

# **The Financial Capability on Thai SMEs Performance in Sai Mai District, Bangkok**

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## **ABSTRACT:**

This research was to study the financial capability on Thai SMEs Performance in Sai Mai District, Bangkok. The researcher collected data from 400 SME entrepreneurs in Sai Mai District, Bangkok by using the stratified random sampling, and a questionnaire as an instrument. The statistics used for analyzing data were T-test, F-test, correlation analysis, and multiple regression analysis.

According to the research, most SME entrepreneurs were single-business owners in the food business category in Sai Mai District. The SME entrepreneurs agreed with having overall financial capability at a moderate level. When considering by aspects, the financial diversification was at a high level, whereas the financial strength and the financial network were at a moderate level. The SME entrepreneurs agreed with having overall organizational development at a high level. When considering by aspects, the customer relation was at a high level, whereas the internal organization process and the learning and development were at a moderate level. The SME entrepreneurs had the average performance outcomes of their business in 2015, i.e., gross earning rate, net earning rate per total sale, growth rate of total sale and growth rate market share at 1-5 percent. The SME entrepreneurs in other business categories agreed with having different financial capability of financial strength. The SME entrepreneurs with different registered capital agreed with having different overall financial capability. The SME entrepreneurs with different number of employees and different operating period of time agreed with having different overall financial capability. Financial capability had relationship to overall organization development, while financial capability and organization development had no relationship to overall performance outcome. Moreover, the financial capability had both direct and indirect effects on the business performance through the organization development. Therefore, the SME entrepreneurs should have high financial capability to bring about efficiency of organization development and business performance outcomes.

**KEYWORDS: Financial Capability, Thai SMEs, Performance, Bangkok**

## **Introduction**

At present, the economic condition has changed according to the new era of the economic system. The free trade trend has played more and more important role in conducting businesses and affecting to economy of the country in almost all aspects. Therefore, businesses, including SMEs, are important parts of economy and society, i.e., creating great values to the economic system in terms of jobs, added values and incomes, as well as being manufacturers, distributors and service providers. They serve as creating and facilitating economic transactions of the country, and being places or vocational schools of various laborers that can practice and learn from hands-on experiences. Moreover, they establish connections between large businesses or other relevant businesses, which are important parts of the economic system covering manufacturing, wholesaling, retailing and service sectors, and are also the businesses supporting large-scale industries and the enterprises adding values to raw materials due to using most of domestic resources and creating incomes to the country especially for the manufacturing sector. (Institute for small and Medium Enterprises Development, 2004 : website) It led the governmental sector to allocate an enormous amount of budget in order to renovate businesses by placing an emphasis on SMEs with the belief that SMEs could recover Thai economy vigorously and sustainably. Previously, Thai SMEs lacked the earnest attention and development, including operating performance, marketing and importantly, financial capability of entrepreneurs which consisted of financial sponsors, source of funds, risks and financial network. (Institute for small and Medium Enterprises Development, 2004 : website)

Financial capability involves administrating and managing funds which is considered an important factor of business leading to other resources for entrepreneurship, i.e., labor, machines, equipment, land, information, knowledge and technology. Funds are essential when starting businesses. If the business is successful, profits will occur due to business incomes exceeding expenses. A part of profits will be returned to entrepreneurs for investment, while a part of them will be invested to expand the business. It enables financial management to be efficient and outstanding from establishment, current operation, to future growth of the business. (Katanyu Hiransomboon, 2004 : 147) Therefore, the researcher was interested in doing a research on

the financial capability, which consisted of financial strength, financial diversification and financial network, to bring about concepts and approaches to managing fund maximization and to study financial capability on Thai SMEs performance and approaches to managing funds in order to have better business performance.

According to the aforementioned reasons, the researcher was interested in doing a research on the financial capability on Thai SMEs Performance in Sai Mai District, Bangkok with the purpose to study how the financial capability affected Thai SMEs Performance in Sai Mai District, Bangkok.

## **Research Objectives**

1. To study the financial capability of SME entrepreneurs in Sai Mai District, Bangkok.
2. To study performance of SME entrepreneurs in Sai Mai District, Bangkok.
3. To compare the financial capability of SME entrepreneurs in Sai Mai District, Bangkok according to business categories, registered capital, number of company employees and operating period of time.

## **Research Instrument**

The instrument of the research was a questionnaire designed by objectives and conceptual framework. The questionnaire consisted of 3 parts as follows: basic information of SME entrepreneurs, opinions on the financial capability, and opinions on organization development. It consisted of information on 3 aspects of organization development : the customer relation, the internal organization process and the learning and development. The form of questionnaire was a rating scale.

## **Data Analysis and Statistics**

Basic statistics were percentage, mean, standard deviation, variance inflation factor (VIF), correlation analysis, and multiple regression analysis.

## **Data Collection**

The research was done by sending questionnaires via post to the sample group in the target area and enclosing a return envelope with a

questionnaire. The questionnaire must be returned by post within 15 days after receiving the questionnaire.

## Research Results

The research was done on the financial capability on Thai SMEs Performance in Sai Mai District, Bangkok. The researcher collected data from 400 SME entrepreneurs in Sai Mai District, Bangkok by using the stratified random sampling, and a questionnaire as an instrument. The statistics used for analyzing data were T-test, F-test, correlation analysis, and multiple regression analysis.

1. Most SME entrepreneurs were single-business owners in the food business category in Sai Mai District, Bangkok with registered capital between 1,00,000-50,000,000 baht, more than 7 years of operating period of time, 11-30 employees and current business assets between 1,00,000-50,000,000 baht.

2. The SME entrepreneurs agreed with having overall financial capability at a moderate level (2.51-3.50). When considering by aspects, the financial diversification was at a high level (4.51-5.0) (such as, business having more than one target group), whereas the financial strength (such as, business conducting negotiations for terms and conditions of optimized repayment to a creditor) and the financial network (such as, business building systematic and efficient relationship with customers and source of funds in order to have mutual financial connections) were at a moderate level (2.51-3.50).

3. The SME entrepreneurs agreed with having overall organizational development at a high level(4.51-5.0). When considering by aspects, the customer relation (such as, business providing services oriented to customer satisfaction) was at a high level(4.51-5.0), whereas the internal organization process (such as, business reorganizing the working process to shorten the working times) and the learning and development (such as, business giving importance to employee's organizational loyalty) were at a moderate level (2.51-3.50).

4. The SME entrepreneurs had the average performance outcomes of their business in 2015, i.e., gross earning rate, net earning rate per total sale, growth rate of total sale and growth rate market share at 1-5 percent.

5. The SME entrepreneurs (1) in different business categories agreed with having different financial capability of financial strength; (2) with

different registered capital agreed with having different overall financial capability; and (3) with different number of employees and different operating period of time agreed with having different overall financial capability.

6. Financial capability had relationship to overall organization development, while financial capability and organization development had no relationship to overall performance outcome.

The financial capability had both direct and indirect effects on the business performance through the organization development. Therefore, the SME entrepreneurs should have high financial capability to bring about efficiency of organization development and business performance outcomes.

The comparison results of means and standard deviations of opinions on giving importance to financial capability as a whole and by aspects of SME entrepreneurs with different operating period of time

Financial Capability	Source of Variation	df	SS	MS	F	p
1. Financial Strength	Between Groups	3	5.317	1.772	2.811	0.041*
	Within Groups	184	16.003	0.630		
2. Financial Diversification	Between Groups	3	13.114	4.371	6.519	0.000*
	Within Groups	184	123.375	0.671		
3. Financial Network	Between Groups	3	10.296	3.432	5.411	0.001*
	Within Groups	184	116.704	0.634		
Total	Between Groups	3	9.173	3.058	6.869	0.000*
	Within Groups	184	81.907	0.445		

\* With statistical significance at 0.05

## Discussions

The study on the financial capability on Thai SMEs Performance in Sai Mai District, Bangkok showed that

1. The financial capability showed a positive relation with the organization development. The entrepreneurs with differences of registered capital, number of employees, and operating period of time had different performance outcomes. It was probably because the entrepreneurs with large amount of registered capital, a large number of employees, and long

operating period of time could build the financial network better and more efficiently.

2. The financial capability and the organization development had relationship to the performance outcome, and the financial capability had relationship to the organization development. This meant that the financial capability had direct and indirect effects on the performance outcome through the organization development. It was probably because most entrepreneurs agreed that successful performance outcome depended on reliable organization development. The organization which was reliable needed to have financial understanding. If the organization has financial understanding, it will be able to improve and change organization management to be updated and developed continuously. Therefore it enables employees and the organization to adjust themselves, solve problems, strengthen the organization systematically and concretely, catch

up with changes, and have sustainable development (Nattaphan Kecharananta, 2011 :7) that will lead to an increase in profitability, consistently with the study by Sirintorn Siripile. (2011 : Abstract)

### **Suggestions**

1. The impacts of financial capability on SMEs performance, such as business categories should be done.

2. The factors affecting financial capability of successful SMEs, as well as problems and obstacles of SMEs should be carried out.

3. The comparative study among SMEs in various areas of the country should be conducted.

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