How does the government improve the competitiveness of SMEs? lesson learned from Thailand

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Abstract

The purpose of this study is to describe the strategy pursued by the Government of Thailand in collaboration with existing stakeholders in increasing the competitiveness of SMEs amidst the invasion of foreign manufacture-based products. The method used is observation and in-depth interviews at SME product centers, SME product marketing places in tourist destinations, and related parties. Observations were made for 5 years 2018-2023, however, in-depth observations were made in January-March 2023. The results of the analysis show that the competitiveness of SMEs in Thailand is very good due to support from universities, private businessmen (Ventura capital), the government: (innovation support organizations, and state-owned entrepreneurs), large companies in the form of CSR, and various parties who are very concerned about advancing SMEs. SMEs that already have high competitiveness with quality products, will be encouraged to move up to a class that is ready to export. Only SMEs that already have “four stars” are allowed to export because the quality of their products is beyond doubt and can even be proud of.

Keywords: SMEs, Thailand, competitiveness, entrepreneurs,

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Introduction

The problems that have been faced by SMEs in general are low product competitiveness due to low product quality (Republic, 2006), poor packaging quality, brands that have not been registered (Censon et al., 2023), products that are not widely known, marketing is limited to certain environments, limited product quantity, low product innovation (Marwanto & Basrowi, 2020), unsmooth supply chain, and lack of support from the government (Afida, 2022), big entrepreneurs, the business world, and academics (campus) (Prayudi et al., 2019). Other problems are low capital, ability to innovate, ability to improve product quality (Chuencheewin, 2018), ability in packaging, ability in promotion, digital marketing, production management (Turner et al., 2016), financial management, marketing management, service quality, and maintaining customer loyalty (Abd et al., 2022).

Many SME product consumers only try it once (Turner et al., 2016), with no subsequent purchases. Their loyalty to SME products is low (Tarmidi & Ismanto, 2020), because their experience of consuming SME products is not impressed (Tambunan et al., 2021). Growing reluctance for consumers of SME products, who have spent money but do not get comfort and
satisfaction. Consumers of SME products switch to other products produced by large manufacturers (Tambunan et al., 2021), with good quality and competitive prices (Liu & Enterprises, 2017). Other issues that SMEs in Thailand face include a lack of capital, limited product innovation, product quality improvement, and service quality before and after sales (Tambunan, 2020). The majority of SME product marketing in Thailand is also not digital-based, so their market share is narrow and limited (Liu & Enterprises, 2017). The majority of SME product packaging in Thailand is less attractive and does not increase the prestige of buyers (Chuencheewin, 2018). The existing product packaging has not been able to improve the product’s image. In fact, a high product image will increase consumer prestige (Juniarti & Omar, 2021). Quality of service by providing good shopping bags and good merchandise will be a separate promotional tool for these SME products (Syaifullah et al., 2021). That is what SMEs in Thailand have not done optimally (Shinozaki & Vandenberg, 2020).

The huge market share for SMEs in Thailand is actually a golden opportunity for SMEs (Vaibhav, 2020) to meet the needs of more than 41 million foreign tourists each year (Turner et al., 2016). This opportunity must be utilized as well as possible by SMEs in Thailand in marketing their products (Msmes et al., 2020). However, not all SME products in Thailand have high competitiveness, are low quality, and are not suitable for marketing to foreign tourists (Tambunan et al., 2021). There are still many SME products in Thailand that are not suitable for sale to foreign tourists, so coaching and assistance are needed (Thi & Thai, 2018), as well as capacity building for SMEs in terms of procuring quality raw materials, efficient and standardized production processes (Nosih & Aziz, 2021), attractive product packaging (Cahyaningati et al., 2023) excellent service, extensive marketing, maximum utilization of digital marketing, and others (Liu & Enterprises, 2017).

The product quality pyramid of SMEs in Thailand is greatly enlarged at the bottom, meaning that only very few (3.2%) of SMEs products have received ‘four stars’ from the ‘innovation support organization’. The majority of them just got 1 star (68.4%), two stars (23.4%), and three stars (5.0%). SME products that have received ‘four stars’ are encouraged to be exported. In such instances, significant state intervention occurs via ‘innovation support organizations’ (Liu & Enterprises, 2017). The state guarantees that the exported products are of high quality and fit to be displayed to foreign consumers because these products are already well-known for their quality in Thailand (Censon et al., 2023). It is a disgrace for Thailand to export products that are not well known within Thailand and have not been tested for quality (Abd et al., 2022). A bad impression of SMEs in Thailand should not occur in export destination countries. This condition causes SME products that can be exported to be very selective, accounting for only 3.2% of all existing SME products (Prayudi et al., 2019).

The “one location-one famous product” policy (Thi & Thai, 2018) in Thailand, which is also implemented in several countries, still needs to be effective (Chuencheewin, 2018). Because people’s abilities, capital, tastes, and aspects of consideration for SMEs are different, the program has not been able to run optimally (Shinozaki & Vandenberg, 2020).

Many experts state that the better the product quality, the greater the competitiveness it has and the greater the opportunity to be marketed on an international scale (Dawaton, 2021). SME products that are produced at rudimentary levels, are not of high quality, and do not pay
attention to high quality standards will be products that are not suitable for sale on a national or even international scale (Tambunan et al., 2021).

So far, the majority of SMEs have failed to increase product innovation, improve product quality, and increase market share, so many of them have closed because they have not even advanced (Velasco et al., 2015) and do not want to die (Tambunan et al., 2021). They are unable to be sustainable because SMEs do not have good skills in producing high-quality products (Liu & Enterprises, 2017). The development of product quality is still limited; packaging quality is low (Bernardo et al., 2014); laboratory tests are suitable for distribution and environmental sustainability (Stufflebeam, 2003), but they are not carried out properly; and there are still many 'principle aspects' that need to be done by SMEs so that they can compete with large manufactured products (Tambunan, 2020).

The results of previous research stated that when the quality of SME products is high, the opportunities for export are also high (Agency & Development, 2018). Many efforts have been made to improve product quality, including through improving the quality of raw materials, improving production processes (Ismial, 2018), product innovation, improving packaging quality, testing product content, determining eligibility for distribution to consumers, and others (Juniarti & Omar, 2021).

Other research states that high-quality SME products will not be inferior when compared to large company products (Pamungkas et al., 2020). Especially when the SME product has entered the supermarket. Consumers will find it difficult to distinguish between SME products and not (Juniarti & Omar, 2021). It’s just that, to be able to enter supermarkets, SME products must really be tested for quality by an independent body, in this case an 'innovation support organization' (Agency & Development, 2018).

According to the theory, if SME products are not good enough to force themselves to be exported, they will not sell well and there will be no long-term sustainability for product exports (Batubara, 2018). Products will expire and be wasted in foreign markets. These products will be inferior to the local products of the destination country, and these products will even become counter-productive for the implementation of the next export. Other literature states that the factors for successful export of SME products are good product quality, targeted socialization, continuous innovation (Jusriadi, Mm, et al., 2020), product fame in the country where the product is produced, as well as good promotion. carried out abroad, so that consumers can recognize and use the products for export purposes (Agency & Development, 2018). Other literature has also found that when a product is well-known in its country of origin, it is suitable for introduction to other countries. When the results of surveys and assessments of markets in export destination countries are good (Aidha & Harahap, 2021), then these products can only be exported and marketed in limited quantities first, and then they can be enlarged according to market demand (Censon et al., 2023).

The exploratory process is an effort to “test waves”. When the market response is good and demand is high, sufficient quantities can be exported (Abd et al., 2022). The greater demand will increase the number of exports of these products in the future. This is what SMEs, exporters, and marketers have been waiting for abroad (Prayudi et al., 2019).
Before exporting, it would be nice to take part in various product exhibition events abroad so that the products are well known in the destination country (Vaibhav, 2020). This step is important to take so that export activities can run properly and sustainably. Various ‘product show’ events, product exhibitions, product introduction ‘product trials’, and small-scale product marketing need to be carried out first so that the export process for SME products runs smoothly, is sustainable, and is able to improve their welfare (Syiaffullah et al., 2021) Research 

**Research Methode**

The research design is qualitative research with a naturalistic approach (Creswell, 2018; Denzin, 2019). Naturalistic research seeks to extract data naturally without any modifications, both during data collection by interviews and during participatory observation (Achinstein et al., 2015; Becker, 1963). Naturalistic research also intends to obtain real data from exploring data naturally in the field by familiarizing (Smith & Osborn, 2003). People feel suspicious about providing data to researchers (Driscoll, 2005). The subjects of the studies wholeheartedly accept the researchers. After conditions like this occur, the process of collecting qualitative data is comfortable (Jones, Torres, & Arminio, 2014; Morrow, 2005). The research informants included SME actors in Thailand, the Indonesian Ambassador to Thailand, Education attaches, research attaches, socio-cultural attaches, lecturers at various Universities in Thailand, and local embassy staff, as well as tourists who were making transactions on products from SMEs, tourists who were visiting tourist sites or tourist destinations, tour guides, presenters at tourist sites of SMEs products such as honey, traditional medicine (Juniarti & Omar, 2021).

Data collection through participant observation and in-depth interviews regarding the factors causing the high competitiveness of SMEs in Thailand and strategies to penetrate the export market (Agency & Development, 2018). Data collection was carried out using the snowballing method, the longer it rolled, the more informants were interviewed in order to confirm, triangulate, check, recheck, and crosscheck us (Eatough & Smith, 2008; Holmqvist & Frisén, 2012; Holstein & Gubrium, 1995; Marvasti & Trevino, 2019).

Interview guidelines and observation guidelines can be seen in Table 1 below.

<table>
<thead>
<tr>
<th>Number</th>
<th>Observed aspect</th>
<th>Observation object</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Observe the SMEs when producing</td>
<td>SMEs</td>
</tr>
<tr>
<td>2</td>
<td>Observe SMEs when doing promotions</td>
<td>SMEs</td>
</tr>
<tr>
<td>3</td>
<td>Observe product innovation by SMEs</td>
<td>SMEs</td>
</tr>
<tr>
<td>4</td>
<td>Observe the quality of SME products that can penetrate exports and not</td>
<td>SME Products</td>
</tr>
<tr>
<td>5</td>
<td>Observe the packaging of UKM products</td>
<td>Product packaging</td>
</tr>
<tr>
<td>6</td>
<td>Observe the ongoing production process of goods</td>
<td>Production process</td>
</tr>
<tr>
<td>7</td>
<td>Observe the SME product sales center</td>
<td>Sales location</td>
</tr>
<tr>
<td>Number</td>
<td>Observed aspect</td>
<td>Observation object</td>
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<td>--------</td>
<td>-----------------------------------------------------------</td>
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<tr>
<td>8</td>
<td>Observe who are the buyers of SME products</td>
<td>Buyer</td>
</tr>
<tr>
<td>9</td>
<td>Observe the prices of SME products</td>
<td>Product price</td>
</tr>
<tr>
<td>10</td>
<td>Observe the workers working in SMEs</td>
<td>SME workers</td>
</tr>
<tr>
<td>11</td>
<td>Observe the advantages of the product compared to other products</td>
<td>SME Products</td>
</tr>
</tbody>
</table>

*Source: Results of reading the theory*

The interview guidelines used in this study can be seen in Table 2 as follows.

**Table 2. Interview guidelines**

<table>
<thead>
<tr>
<th>Number</th>
<th>Aspects to ask</th>
<th>Observation object</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>When to start opening SMEs</td>
<td>SMEs</td>
</tr>
<tr>
<td>2</td>
<td>How much capital is invested to open a UKM</td>
<td>SMEs</td>
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<tr>
<td>3</td>
<td>What is the form of government support or alignment with SMEs</td>
<td>SMEs, embassies, and lecturers</td>
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<tr>
<td>4</td>
<td>How does the campus pay attention to UKM</td>
<td>SMEs, Lecturers</td>
</tr>
<tr>
<td>5</td>
<td>How does the attention of private business actors to SMEs</td>
<td>SMEs, business people, embassies</td>
</tr>
<tr>
<td>6</td>
<td>How does the CSR form of large companies towards SMEs</td>
<td>SMEs, embassies and companies</td>
</tr>
<tr>
<td>7</td>
<td>What is the strategy to improve the quality of SME products</td>
<td>SMEs, lecturers,</td>
</tr>
<tr>
<td>8</td>
<td>What is the strategy for improving the quality of SME product packaging</td>
<td>SMEs, embassies</td>
</tr>
<tr>
<td>9</td>
<td>What is the pricing strategy for SME products</td>
<td>SMEs</td>
</tr>
<tr>
<td>10</td>
<td>What are the efforts made by SMEs to penetrate exports</td>
<td>SMEs, embassies</td>
</tr>
<tr>
<td>11</td>
<td>How is the promotion carried out by UKM to increase the market share of UKM products</td>
<td>SMEs, embassies, lecturers</td>
</tr>
<tr>
<td>12</td>
<td>What is the strategy adopted by SMEs so that their products are well-known at the national level</td>
<td>SMEs, embassies, lecturers</td>
</tr>
<tr>
<td>13</td>
<td>What is the strategy adopted by SMEs so that they can continue the business they are doing?</td>
<td>SMEs, embassies,</td>
</tr>
<tr>
<td>14</td>
<td>How is the quality of SME products</td>
<td>Product buyers</td>
</tr>
<tr>
<td>15</td>
<td>What are the suggestions for improving the quality of UKM products</td>
<td>Product buyers</td>
</tr>
</tbody>
</table>

*Source: the results of reading the theory*

After the data has been collected, data analysis is carried out using the four steps of Merriam & Tisdell (2015), namely, data collection, data reduction, data classification, and drawing conclusions. Data reduction was carried out using the triangulation method, which includes checks, rechecks, and crosschecks, as well as prolonging their stay at the research location (Adair & Pastori, 2010; Burtaverde et al., 2018; Headland et al., 1990). Data classification is based on the formulation of the problem. The formulation of the problem is the basis for determining research themes. Field findings are realized in the form of propositions that are...
expected to be tested quantitatively in subsequent research, either by researchers as follow-up research, or tested by other researchers, as a form of repetitive research with different designs. (Braun & Clark, 2006). All research certainly has weaknesses that must be identified. This research was conducted in several SMEs actors, including tourist attractions for SMEs products, and supermarkets that sell SMEs products, but has not observed in depth SMEs that have penetrated exports. These five conditions must be observed when generalizing the findings to other settings. Participants in this study were recruited through convenience sampling, which limited the participation of SMEs actors who had established good relations with us. Because of that, it is very likely that we did not capture the full perspective of those who work so seriously that they are able to excel. Finally, our clear identity is likely to shape our responses to our questions during semi-structured interviews.

**Result and Discussion**

**Strategy to increase the competitiveness of SME products**

The results of the study show that UKM in Thailand has high competitiveness because of several factors, some of which can be explained in detail in the following description of the findings. First, the high government support for the existence of SMEs. The government provides support in the form of capital and capacity building for SME owners. The government also provides support in terms of licensing and managing intellectual property rights in the form of trademarks. Support from orders is also in the form of a one track, one product policy. Each region must have certain products so that development is easy to do. The government when providing guidance in a specific area on a particular product. This is in accordance with the results of the interview, which said that,

The government has provided support to SMEs in policies, laws, and regulations, capital, production training, procurement of production machines, packaging, and marketing, both conventionally and e-commerce based. The government has encouraged all regions to have certain product advantages so that the coaching process is easy. All of this is so that SMEs can compete with manufactured products, which are very numerous on the market. (Interview, 2023)

The first finding shows that the government’s role in improving the quality of SME products continues to provide guidance in terms of brand licenses, copyrights, and one-product policies in an area, so that it is easy to supervise SMEs.

<table>
<thead>
<tr>
<th>Number</th>
<th>Government roles</th>
<th>Descriptive</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Government IPR</td>
<td></td>
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<tr>
<td></td>
<td>Copyright brand</td>
<td></td>
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<tr>
<td></td>
<td>One district, one product in policies, laws and regulations, capital, production training, procurement of production machines, packaging and marketing both conventionally and e-commerce based</td>
<td></td>
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</tbody>
</table>

*Source: processed by the author*
Second, support from companies owned by the government or the kingdom State-owned companies will always provide assistance to SMEs so that they can supply components of a product that SMEs produce. Thus, SMEs can play a role as partners for state-owned companies, which will continue to run their businesses without thinking about marketing, because the products produced are directly received by state-owned companies with a cooperation agreement system. This can be seen from the results of an interview with one of the informants, who said:

Government or government-owned companies provide capital to SMEs and certain skills training for SMEs so that they are able to become partners and produce certain components whose products can be deposited with the company, thereby reducing the burden on companies in producing certain product components. (Interview, 2023)

The second finding shows that the role of government-owned companies is very large in advancing SMEs, for example, by providing productive capital to SMEs and skills training so that they are able to become partners in supplying components needed by companies and the quality produced is high.

**Table 2. Role of government-owned companies**

<table>
<thead>
<tr>
<th>Number</th>
<th>Stakeholder roles</th>
<th>Descriptive</th>
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<tbody>
<tr>
<td>2</td>
<td>government-owned companies</td>
<td>provide capital to SMEs, certain skills training, become partners and able to produce certain components, reducing the burden on companies in producing certain product components...</td>
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</tbody>
</table>

Source: processed by the author

Third, academic or campus support. Kampuas provides various trainings to SMEs so that they can have high levels of innovation and be able to improve product quality, packaging, marketing, and others. Academics also have a role in increasing the knowledge of SMEs in the areas of Warehouse management, production, marketing, finance, customer service, and digital marketing. Universities can also focus on providing guidance on improving the quality of products and the capacity of SMEs in the same area. As the results of the following interview.

Various campuses in Thailand provide various skills training to SMEs on a regular and programmed basis, so that SMEs have the ability to innovate the products they produce, and have good managerial skills, starting from planning management, procurement of raw materials, production, finance, marketing, and packaging, so that SME products can be competitive, and of high quality. (Interview, 2023)

The third finding shows that the campus has a role in training the skills of SME actors in a programmed manner so that they have innovation skills in production, starting from planning management, production implementation, selection of raw materials, finance, marketing, and packaging, so that their products are able to compete with other products offered. made by big companies.
Table 3. Role of Campus

<table>
<thead>
<tr>
<th>Number</th>
<th>Stakeholder roles</th>
<th>Descriptive</th>
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</thead>
<tbody>
<tr>
<td>3</td>
<td>Role of campus</td>
<td>training the skills of SME actors,</td>
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<td></td>
<td></td>
<td>innovation skills in production,</td>
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<td></td>
<td></td>
<td>skill in planning management,</td>
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<td></td>
<td></td>
<td>production implementation,</td>
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<td></td>
<td></td>
<td>selection of raw materials,</td>
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<td>finance,</td>
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<td></td>
<td></td>
<td>marketing,</td>
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<td></td>
<td>Packaging,</td>
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</table>

*Source: processed by the author*

Fourth, support from private or private companies. The form is to provide capital and capacity for SMEs. This private sector agreement is non-binding but has a huge impact on the progress of SMEs in Thailand. Support from private companies, especially supermarkets, is needed to provide space for SMEs in product marketing so that buyers do not know that the product is a product of SMEs. As the results of the following interview:

The private sector, including individual companies, also often provides guidance and assistance to SMEs and even provides a very open space for SMEs to market their products in their supermarket, at very low cost because it is done in the form of a consignment. The product owner, in this case UKM, will receive money from the sale after the products marketed by the supermarket sell well. (Interview, 2023)

The role of the private sector is to provide assistance to SMEs, providing opportunities for SMEs to occupy sales stands at their places of business, including shopping places, such as supermarkets, so that SMEs’ products can be sold standardly at the same price as other quality products.

Table 4. Role of private sector

<table>
<thead>
<tr>
<th>Number</th>
<th>Stakeholder roles</th>
<th>Descriptive</th>
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</thead>
<tbody>
<tr>
<td>4</td>
<td>Role of private sector</td>
<td>to provide assistance to SMEs,</td>
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<td></td>
<td></td>
<td>providing opportunities for SMEs</td>
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<tr>
<td></td>
<td></td>
<td>to occupy sales stands at their places of business including shopping places,</td>
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<tr>
<td></td>
<td></td>
<td>SMEs’ products can be sold standardly at the same price as other quality products.</td>
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</tbody>
</table>

*Source: processed by the author*

Fifth, support from financial institutions, both banks and non-banks. They provide special loans for SMEs with low interest and long terms, so that all SMEs can develop properly. The model accepted by SMEs will be able to improve product quality because it is used to buy machines, increase product capacity because it is able to buy raw materials in large quantities, and carry out marketing to a wider area. Even if the product passes the quality control authority’s test, it can be exported. This is in accordance with the results of an interview with one of the informants, who said that:
The financial institutions that provide credit also provide lenient conditions for SMEs that wish to increase their working capital, so that their performance increases. With more capital, SMEs can improve product quality and be able to compete at an international level after their products are exported. (Interview, 2023)

The fifth finding relates to the role of lending institutions, which also strongly support SMEs in increasing their capital, so that their performance increases, product quality increases, and competitiveness increases, and at the international level they can compete in other countries.

Sixth, CSR from state-owned companies and private companies that provide corporate social responsibility. They are one of the parties that foster and raise SMEs. With CSR, SMEs that are still small in terms of capital can increase. Those who do not have the tools can be provided with them. Those who do not have means of transportation get assistance with means of transportation. As stated by one of the informants, it is as follows.

CSR provided to SMEs can be used to purchase production equipment such as machinery and other supporting equipment. CSR is also widely manifested in the form of transportation equipment that is able to reduce transportation costs that have been incurred by SMEs. This can increase the income of SMEs. (Interview, 2023)

The sixth finding demonstrates that CSR can be used by SMEs to increase the equipment required to produce goods, resulting in higher product precision and quality, as well as the ability to save raw materials, labor, and product manufacturing process time.

<table>
<thead>
<tr>
<th>Number</th>
<th>Stakeholder roles</th>
<th>Descriptive</th>
</tr>
</thead>
</table>
| 5      | Role of Investor  | increase capital
|        |                   | Improve product quality
|        |                   | Increasing competitiveness at the international level |
| 6      | CSR               | improve equipment quality |
|        |                   | increase the quantity of equipment |
|        |                   | Improve product quality |
|        |                   | Save raw materials |
|        |                   | Save labor |
|        |                   | Saving time |

*Source: processed by the author*

Seventh, there is support from institutions engaged in the field of SME capacity building. It is this institution that has the obligation to foster and develop SMEs to become SMEs with stars, and have products that are acceptable to the market. These products are of good quality and can provide satisfaction to consumers. As explained by the informant as follows.
In Thailand, there is an institution engaged in the field of SME capacity building, that will give stars to these SME products from one to four. One star indicates that the SME product still needs assistance. The four stars show that the product is suitable for export, especially to neighboring countries that have the same needs. (Interview, 2023)

The authorized institution in charge of SMEs has a role in providing assessment, mentoring, and increasing motivation for SMEs by giving them stars; one star must be increased to two stars, and so on up to four. SMEs that have received 4 stars, have products that are worthy of export.

<table>
<thead>
<tr>
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<th>Descriptive</th>
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<tbody>
<tr>
<td>7</td>
<td>The authorized institution in charge of SMEs</td>
<td>providing assessment, mentoring,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>increasing motivation</td>
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</tbody>
</table>

Source: processed by the author

Eighth, support from all parties in creating a very conducive business climate. A conducive business climate is characterized by easy, cheap, and fast licensing. Their business, although informal, is legal, protected, and receives high attention from the government, big business players, and academics. A conducive business climate makes it easier for the banking community to extend credit to SMEs. This is in accordance with the opinion of one informant, who said that:

All permits related to SMEs are very relaxed, with the hope of encouraging Thai people to set up SMEs properly so that their level of welfare increases. Banking also provides very flexible facilities for SMEs that want to increase their capital. All of this is done so that SMEs can develop. (Interview, 2023)

The eighth finding shows that the licensing policy for access to banking implemented by banks is very easy, so as to increase the capital and welfare of SMEs. This approach aims to foster a more accessible environment for SME growth and development.

<table>
<thead>
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</thead>
<tbody>
<tr>
<td>8</td>
<td>Role of bank</td>
<td>licensing policy for access to banking is very easy, to increase the capital and welfare of SMEs; the ability of SMEs to develop becomes more open.</td>
</tr>
</tbody>
</table>

Source: processed by the author

Ninth, support from the community in the form of the ability to maintain state internal security so that business people feel comfortable doing business. Even foreign tourists feel comfortable; there is not the slightest disturbance. In principle, tourists want convenience, including shopping; therefore, when they are comfortable living in Thailand, they will spend their funds, including buying Thai SMEs products. As stated by an informant who said:
Political calm, freedom from terrorism, and freedom in carrying out various activities are the keys to success in attracting foreign tourists to come to Thailand and buy various goods and services provided by SMEs. Thus, SMEs get ample opportunities to sell their products to foreign tourists, who are very large in number. (Interview, 2023)

The data above shows that government policy in reducing acts of terrorism has always provided training to former terrorism convicts to have sharia economic businesses, so that they can become normal citizens.

![Diagram showing strategy adopted by the government and SMEs in order to increase their competitiveness](source)

**Figure 1.** strategy adopted by the government and SMEs in order to increase their competitiveness

*Source: processed by the author*

Reading and understanding all of the unique findings above, it can be concluded that the strategy adopted by the government and SMEs in order to increase their competitiveness is through nine unique ways, namely starting from the existence of support from the government in the form of policies, support from large government-owned companies, support from private parties who own supermarkets, support from CSR, support from banks, campuses, and all parties who care about the existence of SMEs. Those who provide support to the majority of SMEs hope that SMEs in Thailand will have high competitiveness and reliable product quality.

**Class up strategy and export decent SME products**

From an internal perspective, there are several reasons why SMEs in Thailand are able to "grade up" so that they become exporters. *First,* there is a high level of enthusiasm for product innovation. SMEs in Thailand have an extraordinary enthusiasm for product innovation. Several places visited by researchers in 2018 before the pandemic experienced extraordinary developments after the 2023 pandemic. It is this spirit of innovation that is the key to the success of SMEs in surviving amidst the recessionary storm of the Covid-19 pandemic. The first
strategy adopted by the Thai government in encouraging SMEs to export is to increase their enthusiasm for innovating, but during the Covid-19 pandemic, this step was very difficult, so the most important thing was to make efforts to survive.

Second, there is a strong desire to improve product quality. Product quality is the mainstay of SMEs efforts to retain customers. With good quality, customer satisfaction increases, and their loyalty to repurchase SME products also increases. For example, SMEs that produce banana sales. The bananas that are going to be sold have the same size and taste, namely bananas with a fruit age of ‘101 days’. Small and bigger bananas are used for other products. The drying system meets health standards by being under glass with a certain level of heat, and a very high level of hygiene. The packaging is done very well, so that the product image improves, as do buyer interest and tastes, despite the higher price. The second step is to improve product quality so that it has higher selling power, competitiveness, and attractiveness to buyers. There are many examples of improving product quality, such as the 101 days banana product, so that it is able to penetrate exports and is well-known throughout the world.

Third, the high enthusiasm for developing the international market, which is supported by selection institutions and product quality ratings from one to four stars. Stars one, two, and three are SMEs that must be fostered, and are not yet allowed to enter supermarkets and international markets. SMEs with four stars are SMEs that are allowed to enter their products in supermarkets and are allowed to export.

The next strategy that can improve export capabilities is to encourage SMEs to hold various international level exhibitions so that their products can be recognized by potential consumers in export target countries. The effort to assess the market is very appropriate so that the export process does not fail because the product does not sell well. Fourth, enthusiasm for improving the quality of packaging so as to give a good impression to buyers. Product image increases with high packaging.

The results of an interview with the Indonesian Embassy in Thailand regarding the determination of SME classes in Thailand so that they can compete fairly with each other are as follows.

If we look at SMEs in Pattaya, in every region there is OTOP—one tam bun, one product. In sub-districts A, B, and C, what products stand out and must appear, at least one product is selected. Then there is the provincial level OTOP center, which has been selected from the lower level. Enter the OTOP center The province is again selected to enter the national OTOP. Products that have entered the national OTOP are the ones that deserve to be displayed at the national and international levels. (Interview, 2023)

From the description of the three steps that have been carried out above, coupled with the results of interviews with officials at the Indonesian Embassy in Thailand, it can be tabulated as follows.
### Table 8. Strategy to encourage SMEs to export

<table>
<thead>
<tr>
<th>Number</th>
<th>Strategy</th>
<th>Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Encouraging SMEs to innovate</td>
<td>Competitiveness increases</td>
</tr>
<tr>
<td>2</td>
<td>Improve product quality</td>
<td>Competitiveness and user satisfaction levels increase</td>
</tr>
<tr>
<td>3</td>
<td>Improve the appearance of product packaging</td>
<td>Buyer appetite increased</td>
</tr>
<tr>
<td>4</td>
<td>Conducting product exhibitions in several</td>
<td>Goods can be recognized by citizens of the</td>
</tr>
<tr>
<td></td>
<td>prospective export destination countries</td>
<td>destination country.</td>
</tr>
</tbody>
</table>

Source: processed by the author

It was further explained that this OTOP center is a vehicle for displaying the works of UKM. In each mall, there is one floor or booth that specifically accommodates UKM works. For example, at Paragon Mall, floors 3 and 4, there is an OTOP center, where tourists can shop for SME products that already have premium quality. If tourists don’t ask, then they won’t know that the product is an SME product. Because, the quality is already premium. There are silverware, food, drink, and other handicrafts, all of which are made by UKM but have entered a class that is suitable for export and are displayed in malls.

The packaging is amazing, not impressed with home production. Korean and Japanese original products have also been able to reach the premium class. The rice wrapper is just so neat, instructions are provided for how to open it, and it has an extraordinarily good appearance. According to the Indonesian Ambassador to Thailand, there are several strategies to encourage SMEs to become exporters, namely:

The Indonesian Embassy can promote, and those who are promoted are the best and most well-known in Indonesia. Selection first, which is already premium, then promoted to other countries. Do not be counter produced; as a result of the initial introduction it does not appear to be anti-starch in SME products. The need for seriousness in carrying out activities to improve the quality of UKM products. If you don’t improve SME products, don’t expect tourists to be interested in SME products. (Interview, 2023)

Parties that have authority can also select products that are ready for export, and only grant export permits to SMEs that have received the best assessment from the authorities in this regard. This selection process encourages SMEs to compete for the best products. The results of an interview with Abe, one of the SMEs in the service sector in Thailand, said that:

During COVID, service SMEs in Thailand almost died. This is when they start to rise with a new image, an image that is more tempting for foreign people to travel to Thailand. Today, the largest number of tourists are from Thailand and Russia, followed by China. All of this brings fresh air for the re-growth of the service industry in SMEs. (Interview, 2023)

The results of the interview above show that, after the Covid-19 pandemic, the number of foreign tourist arrivals has recovered; their numbers even occupy the top positions, so this is a big target for SME products. The steps taken are to encourage SME products to enter all tourist destinations.
According to the Indonesian Embassy in Thailand, it relates to the market share of SME products, explaining that,

The culture of amok must be eliminated. The culture of amok only makes tourists disappear, and SME products cannot be marketed to tourists. A nation that has a strong character will have a special attraction for the development of SMEs and tourism. Tourists feel more at ease in a country with personality, and their stay lengthens. (Interview, 2023)

The strategy to encourage travelers to stay in Thailand and buy SME products in Thailand is to maintain order, security, and calm due to the ever-improving political climate. Tourists will only go around and buy SME products, while in the destination country, they can live quietly, be happy, and believe that the political climate will run very normally and conducively.

Thus, to improve the quality of SME products, support from all parties can be provided. The process will not work if it is not initiated with support from the government. SMEs with low human resource competence will stagnate when support from all parties is not provided in a programmed and continuous manner.

![Strategy to encourage export-worthy SME products](image)

**Figure 2. Strategy to encourage SMEs to export**

*Source: processed by the author*

The diagram above shows that many efforts have been made by the government and stakeholders in an effort to encourage SMEs to upgrade and be able to export, all of which must run synergistically, continuously, both in the mentoring process and product quality improvement, so that it is exportable.
Lesson learned qualitative study

SME is a job field that is never saturated; regardless of the number of workers who open UKM, they will still be able to get results from their hard work (Report, n.d.). UKM is considered a vehicle that makes good promises to anyone who opens it. They do not just believe that opening an SME will be more risky than beneficial (Tambunan, 2008). SMEs can develop well if done well, given a large number of working hours, sufficient capital, the ability to develop a business (Elsi et al., 2020), and innovation in production, marketing, and sales. Innovations can be carried out starting from the selection of raw materials, processing, production processes, packing, distribution, marketing, and providing post-sales services (Syaifullah et al., 2021).

In Thailand, SMEs can develop well because there is great support from the government (Rozaki, 2020). The government provides support, including assistance, capital, training, and protection of their products from imported products (Jusriadi, Kamaluddin, et al., 2020). The government prohibits the import of products that resemble the products of local community SMEs (Putro & Sopyan, 2020). The government even encourages SMEs to compete with each other so that authorities are given the opportunity (Kock, 2020) to export. Exports can be assisted by the government, especially for SMEs who do not know the procedure (Vaibhav, 2020). SMEs that are advanced and have well-selected products (Suarsana, 2020) will be given the opportunity to export; besides that, they will also be given the opportunity to sell their products in tourist centers such as those around Pattaya. Or in recreational places that have been set up by the government (Candradijaya, 2020). When the Government prepares recreation areas, it also prepares strategic places for SMEs, so UKM products can be sold at the maximum price and maximum quantity (Msmes et al., 2020).

The results of the study show that the majority of tourists will not be able to distinguish between SME products and manufactured products because the quality is very good, the packaging is very good (RI Ministry of Health, 2021), they are sold in very good places, and they are sold together with manufactured goods of very good quality. This is what makes tourists 'tricked' by UKM goods (Thi & Thai, 2018).

The results of the study also state that large industry support for SMEs is very good (Kopsovich, 2001), and they provide their CSR for various SMEs assistance activities that still need assistance so that SMEs in Thailand can develop and not stagnate both in terms of capital, product quality (Nosih & Aziz, 2021), product innovation, production processes, and marketing. CSR from large companies has a good effect because large companies not only provide CSR (Nurwati & Basrowi, 2020) but also make SMEs their mentors (Fahy et al., 2021). In this case, the State requires that all large industries foster SMEs that are not just ‘hoaxes’ but actually become the mentors of large industries so that they are able to supply various parts of the product needs needed by large industries (Cahyaningati et al., 2023).

Based on the results of previous research, it was also found that campuses play a role in assisting SMEs, especially in production management, financial management, and marketing (Khairuddin et al., 2021), considering that the field of appropriate technology has been provided by large industries in real terms (Republic, 2006). So, in Thailand, there is a kind of ‘division of tasks’ between big industry and campuses in coaching and mentoring SMEs towards large, independent, and prosperous SMEs (Batubara, 2018).

The results of other research found that apart from industry and universities, as parties who care about SMEs (Thongsamak, 2019), there are also many other private parties who care
about SMEs, providing guidance, assistance (Joseph et al., 2021), and additional capital for SMEs to develop into advanced, competitive, and developing SMEs (Pamungkas et al., 2020). Private parties, both individuals and groups, in providing guidance and assistance (Magnaye Jr., 2022), always take roles that have not been touched by universities or large industries, such as raw material innovation, packaging innovation (Roseley et al., 2021), as well as protection products in the form of copyrights and brands (Ismial, 2018). Tests for quality and distribution feasibility were also carried out by the private sector in order to improve product quality and protect producers as well as consumers (Stufflebeam, 2003).

The results of a recent study show that NGOs also play a big role in improving the performance of SMEs in Thailand (Zhang et al., 2022); they provide various things needed by SMEs, such as appropriate technology, which can improve product quality and efficiency in all aspects, so that SMEs spending on production costs has decreased (Velasco et al., 2015). The quality of one product compared to another (Baert et al., 2021), because it is made with the appropriate technology of the teacher, is the same, and when there are differences, they are very causal (Anthony et al., 2022). NGOs also play a role in the development of Androit-based marketing, which has actually also been assisted by the campus (Bernardo et al., 2014).

All of the above descriptions can be summarized that, SMEs will develop well (Bucăța & Rizescu, 2017); they will even be able to export their production goods if they are supported by the state in the form of policies, capital, assistance, and supervision (Dawaton, 2021). State policy support will be even stronger when it is also supported by large state-owned companies (Khalib & Et.al., 2022), privately owned companies, campuses, bank and non-bank financing institutions, and Non-Government Organizations.

Conclusion

Based on the description above, there are several findings of this study in accordance with the research theme as stated in the research question. First, the strategy to increase the competitiveness of SMEs in Thailand is to provide support from the government, campuses, the private sector, large businesses (CSR), and agencies that deal specifically with the progress of SMEs, both in terms of increasing product innovation, product quality, packaging quality, capability human resource management, production, digital marketing, and more.

Second, the strategy to improve the quality of SME products so that they are suitable for export is to select SME products starting at the sub-district level by implementing a one-region-one-product policy, which is then selected from the district, provincial, and national levels. Products that have been selected at the national level are suitable for marketing to foreign tourists, being marketed at booths in malls, and being exported. Products permitted for export are those that have passed national level selection with excellent product quality.

Research findings (proposition), “When the state's involvement in the form of policy, supervision, capital, and assistance is also supported by state-owned companies, private companies, CSR, campuses, bank and no-bank financial institutions, and NGOs the development of SMEs can run well, then the development of SMEs in a country will be good, and the ability of SMEs to export becomes very open.

The phenomenon described in this study has relevance and importance that go beyond participating SMEs because the method of increasing SME innovation and independence towards exports is widely used in the field of SME empowerment. As we have shown, the
perspective of professional SME actors who work full of risk and full of struggle requires further exploration to understand how their experience can improve the output (product) of SME. The findings of this study offer insight into strategies to improve SME performance and innovation to be consistent, and the potential for large profits for SMEs. To better support all SME actors, the government, large government-owned industries, privately owned industries, higher education professionals, and other stakeholders must pay attention to what is happening among SME actors in improving product quality so that it is suitable for export.

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