Development (IACAD) for selected officers at the administrative level from the various departments of the MOAC. Among all the 47 topics under 13 subjects of the training program, Project Evaluation is one of the nine topics under the Administration Principles and Techniques. Up till now, 38 batches of 50 trainees each have been trained. Two batches are planned for the year 2002, the 38th batch during March 13 and May 17, 2002, and the 39th batch during July 3 to September 6, 2002. This is in fact, one among many other HRD and training programs in the context of rural economy being organized. Others to be identified and organized need to take into consideration all other issues in all related sectors.

¹ NESDB, Workshop on Strategies Towards Poverty Alleviation", June 6, 2002

² "Social and Economic Development of the Country: Wellbeing of the Thai People", Annual Meeting of 2002 on Well being of the Thai People: Five Years after the Economic Crisis, June 21, 2002, p. 5-15

1.1.2 Implication of Agriculture Conditions on HRD

The issues addressed in the earlier section of this Chapter 2 are listed below.

- Agricultural productivity
- Agricultural processing
- Farmers' organization
- Agricultural extension services and technological transfer
- Water resources for agriculture
- Low farm household income

These issues can be rewritten to indicate their relationship to one another as well as the macro level of the problems as follows:

- Poor standard of living and low quality of life
- Low farm income
 - Low output productivity/quality
 - Low soil fertility
 - Lack of good plant varieties and animal breeds
 - Lack of water and irrigation system
 - Lack of high payoff farm inputs and implements
 - Lack of appropriate and high payoff technology
 - Improper application of inputs due to lack of knowledge, lack of high payoff inputs and high price of production inputs.
 - Pest contamination and disease outbreak
 - Natural calamity in terms of flood in wet season and drought in dry season
 - Inefficient and ineffective agricultural extension and technology transfer
 - Low output prices
 - Low quality of output
 - Inappropriate and unattractive packages
 - Insufficient and inefficient marketing outlet
 - Inefficient farmers' organization
 - The need for agricultural processing
 - Lack of social supports
 - Low morality of concerned officers

The implications of all these problems and issues in terms of HRD could at first lead to the believe that a number of research and training programs based on all the identified problems and issues would be needed to solve all or part of these problems. Available information, however, indicates that a large number of R&D, including training and other HRD programs and projects have been initiated and completed by a number of concerned governmental and other agencies in the past. What needs to come up with is what left undone that should have been done.

With agriculture constituting the major portion of the rural economy, the recent recommendation in an ADB/JBIC technical assistant project on Restructuring of the MOAC is worthy of mentioning. The recommended areas for restructuring include agricultural research and technology, community-based agricultural development, standardization of agricultural products, human resource development, agricultural information and monitoring and evaluation.

In restructuring agricultural research and technology, one among other recommendations is to adopt a new approach at local levels in which researchers work more closely with farmers in the identification of their constraints and in testing new and traditional technology to overcome them. In so doing, a long-term program to train researchers in the philosophy and methodology of Farmer Participatory Technology Development (FPTD) was recommended. The concept of local initiatives or traditional knowledge and adaptive research cited in an earlier conducted Agriculture Needs Assessment Study also need to be taken into consideration.

The introduction of Agricultural Technology Transfer Center (ATTC) as a community-based focal point for one-stop-service to the farmers has now been fully responded with every Tambon having its own TTC. The type of HRD programs to involve the local communities in the planning and decision-making process relating to agricultural development need to be developed.

The HRD and Agricultural Association Development guidelines proposed in the Ninth Agricultural Development Plan are to:

- Promote learning process and participation of farmers and their association in a systematic and continuous manner. The two projects identified under this measure are: a) the Community Agricultural Service and Technology Transfer Center, and b) Study on Career Development;
- Strengthen the social security of farmers and farm labors;
- Alleviate farmers' indebtedness and the identified project on Rehabilitation of Farming Career after Debt Moratorium;
- Increase farmers' earning opportunity and ability and the One Tambon One Product project;
- Increase savings potential in the rural areas;
- Enhance skills and capability of concerned government officers and the MOAC Personnel Development project; and
- Reduce risks in, and establish insurance system of, agricultural production.

Conclusion

To conclude in sum, to support farmers and farmer's organization to address the key issues discussed above, it needs to reorganize the current supporting system provided by government agencies in the following ways.

- Adopt an approach at local levels in such a way that researchers work more closely with farmers in the identification of farmers' constraints and in testing new and traditional technology to overcome them. This can lead the researchers to undertake adaptive research with local initiatives utilizing traditional knowledge to meet local demand.
- Develop such type of HRD programs to involve the local communities in the planning and decision-making process relating to agricultural development. The introduction of Agricultural Technology Transfer Center (ATTC) as a community-based focal point for one-stop-service to the farmers.

1.2 Business Development

1.2.1 Economic Environment and Business Development in Rural Area

(1) Government Industrial Development Policy Toward New Direction

According to the policy of the Government of prime minister Thaksin delivered to the National Assembly on 26 February 2001, the importance of the industrial development for new direction toward sustainability and local initiative. The government policy stressed industrial development such as natural resources based, local skills and knowledge based, small and medium scale industries, value added, environmentally sustainable and the development of skilled personnel/ labor and new entrepreneurs as follows.

- Restructure the industrial sector and promote investment consistent with the country's targets and national development strategies, while taking into consideration the country's natural resources, traditional and proven Thai skills and local knowledge, our potential in the area of production and marketing, and the need to strike a balance between utilization of domestic or imported new materials.
- Promote the development of basic industries and linkages with related supporting industries as part of industrial restructuring and development.
- Develop skilled personnel and labor in the industrial sector in line future of industrial development strategies. Support measures to increase value added in industrial production. Promote and develop production processes that are of a high standard, pollution free or low environmental impact, while ensuring transparency and efficiency in management.
- Develop small and medium-sized industries to play a significant role in the development of the country's industrial sector by supporting and promoting cooperation in the research and development of products and technology among the public and/or private sector and educational institutions as well as the creation of an information network concerning production and marketing factors.
- Promote the role of financial institutions. Support the establishment and operations of venture capital funds (funds for business incubation) as well as a facility for guaranteeing credits for the development of small and medium sized industries.
- Support the growth of the new entrepreneurs in small and medium-sized industrial businesses in the new knowledge-based economy.

(2) Economic Environment and Industrial Structure in Rural Area

The industrialization is transforming Thailand's agricultural sector and rural areas. Rice production centers may be able to survive by pursuing the conventional concepts of improvement in quality and productivity, while in other areas it is becoming increasingly important to develop non-agricultural sectors, as is represented by the expansion of agribusiness, community businesses (cottage industries or group activities) and various kind of SMEs (small and medium scale enterprises).

Most of these community businesses and SMEs in rural areas are engaged in producing finished products especially using manual skills and local natural resources, such as processed

food and confectionery, handcraft, ceramic ware and dolls, silk and cotton weaving, wooden furniture and toys, herbal cosmetics, sewing, metal working and etc.

For such both community businesses and SMEs to grow, in addition to product processing, there must be better linkage with related businesses such as distribution, wholesale, retail, trading, designing, packaging, mass media, transportation, tourism, and with other various business activities and services. Changing agricultural sector and rural area adaptable to new social and economic environment, powerful revitalization measures must be pursued that could transform the rural situation.

In the course of this research, however, we learned that data on actual numbers of firms or groups existing as informal organizations such as almost all community businesses are hard to obtain.

The statistics based on registration data of firms from the Department of Industrial Works (DIW) Ministry of Industry (MOI) (1999) estimated about 125,000 out of the 127,000 firms (or 98%) fall in the category of SMEs. In addition to this, the estimated number of all other informal sector enterprises including community businesses without registration of DIW/MOI is about 800,000 and almost of all of these are considered to be small or cottage scale.

SMEs comprise 70% of industrial employment, 50% of export product and 60% of value added for GDP. These figures show the importance of SMEs in Thailand economy. The proportion of SMEs by products, agricultural business such as food and beverage account for more than 40%. However the proportion of SMEs by employment shows not only food and beverage but also non agro-related industries, such as textile/leather, wood/paper/printing, metal works, holding large share.

Also, in terms of geographical distribution of SMEs, 55% are located in rural area that is to say outside of the Bangkok Metropolitan Region(namely Bangkok, Samut Prakarn ,Samut Sakhon, Pathum Thani, Nonthaburi and Nakhon Pathom). By contrast, for Large Scale Industries the share of rural area is about 40%.

Concerning the definition of SMEs, up until 1998 the Ministry of Industry's Dept. of Industrial promotion (DIP) defined small industries as having employees not exceeding 50 and having invested capital not exceeding 10 million bath and medium industries as having employees 50 to 200 and having invested capital 10 million to 100 million bath.

1.2.2 Government Activities Supporting Businesses Development in Rural Area

The Department of Industrial Promotion (DIP) of Ministry of Industry (MOI) has been undertaking major role in the field of business development in rural area. Their supporting activities are classified such as 1) relocation of factories, 2) handicraft development, 3) tourism village development and 4) industrial village development. The followings are the outline and performance of these promotional measures.

(1) Relocation of Factories (The Government Activities Supporting to Set Up the Industrial Business and Connect to the Production in Rural Area)

The Department of Industrial Promotion, Ministry of Industry, received the assignment from the cabinet in 1996 for support the project of the rural area industry development within the period of the 8th National Economic and Social Development Plan (1997-2001). DIP must promote and support to invest and expand the business of SMEs in rural area. DIP encourage the people in rural area to be owner and join this project, and also promote to set up the community business, in which they are the owner or a member of the management. Since October 1,2001, the project the rural area industry development changed the name to be the activities for supporting to set up the industry business and connect to rural area.

1) Purpose

- Promote the investment and expand the business of SMEs in rural area
- Underlines the cooperation of villagers and make them feel to be the owner of their business, which is effective to the stable industrial development in rural areas
- Advance the cooperation and work of government, village and district organization, and individual business in the production sector and NGO

2) Method

Encourage market oriented economy and raising up business leader in rural area/ persuade industry and business owners to lead the industry to rural area

- Set up the factory in the community and let them join to manage, invest and be owner for stable development
- Make the strong rural organization by industrial cluster and co-op. system
- Cooperate with 3 sides, which consists of the Government, village and tambon organization and individual business owners and NGO

3) Government unit

- Determinate the policy for support the activities
- Activities of public relations
- The budget for support the training & development of the workmanship in the area by cooperating with the individual business division
- Providing workmanship and start up training
- Monitoring and follow up of the result of activities

4) Individual business

- Support marketing
- Transfer production knowledge and business management to local people
- Start investment
- Procuring raw material, technology, machine and production equipment

5) Local people

- Join in the production → investment → owner of the business community

6) **NGO**

- Coordinate the business of community and connect to another activities
- Develop the efficiency of people and organization in local area

7) **Result of the activities**

Until January 31, 2002, these activities supported the individual business, which bring the production to the rural area and have many productions in the provinces, and they are continuing to implement. They have 271 projects, 40 types of industry, 59 provinces, and 17,803 persons to be the members of activities and 205 individual businesses.

(2) **Handicraft Development (Policies and Outlines of the Ministry of Industry on the Promotion and Development of Thai Handicrafts)**

Handicrafts have been, directly and indirectly, an indispensable part of Thai people's way of life since ancient times. At the outset they were exclusively handmade, rather small in the number of lines, and produced solely for household consumption, by intelligent use of local materials and resources. More recently, their production has been developed not only qualitatively but also quantitatively with the gradual introduction of modern technology for commercial purposes as well. The present situation is that Thai handicrafts are now produced both in indigenous households and in small and medium-sized factories to meet the demand of national and international markets. Over the past years they have assumed a significant role in the economy of Thailand as they have not only created more employment opportunities and additional sources of income but have also brought foreign currency into the country. In addition, they have helped better the quality of life, and have preserved the artistic and cultural heritage of Thailand as well as making it known for and wide.

As a result of their importance, as described above, the Thai Government has deemed it necessary to ensure the continuous development and progress of Thai handicrafts as well as to help solve any future problems. Although the Ministry of Industry does play a major role in regard to handicrafts, in their development, production, training and marketing as well as the provision of technical knowledge and financial assistance, it has considered that the best way to execute government wishes is to solicit cooperation from other organizations concerned, both public and private. Consequently, a proposal was made to the cabinet for the appointment of a joint committee of representatives from both government and private sectors for the mission under the name of Committee for the Promotion and Development of Thai Handicrafts, which was approved on June 14, 1983.

1) **Development policy**

The committee immediately established all necessary policies, guidelines and executing measures for the task. Then, to affect speed and efficiency, five sub-committees were set up each to take charge of one of the following groups of handicrafts, namely: leather, textiles, plants (wood, rattan, bamboo and fibrous plants), pottery and metals. These committees were to consider production along with the marketing of the Thai handicrafts in their responsibility according to the following policies:

- Develop both the quality and form of Thai handicrafts as well as efficiency of their production.
- Promote marketing opportunities among local, visiting and international consumers.

- Propagate in the market those handicrafts that are still limited in production so that they can be made continuously and more extensively.
- Ensure sufficient supply and optimize the use, of indigenous raw materials and natural resources for handicraft production.
- Compile and provide all possible data concerning handicrafts for the producers and purchasers as well as those concerned in other aspects.
- Support and encourage coordination among government and private sectors in their roles concerning handicraft promotion in every way.

2) Guidelines

To achieve the above policies, the following guidelines have been established

- Identify target handicrafts for promotion and development purposes based on market opportunities
- Set up an operation plan for promotion and development work of these popular handicraft
- Specify the types of handicraft that have vanishing tendencies and need to be propagated
- Plan encouragement steps and marketing campaigns for vanishing crafts
- Draw on all possible sources of help, financial or otherwise, from both government and private sectors, in-shore or off-shore
- Propose for the Committees immediate consideration any handicraft that has problems whether in production or marketing

3) Promotional activities

In accordance with the above policies and guidelines, the Division of Thai Handicraft Promotion has been assigned the responsibility of the actual execution with regard to technical and marketing assistance, loan provision, collection and dissemination of data on the production and marketing of Thai handicrafts including research on them. The division is also responsible for arranging activities, for example displaying various types of handicraft whether in current production or about to be obsolete with a view for further development and marketing.

For several years the mission has already been successfully carried out. Interest in Thai handicrafts has been felt far and wide: private and government sectors, educational institute, non-profit organizations, even individuals and craftsmen themselves, have realized their importance. This has not only affected increased productions well as export but also brought more occupational opportunities and supplementary income to Thai people, urban and rural alike. Handicraft production started as a very small scale for domestic consumption only has changed to an industrial level thereby meeting demands from international markets as well.

(3) Tourism Village Development (Rural Industrial Villages Project for Tourism by DIP and TAT)

Thai Government has allowed the fund for improve and develop tourism section in order to construct the community center where is combined with local product shop and souvenir, handicraft exhibition place and product processing, public toilet and car park. The planning work has been started from January 1999 with the assistance of Japanese Government (JBIC project), (duration between January, 1999-2003).

1) Selected villages

On behalf of coordinator in this project, Tourism Authority of Thailand (TAT) has presented the tourism campaign project that can improved occupation and spread revenue into rural 20 industrial villages covering 19 provinces (Chiang Mai, Phayao, Sukhothai, Uthaitani, Udon Thani, Surin, Amnat CharoenChaiyaphum, Suphan Buri, Kanchanaburi, Ang Thong, Prachin Buri, Chon Buri, Prachuap Khiri Khan, Surat Thani, Nakhonratchasima, Songhkla, Krabi and Phangnga)

Also, Department of Industrial Promotion of Ministry of Industry have coordinated with private sector, community organization and people in those areas in terms of opinion adjustment, promotion of marketing extension, design development training, marketing training, community business for tourism training and prepare information combine with advertise to tourist.

2) Purpose of the project

- To motivate for people in target areas to integrate into this project
- To promote the collective peoples in local area and improve the unity of community by economic activities
- To create occupational opportunity in the form of industrial business by DIP and involving public sectors, take for example TAT and provincial office in order to be the center of cooperation agency between private sector and community organization
- To create opportunity for people in rural areas to collective administration and improve industrial business in family and handicraft for better achievement

3) Project aims (Operation by DIP)

- To established the industrial village for tourism in 20 target villages
- To established the central community building in each target villages by total 20 places in Thailand

The average income of member of villages increases when the project terminates at 36,000 Baht/person/year.

The followings are the number of village members who will be accepted in the training programs

- Quality and design product development courses among 600 people
- Marketing development training courses among 600 people
- Community business management for tourism courses among 600 people

The target villages which will have understanding and experience in terms of quality and design product development (not less than 30 people for each village base on 20 village or total is 600 people).

The target villages which will have understanding and experience in terms of marketing issue and they could operate by themselves (not less than 30 people for each village base on 20 village or total is 600 people).

The target villages which will have understanding and experience in terms of community business management for tourism and the way how to managing central community by

themselves (not less than 30 people for each village base on 20 village or total is 600 people).

- To establish the village committees for managing community centers by 1 committee per 1 village
- To support the target villages to set up tourist system, trading system and efficient service system
- To promote Thai tourist and foreign tourist go to the villages not less than 30 groups per month
- To encourage public relations for tourist companies to more than 500 companies and all kind of mass media in order to know the industrial villages for tourism.

(4) Community Business Development (The Project of Village Industry Development by DIP)

The Department of Industrial Promotion (DIP) initiated the project of village industry for the purpose of improving the quality of life of people in rural area. It is the new industrial policy for the development of community business and handicraft manufacturing(group activities) and DIP gathered all of strength, factors and knowledge for supporting a living of rural people. This project makes it continuous in the business style, complete the product circle and development by itself.

The cabinet approved the project of village industry for 3 years of 1994-1996 and gave 43 million Baht to DIP for starting this project. In that period, DIP arranged 117 community businesses and selected 22 of them to be the model community businesses.

As to the successful process of this project, DIP directly guided and assisted the people in the village and improved the efficiency and quality in handicraft production. This project also improved community business in the areas such as unity of group, marketing, production technique, income and good quality of life. The Bureau of the Budget approved to expand this project for 3 years during 1997 to 1999.

1) Purpose of the project

- To support the strength of village business organization, who depend on themselves
- To increase the ability, knowledge, efficiency and potential of people, who have occupation in cottage industries and handicraft and the group leader of village
- To make good foundation for advancing the industry to be the major business of villagers
- To develop the village by efficiency improvement and achieving the aims

2) Steps of works

- Make village profile
 - Collect data from concerned institutions
 - Compare with the data designed of standard village and make the questionnaire
 - Analyze data to choose the villages that will add to survey
 - Field survey of the villages
 - Concluding the data analysis of villages
- Analysis and choose the village
 - Collect the data of village for choosing by standard

3) **Activities of project**

- Activities for adjust opinion
 - Arrange project introduction meeting/seminar
 - Arrange observing activities in marketing and group/village, which are successful
 - Arrange activities for make persuasive and adjustment
- Set up and develop the business group
 - Create structure and management of group
 - Search and choose the group leader
 - Give knowledge of group management/training the group leader
- Information management (upgrade the knowledge and ability)
 - Arrange training/occupational training to develop new skills
 - Arrange training on technique for product improvement, raw material development and quality control
 - Arrange training on knowledge management for marketing, product design and packaging
 - Give continuous current data information service
- Promotion of marketing activities
 - Promote public relations and distribute the information on product groups
 - Prepare picture presentation of village's products
 - Provide showroom for villages
 - Arrange exhibition for public relation and sales promotion
 - Lead groups to join the exhibition and visit the potential market
 - Arrange activities for buyers meet producers
 - Encourage community businesses among villages competitive
- Activities for capital and fund raising
 - Supplying the revolving loan of Department of Industrial Promotion
 - Setting up fund development and give consultancy service and comment in the provision of capital
 - Purchase equipments with lower price
 - Adjust the regulation of loan to be easy and quick
 - Loan without interest
- Consulting activities
 - Project officer fixed in the target village
 - Consultant clinic in the village
 - Suitable teams go out to give consultancy service and assistance to villages

4) **Process of development and evaluation**

The DIP considered that the project of industrial village would be process development project. The DIP conduct analysis of industrial village (community business) by collecting data and carrying field survey and select the candidate village for the project. The targeted villages in this project should be the efficiency model and suitable for use as the Incubation Model, which has growth potential as the success model of industrial village. Their process development have been supported by DIP continuously so as to realize the industrial development in targeted villages.

The project was started from the activation of invitation and giving support for upgrade the knowledge and ability in production, marketing and business management. They have

extended the service of consulting, suggesting and making the strength of business group activity, encouraging market development and supporting fund raising.

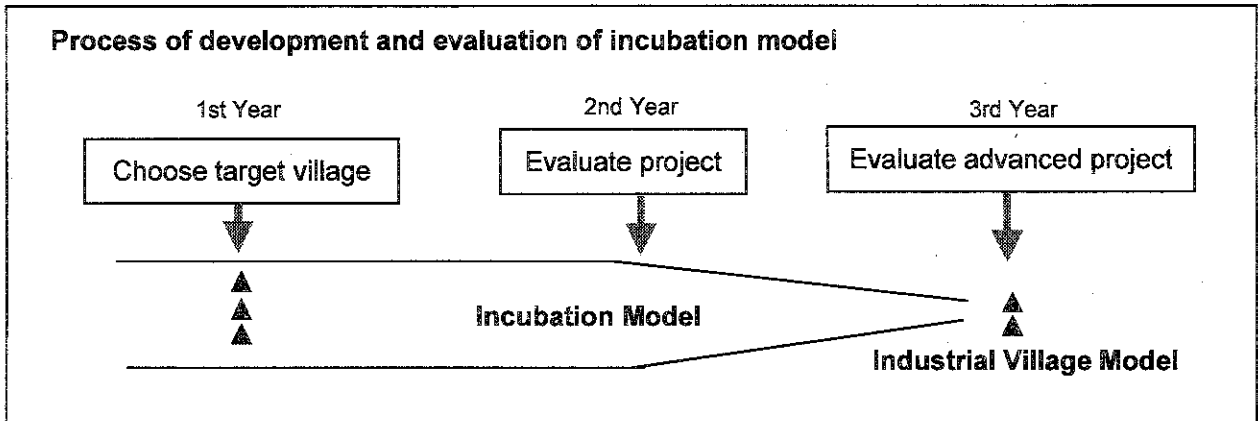


Figure 1.2.1 Incubation Model of Industrial Villages

Source : DIP-MOI

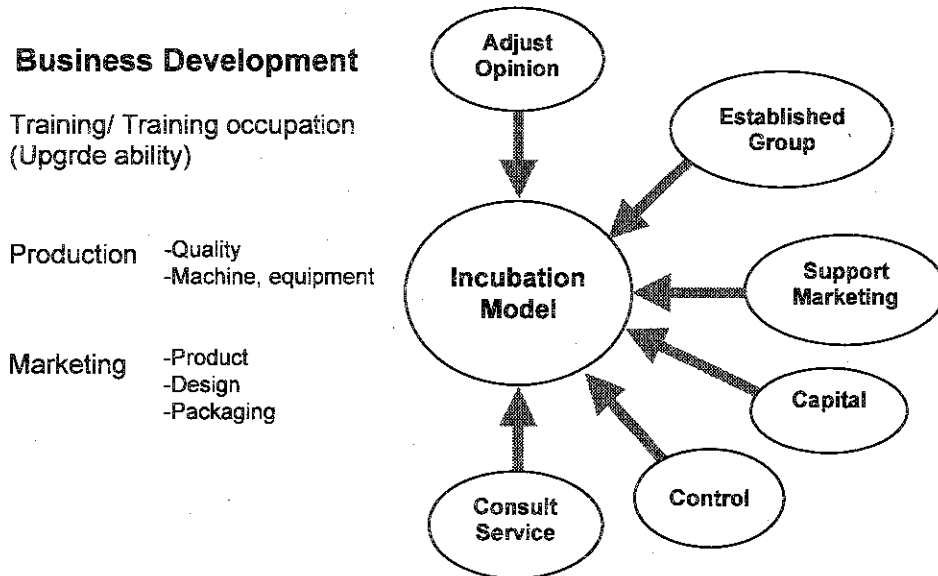


Figure 1.2.2 The model of development of Industrial Village

Source : DIP-MOI

Table 1.2.1 List of The Selected best Industrial Villages 1999 (36 villages)

No	Village	Tambon	Amphoe	Province	Type of Industry
1	Ban ko Moo 3	Sompoi	Rasisalai	Si Sa Ket	Pottery product
2	Ban Kao Kaew Moo 2	Kaowroobchang	Muang	Songhkla	Product from Scale of fish
3	Ban Na Tum Moo 6	Padungbaysar	Sadaow	Songhkla	Coconut shell product
4	Ban Klongnakornmuangked Moo 3	Klongnakornnuangked	Muang	Chachoengsao	Product from wood and horn
5	Ban Donmaifai Moo 7	Taperk	Chalermprakiat	Buri Ram	Brass and Silk product
6	Ban Faimool Moo 1	Paka	Tarwangpha	Nan	Product of Knife and Agricultural tool
7	Ban longlueboon Moo 3,6,8	Ban Nuoon	Song	Phrae	Product from Paper Mulberry
8	Ban Huaytuay Moo 7	Huay Mounng	Poophaman	Khon Kaen	Agriculture Industrial product
9	Ban Klongkudmai Moo 13	Ta Kai	Muang	Chachoengsao	Brass weave product
10	Ban Chaimongkol Moo 1	Chokechai	Nikhom Kumsoy	Mukdaharn	Plastic line weave product
11	Ban Naikuan Moo 1	Kreng	Cha aud	Nakhon Si Thammarat	Bulrush product
12	Ban Natub Moo 14,15	Ta Sala	Ta Sala	Nakhon Si Thammarat	Product of tail of purse net
13	Ban Laowpattana Moo 5,9	Laopattana	Na Wha	Nakhon Panom	Product of reed and reed mat
14	Ban Huakwai Moo 9	Koo Taow	Had Yai	Songkia	Product of banana rope
15	Ban Mai Moo 1	Wong Chin	Wong Chin	Prae	Vine product
16	Ban Kudyang Moo 3	Talad Lang	Ban Kaywa	Chaiyaphun	Silk product
17	Ban Donfuang Moo 7	Mae Rang	Pa Sang	Lumphun	Product of hand made cotton cloth
18	Ban Donhun Moo 3	Mai Na Peang	Wang Yai	Khon Kaen	Silk product
19	Ban Natapo Moo 1	Ban Bung	Ban Rai	Uthai Thani	Product of local cotton antique style
20	Ban Boonglerd Moo 1	Boonglerd	Meauvadee	Roi Et	Product of weave cloth and cloth
21	Ban Padaeng Moo 1	Nhongpayom	Tapan Hin	Pichit	Elaborate silk product
22	Ban Paingam Moo 1	San	Wieng Sa	Nan	Product of weave cloth in water flow style and cloth
23	Ban Muanghom Moo 5	Kangsopha	Wangthong	Phitsanulok	Weave cloth product
24	Ban Rongvoa Moo 5	Mae Soy	Jomthong	Chieng Mai	Product of weave cotton with dye natural color
25	Ban Laokwan Moo 1	Laokwan	Laokwan	Kanchanaburi	Weave cloth product
26	Ban Wayai Moo 2,9	Wayai	Akas-umnuay	Sakon Nakhon	Product of cotton cloth (Mudmee), cloth
27	Ban Samruen Moo 4	Ta Takrow	Nongyaplong	Petchbuti	Elaborate silk product
28	Ban Nongkan Moo 1	Nongkan	Patumrat	Roi Et	Silk product
29	Ban Tongkoong Moo 11	Talook	Suppaya	Chai Nat	Water hyacinth product
30	Ban Donfab Moo 10	Nilpetch	Banglane	Nakhon Pathom	Water hyacinth product
31	Ban Nilpetch Moo 3	Nilpetch	Banglane	Nakhon Pathom	Water hyacinth product
32	Ban Bangtapan Moo 1	Klongvoa	Muang	Ang Thong	Water hyacinth product
33	Ban Huaywai Moo 2	Cokechang	Dermbangnabuad	Suphan Buri	Water hyacinth product
34	Ban Takam Moo 6	Sobpueng	Maetang	Chiang Mai	Needlework product
35	Ban Srachan Moo 11	Kratumrai	Pratay	Nakhon Si Thammarat	Scrap cloth product
36	Ban Aowmanow Moo 1	Kaluwornueng	Muang	Naratiwat	Batik product

Source : DIP-MOI

(5) The Field Survey of Community Businesses in Rural Area

The Study team conducted the field survey of community business (group activities or cottage industries) as major business activities in rural area. The team selected several industrial villages from the list of the best industrial villages 1999 of DIP as success development model for aiming the analyses of the potentials and constraints of business development in rural area. The followings are the outline of each village and government promotional measure and past development performance of studied cases (Tambon level).

1) Ban Donmaifai (Buriram Province)

Name Ban Donmaifai
Moo 7, Tumbol Tapek

Amphor Chalermprakiat, Buriram Province

Number of Family 320 families
 Major Occupation Agriculture, general employee
 Minor Occupation Brass product, Weaved silk manufacturing

Ban Donmaifai village was densely village and villagers had poor status. Majority villagers are engaged in agriculture or employees. Almost all of the villagers (up to middle ages) escaped from aridness and moved to other working area such as Bangkok, East and South part (there remain only child and old man in the village). The remainder villager started weaving silk (Mudmee) and making brass products for increasing their additional income. The average of additional income in the village is 2,000-3,000 Baht/person/month.

The brass product of Ban Donmaifai began from Mr. Narong Surinpun, who was once working in the brass factory at Bangkok. He brought the order of brass product back to his home and invites other villagers to do it. The brass products were so beautiful and the market demanded them, so the group had many orders. The villagers who interested in the brass products increased and came to join this group. Now, they have 40 members.

In 1994, DIP asked Donmaifai village join in the project of industrial village and support in the area of product development, management, investment, and marketing by training and give knowledge continuously. At present, the group of brass can work in the system of leader' ownership management. The experience of marketing products and production development connected to the increase in income of the member of this group to around 3,000 Baht/person/month.

2) Ban Bangtapan (Angthong Province)

Name Ban Bangtapan
 Moo 1, Tumbol Klong vow,
 Amphor Muang, Angthong Province
 Number of Family 110 families
 Major Occupation Farmer
 Minor Occupation Water hyacinth product manufacturing

The water hyacinth product of Angthong province is the well-known product. Ban Bangtapan is the number one village in Angthong that make the fine water hyacinth product.

The primogenitor of villagers of Ban Bangtapan is farmers. All income from every occupation around 2,000-2,500 Baht/month and tried to find the additional income by weaving rattan, bamboo but it was unsuccessful because the material was difficult to find. The chairman Khun Pranee Chantavorn decided that the water hyacinth product would be good for additional occupation. In 1991, she asked to the officer in Angthong province to help and support this project and finally got the budget. At the first phase, the group had 15 members and they were unsuccessful because they didn't have the knowledge of marketing and business management.

In 1995, DIP came to support and develop this project as the success model, in the area such as management, investment, establishment, production development and marketing. MOI let them to join in the project of industrial village.

Based on long term development strategy, they rotated and shared the duty within the group and try to teach together and to help together. They got DIP support continuously, which made the product of Ban Bangtapan well known and customers demanded it especially in the product of bag and vase. Their member increased to 70 and income also increased to 1,500-5,000 Baht/person/month.

Water hyacinth group of Ban Bangtapan contributes 5% of their income to the village to take care woman and old man, who cannot help themselves.

3) Ban Don Luang (Lamphun Province)

Name Ban Don Luang
Moo 7, Tambon Mae Rang
Amphoe Pasang, Lamphun Province

Number of Family 223 families
Major Occupation Paddy Field, Orchard
Minor Occupation Weaved cloth manufacturing

The group of the weaved cotton cloth of Ban Don Luang was established 1982 and had 10 members at the beginning stage. Before set up the group, they had average income of only around 750 Baht/month. Their products were sold in local in the first phase and then, the Government unit and NGO came to support in the subject of production, marketing, revolving fund, training as the model project for villagers. Increased to 40 members in 1996 by Mrs. Srinuan Kumpun, who became the president of current big group.

DIP had been supporting them continuously, and chose them to join the project of industrial village in second period. DIP let them join in the workshop of training in the area of managerial in business group, mixing color and dyeing, designing and marketing. Finally the handicraft products of weaved cotton cloth of Ban Don Luang was accepted as the quality product in local and urban market.

The group of weaved cotton cloth of Ban Don Luang separated the group to be 6 subgroups to control the quality of products easily (The subgroups are consists of the group of weaved cloth sheet, the group of weaved all cloth, the second group of weaved meter cloth, the group of cut, sew and transform to weave the bed carpet, the group of planted cloth and the group of knitting rim cloth. In each group, they have the leader of subgroup who take care, receive and distribute work to their members.

Worked process in the past has increased the income of each member of group to 2,500-3,000 Baht/month and has also increased the members of group to 115 persons. The colorful handicraft product of weaved cotton cloth of Ban Don Luang became to famous and they were producing the products for local and export market in recent years.

4) Ban Don Hun (Khon Kaen Province)

Name Ban Don Hun
Moo 3, Tambon Mai Na-Peang
Amphoe Wang Yai, Khon Kaen Province

Number of Family 168 families
Major Occupation Agriculture

Minor Occupation Weaved silk manufacturing

Ban Don Hun, Moo 3, Tambon Mai Na-Peang was originally village area, which was out of sub-municipality. People were poor and they were mainly engaged in agriculture. In former time, many families had additional occupation, which was weave cloth for the use of their families between the agriculture seasons. The average income from the side job at that time was around 1,000 Baht/month.

As the people in Ban Don Hun loved the occupation of weave silk cloth, they organized group for develop and new design adaptable to the market. As the result, the color and design of silk changed to much more beautiful and high quality. It became to Mud Mee silk, which has the unique looking in design and color. In next stage DIP helped them continuously in the development of design and marketing and made the silk cloth of Ban Don Hun popular. As the result, the order from their province and from another provinces increased sharply year by year.

In 1995, DIP let them to join the project of industrial village and has supported the group activities of weaving silk cloth of Ban Don Hun by giving the information and knowledge in the area of management, marketing, group management, occupational training, weave by loom and etc. The group members increased to 80 persons and the income of each member increased to around 3,000 Baht/month.

5) Ban Pa Daeng (Pichit Province)

Name Ban Pa Daeng
Moo 1, Tambon Nhong Pha Yorm
Amphoe Ta Phan Hin, Pichit Province

Number of Family 178 families
Major Occupation Paddle field
Minor Occupation Weaved cloth manufacturing

People of Ban Pa Daeng had custom to grow the cotton plant and weave cloth in the old traditional style. That was the community's life style and the products were used for family and their main occupation were agriculture in paddy field. But they had financial problems because of not enough agricultural products and had income only 1,500-2,00 Baht/person.

Farmer's wives in the village started to weave cloth for sell and to get the additional income for help their family, but they found the problems of quality, lack of revolving fund, lack of modern design style and few market demand. According to their request DIP came to help them and support them in the field of production, management, design style, quality of skill development and the service of revolving fund.

Currently, Ban Pa Daeng have the system of management with 300 members and income by person is not less than 2,000-3,000 Baht/month. Cotton weaving changed the income of people in village and as a result, some villagers hold it to be main occupation instead of paddy field agriculture.

6) Ban Moug Hom (Phitsanulok Province)

Name Ban Moug Hom

Moo 5, Tambon Kang So Pha
Amphoe Wangthong, Phitsanulok Province

Number of Family 251 families
Major Occupation Farming, Orchard
Minor Occupation Weaved cloth manufacturing

Most of people in Ban Moung Hom had the main occupations in paddy field and farming. After rainy season, people would have many free times and many families weaved cloth for use within families.

With the efficiency and elaborate skill in beautiful weaved cloth of people in Ban Moung Hom, the weaved cloth became well known and strongly demanded by market. They started to buy and sell in the local with the assistance of the Government units such DIP, Industrial Office of Phitsanulok. The officers helped them in set up the group of weaved cloth of Ban Moung Hom and made it better in the system of group management, which made the people's income from weaved cloth increased to 1,000 Baht/month/family.

People in another village were also accepted in the group of weaved cloth who were interested in but they had the problem of no building for permanent working group. They had enthusiastic attitude and had the recognition on the importance of weaved cloth. Also they have good leader, who has good relationship and reputation with in and out of the group leads to the success of the group activities. The market strongly demand their product; especially in the product of elaborate weaved silk cloths, skirt, and loincloth.

By the appraisal of the DIP for the group's efficiency and elaboration they had selected as one of industrial villages. Department of Industrial Promotion came to support them in improvement of skill, management and marketing by arranging the training in weaved cloth and dying color.

Since DIP started to support them, the products of weaved cloth of Ban Moung Hom became more popular and made the outside people came to order for buying at their place. The style of management has changed to modern and it advanced the group further. The group members weave cloth all the year round, which makes the people to have more income of 2,000-3,000 Baht/month and have more members of 50 persons at present.

7) **Ban Huay Hwai (Suphanburi Province)**

Name Ban Huay Hwai
Moo 2, Tambon Koke Chang
Amphoe Dermbangnangbuad, Suphanburi Province
Number of Family 92 families
Major Occupation Paddy field
Minor Occupation Water hyacinth product manufacturing

Ban Huay Hwai is originally a typical village since the age of their primogenitor. The village have many water resources and can do paddy field activities 3 times through the year round, so the villagers have neither much free time nor much importance in additional side job.

Mrs. Homkrun Mungpan, who is the president of group, had the experience that the paddy field in several year had the problem of low price, enemy of plants, resulted in little bid of

harvest and not enough income for living. There were much water hyacinth in the Klong Huay Hwai, which turned into handicraft product and generated additional income. So, they asked DIP to help and support them in the training of making the hyacinth product in 1992. That was the first year and they had only the 15 members in the group.

DIP came to help in training procure the equipment such as oven, press machine and showcase. DIP continued training activities in the area of updating the model and in other sides such as management, investment, development of the production group, marketing and distribution. The people in Ban Huay Hwai, every family can make the hyacinth product. The group activity makes the income of each group member to the amount not less than 1,800-2,500 Baht/month/person.

Presently, Ban Huay Hwai is well known and have the order all the year round. It can make the products and send to the market in many product styles. Ban Huay Hwai group activity has the management style of administration in a democratic way. For instance, when they have the orders for hyacinth products, the 35 members will have meeting and share the work to each member with equal status.

8) Ban Huayteoy (Khon Kaen Province)

Name	Ban Huayteoy Moo 7, Tambon Huaymuong Amphoe Phoophamarn, Khon Kaen Province
Number of Family	207 families
Major Occupation	Farming, Paddy Field
Minor Occupation	Industrial agriculture (herbs) product manufacturing

Most area in the village consists of plain land and it is close the slopes of the hill. Villagers were poor and their incomes didn't have enough income for support their life. The local labors moved to city area for finding the jobs.

The various Government Departments and DIP came to help them by setting up the local trade group for increasing their income during free time period of agriculture season and for finding out new material for income from the forest. They assisted in setting up the group of agriculture (herbs) industrial product for increasing income of villagers. They collected the local material and transformed it in the name of agriculture industrial product (herb product).

First product was the young bale fruit, which had big amount in the forest and on the mountain by nature. They sliced the young bale fruit, dried it by sunshine and transformed it to be bale powder. Next, they made instant herbs drink powder from other agricultural products, such as Chrysanthemum, Safflower, Red Roselle, Lemon Tea, Cat's Whisker, Ginger, Mushroom, Lotus pollen, Citronella, Mulberry Leaves Tea.

In 1998, DIP started to help and brought them the Project of Industrial Village, by supporting in the management side, administration of the group and marketing continuously. At present, their products are widespread and popular among consumers all over the country. As for the products of herb transformed from natural material gains the image of health and the villagers of Ban Huayteoy is also acquiring the reputation of "The agriculture industrial(herbs) product from Ban Huayteoy is good in quality and safe and healthy for eat"

1.2.3 Fact Findings from the Field Survey and the Direction for Business Development

(1) Importance of Promotional Activities for the Business Development in Rural Area

Based on the past Thai Government development strategy of emphasizing market mechanism and the private sector, foreign direct investments have been playing an important role in avoiding the accumulation of debts while transferring not only capital but also technology and management know how through investment activities. In addition, as foreign direct investments flow into the sector, which the host country has comparative advantage through resource allocation by market mechanism, there are large development effects in terms of employment absorption, the effective utilization of local resources and in obtaining foreign exchange from exports.

However, private cooperation such as foreign direct investments are fundamentally based on profit motivated activities of enterprises. Hence, it is necessary to note that even if it is possible to attain economic development through the transfer of management know how such as capital, technology and information, the main objective of enterprise's activity does not lie in the realization of economic development of the destined country or region.

Even in country such as Thailand, where there have been relatively large inflows of private direct investments, it is important that the Government adopt policies which emphasize the development of the community businesses and SMEs especially located in rural areas in the future for balanced economic development.

Expected economic contribution

The followings are expected contribution to the national economy largely by the development of the community businesses and SMEs.

- (1) Establishment of related and niche industries, such as processing industries suitable for small local market demand
- (2) Creation of labor intensive or capital saving enterprises suitable for rural area
- (3) Effective utilization of locally scattered agro-related or other domestic resources and the conservation of natural resources
- (4) Narrowing of gaps between urban and rural areas through the promotion of regional industries.

Looking at the industrial structure of Thailand in rural area, it can be seen that bipolarizations exist with few large modern enterprises and a large number of community businesses and small scale enterprises holding traditional or conventional technology. For the large modern enterprises, many of them are government-related or private enterprises or joint ventures based on technology from the industrialized countries.

On the other hand, community businesses and small scale enterprises are in general based on technology systems used in traditional rural industries, and linkages with the large modern enterprises are extremely rare. In addition, it is also difficult for these small and cottage industries to shift to modern technology and management system autonomously through growth and development. Hence the Government institutions or guidance activities are

expected to play important roles in the development process.

(2) Community Businesses and SMEs

Most of business activities in villages and rural areas are community businesses (group activities) rather than small and medium enterprises.

1) Social aspects of development

Community business development means not only the development of rural economy and businesses but the development of the rural quality of life and culture in the following social aspects.

- (1) Sustainable development in terms of social stability, capacity and life style
- (2) Rural and local people and community initiative development
- (3) Natural resources based development/ environmental preservation
- (4) Promotion of senior people and women's activities/ encourage young generation to stay in rural area
- (5) Linkage and cultural exchange between urban and rural people

2) Special character of community businesses

Community businesses are economic activities but at the same time they are social group activities. In that sense, community businesses have clear difference in their character from existing SMEs especially in terms of following aspects.

- (1) Informal organization/ group activities and leader –member relations
- (2) Mostly farmers' side job and not full time job/ not always sales and profit growth oriented/ in many cases they have no factory (in house works)
- (3) Mostly initiated and supported by public sectors such as DIP, DOAE and CDD.
- (4) Basically small lot and hand made production (no production standard) with seasonal fluctuation./ using local natural resources as materials
- (5) Weak business relations with urban and overseas/ located in remote area
- (6) Limited linkage with market and information/ lagging behind in IT
- (7) Limited fund raising source/ little bargaining power with wholesaler or retailer/ no credit rating (quite frequently no book keeping and no financial recording)

(3) Expected role of the government promotional activities and the Key Factors for Business Development

Through the field survey in rural areas, the study team discussed not only with the leaders of business activities including community businesses but also with the officers of guiding institutions such as DIP regional office, TAO and local government office and SME (Institute for Small and Medium Enterprises Development) office.

The followings are the expected role of the government promotional activities and key factors for (successful) community business development and SMEs development in rural areas gained by field observation and discussions with the leaders and officers concerned mentioned above.

1) Expected role of the government promotional activities

- (1) Successful promotional activities by public sector for business development in rural area
 - Advisory service and assistance in term of management, production technology, equipment and marketing
 - Training programs in order to improve knowledge (information) based skill adaptable to market needs combined with knowledge (information) management courses
 - Advisory service for the improvement of product design and packaging
 - Promotional activities for marketing such as preparing exhibition and event
 - Providing revolving fund with low interest rate
 - Programs to visit another success group in terms of production/ design development, management and marketing
 - Picking winners as success model for other community business group development
- (2) Enhance potential for linkage between agricultural sector and other sector (industry and tourism)
 - Transformation of agricultural material into industrial products in order to value added, such as food, handicraft and textile products
 - Manufacturing and tourism service as supplemental occupation after farm activities season (In case tourists come to visits both handicraft products and service facility could create the income to people in rural areas).
 - Promotion of industrial service and tourism service which deeply related with local culture, history and community life style
- (3) Effective activities to support higher value added products, new products with new design or new concept
 - Advisory service in the area of product quality development, product design development and packaging improvement
 - Preparing seminar for providing information on market (export/ urban/ local) trend and consumer needs
- (4) Expected activities for the promotion of linkage with local market, urban and export market
 - Providing information not only on customer needs (taste) for product quality, price and packaging but also on difference by level of markets (local market, urban and export market)
- (5) Provide effective information network to update consumer demand and competitive condition in the market
 - Establishing information network hub among public sector which concern with the promotion of rural business and coordinating both producer's (rural business) information and buyer's (market) information
- (6) Successful activities for skill development and design development
 - Establishing R&D section in public sector and providing training programs
 - Preparing exhibition and contest for selecting success rural products
 - Providing information on current technology and design trend
- (7) Expected activities for management development and entrepreneur (business leader

development)

- Providing management training programs not only on management knowledge but on success model by field observation study
- (8) Successful activities for advertising products, producing village and people
- Preparing exhibition and fair for rural products
 - Introduction of producers group to mass media such as TV, radio and newspapers
 - Promotion of agro-tourism, culture-tourism and eco-tourism to villages
- (9) Needs for human resource training in rural area
- Community business leader and entrepreneur development program
 - Business management and financial management
 - Organization (group) administration training
 - Technical and design development training
 - Practical and action oriented training (learning by doing not by lecture)
- (10) Introduction and practical use of information technology (IT)
- Providing design model of the products by the website of guiding institutions
 - Business use (for marketing and net working with market / potential customer) of IT by TAO (Internet Tambon)
 - Providing basic E-commerce training program
 - Information service on special feature (nature, culture, people, products) of each local area for business development
- (11) Request for public sector for the future development of community business
- In depth study and finding out new approach for guiding activities
 - Supporting institute for the development of community business
 - Making inventories on the development of community business
 - Human resource training to increase officers specialized in business development (in the area of techniques, management, design and marketing)

2) **Key factors for success for developing community business in rural areas**

Studying the success community business model through the field survey the key factors for success would be shown below.

- (1) Target and strategy for long-term base product and market development
- (2) Unity of group activities (work together) and unified long-term concept for future business development
- (3) Support from market and market oriented business (service and product) planning
- (4) Leader (entrepreneurs) who understanding clearly in term of management activities
- (5) Effective use of supporting measures by public sector in terms of technology, fund and information
- (6) Technology and design transformation for quality upgrading
- (7) Provide updated and faster market and technology/ design information
- (8) Motivate rural people to produce qualified goods matching needs of targeted market
- (9) Inter-regional networking for cooperation in technical and marketing development

(4) Constraints for Business Development in Rural Area and the Implications for Human Resources Development

1) Development constraints

Regional industries are confronting various constraints. Major development constraints of community businesses and SMEs in rural area observed through field survey are shown below.

- (1) Declining price and demand on traditional or conventional off-farm products
- (2) Insufficient updates and linkage on market information and demand
- (3) Limited market outlets and little bargaining power
- (4) Insufficient knowledge and technique in making designs of product and package
- (5) Lagging behind in Information Technology (IT) and networking
- (6) Limited equity and investment fund raising source
- (7) Limited business relation with urban and overseas enterprises
- (8) Coming harder competition among community business and SMEs
- (9) Similar OTOP products and many copy products
- (10) Limited number of guiding officers specialized in business development

2) Implications for future business and human resources development

In the context of today's fast evolution in economic globalization, even for rural businesses, domestic and export market will be increasingly high competitive and fast changing. Under such situation, a gap is widening between businesses in Bangkok Metropolitan areas and in rural areas due to the fact that the required technical, informational and management abilities are changing. Especially in this information oriented society, knowledge sharing and net working will be important drivers of the competitiveness of businesses.

Rural community business and small scale entrepreneurs are required to consider it necessary to manufacture products with higher quality and/or higher added value in order to compete successfully with products manufactured in Bangkok Metropolitan areas and the other Asian countries in overseas markets as well as in domestic market.

Business leaders are required 1) Leadership, 2) Strategic planning, 3) Customer and market focus, 4) Information and analysis, 5) Human resource focus as the critical element of sustainable growth in the future.

Also, in order to improve rural business activities, the important factor is people in rural areas understand the target and concept of their activities and motivate not only just for economic reasons reason but for social, cultural, healthy, environmental and traditional reasons as well.

The followings are the new concept and direction of higher quality and/or higher added value products in rural area and will be the needs and new direction for human resources development.

- (1) Develop new products with new design and concept adaptable to changing consumer demand
- (2) Manufacture high quality and high value added products with new technique and design adaptable to current knowledge base economy
- (3) Reduce production, inventory and delivery costs by establishing efficient marketing and

information network and hub

- (4) Switch to the manufacture of products matching not only regional demand but urban and export demand
- (5) Diversify products for growing up new product in niche area
- (6) Develop environmentally sustainable and friendly products
- (7) Develop industrial products with better linkage with tourism and other service sectors
- (8) Foster local initiative entrepreneurs (business leaders) with leadership, strategic planning, customer and market focus, information oriented and human resource focus)
- (9) Establish public IT network and bringing up leaders supporting rural businesses to provide the ability to transfer knowledge (information) into value added products
- (10) Establish inter-regional network to encourage joint technical and marketing development
- (11) Foster guiding officers specialized in business development in the area of modern technology, management, marketing and design

Conclusion

To conclude in sum, based on the field survey, the team identifies **the potentials** of rural businesses as follows: 1) to make **value added products** to transform agricultural material into industrial products to provide rural people additional income, 2) **to link between industry and tourism** to provide additional income and to conserve local culture, history and life style. Rural areas have advantages to promote value-added products with local resources and linkage between business and tourism since they are endowed with local resources such as cultural/traditional heritages.

However, people engaged in rural business commonly have the **constraints** such as: 1) marketing problems, 2) **limited knowledge and skill of business activities**, 3) **limited fund to invest in business**, and 4) **weak business relations** with other areas which is the key element for business. Especially, marketing problems are serious where there are many similar and copy OTOP products in the market. This is not only problems of designing, packaging and marketing skills as people claimed. The market of low quality and copy products are limited in size and flooded with these products. A competition within the small-segmented market causes the marketing problem. In addition, under the current rapidly changing market environment, even for rural businesses, they have to compete and survive in the global competition in the market against low cost Chinese products. Under the current rapidly changing market environment, even for rural businesses, they cannot survive in the markets if these issues are not well addressed. The implication and issues to be addressed on HRD for rural business are as follows:

1. **Foster local leaders of business activities** who are equipped with:
 - 1) **strategic planning ability**,
 - 2) **leadership to motivate group members** into unified to long-term strategies,
 - 3) **managerial skill of business**, and
 - 4) **market/customer and information oriented mind** to compete in the changing markets.

Especially, market-oriented mind is the one of the hardest tasks and key factors for them to meet changing demand of customers/markets under the current evolving market environment. Even once succeeded, there is a need to build capacity that one can continuously catch up the demand and update information and technologies to meet the demand. To update information, **sharing knowledge and information through networking** is crucial to

compete in the business. By doing so, business leaders can produce **value added products with originality and/or differentiated** from other products in the markets, and also find out the **niche markets** where their products can compete under the segmented markets.

2. Supports by public sectors are needed financially and technically.

Financial support to rural businesses is to be provided by financing revolving fund with low interest rate. Technical supports to rural businesses are also needed as follows:

- 1) provision of **advisory services in business skills** such as management, production, marketing, designing, packaging, and advertisement,
- 2) provision of **programs to share the experiences and to support rural businesses to develop network** among them,
- 3) establishment of **information network hub** accessible to local (potential) entrepreneurs,
- 4) development of the **system to keep updating training programs of managerial and business skill** to meet the changing demand,
- 5) **research and development to meet the local demands**, and study on the analysis of the cases of community business, and
- 6) **capacity building of public officers to provide technical advice** to leaders on business development.