

Factors Influencing Decision Making for Industrial Investment in Tak Province

Suphawadee Siriwat¹, Naphachakorn Thongruandee²

¹Department of Finance, Faculty of Business Administration, North Bangkok University,
Bangkok, 10220, Thailand

²Department of Accounting, Faculty of Business Administration, North Bangkok University,
Bangkok, 10220, Thailand

Abstract

This research was aimed at investigating factors influencing decision making for industrial investment in Tak province. There were 213 respondents participated in this study from entrepreneurs authorized to operate in Tak province using questionnaires as a data collection tool. The data were analyzed by frequency, mean, standard deviation, and the hypothesis testing through One-way ANOVA (F-test) and Multiple Regression Analysis with statistically significance level at 0.05.

The results of hypothesis testing revealed that organizational factors including type of business and corporate investments affected the decision making for industrial investment in Tak province. In addition, the results of multiple regression analysis revealed that policies for investment promotion of the board of investment of Thailand, policies for other support by government, and the reputation of the special economic zone of Tak province affected the decision-making process at a significance level of 0.05

Keywords: Decision, Investment, Industry.

Background and Statement of the problem

Changes of the world economy and the entrance to ASEAN Community in 2015 have led the Thai government to establish the policies on reengineering economy, marketing, trade, and investment, which accelerate the establishment of the special economic zone of the potential area by emphasizing on border provinces to promote trades, marketing, investment, employment, and using the raw materials from the border countries. (The Secretariat of the House of Representatives, 2014) Moreover, the government has announced the Regulations of the Office of the Prime Minister on Special Economic Zone B.E. 2556 to become effective from July 25, 2013 (Office of the Prime Minister, 2013) to act as a tool for promoting the economic zone development. The International Financial and Developmental Institute, University of Iowa, defined "economic zone" as the geographic area managed by the organization providing the trade preferences to the company located in that economic zone. The objective of the establishment was to enhance regional trades by providing the trade preferences to boost the investment both locally and internationally. (Choen Krainara, 2012 cited in Central Region Economic and Social Development Office, 2010) Therefore, development of the economic zone is to consider the insignificant areas to promote the local potential for sustainability of country development, as well as to survey the opinions of the government sector, private sector and local people.

Tak is an important province in the west of Thailand because it is a border province with the highest import-export values in Thailand (Mae Sot Customs House, 2014) and the trade gateway and the connection on the East-West Economic Corridor (EWEC) which has been studying and developing as the pilot special economic zone (SEZ) of Thailand. It is to maximize benefits in accordance with the area potential as a primary goal to develop the pilot special economic zone of the country (the Policy Committee of Special Economic Zones, 2013) leading to country development and agreeing with local needs of related people.

The significance and background mentioned above led the researchers to be interested in investigating factors influencing decision making for industrial investment in Tak province on the opinions of related people in the local areas in terms of policies, operation, and local leadership, as well as the success

factors in developing the border economic zone, application of the information for planning the development of country's economic zone, and making use of the border areas of Tak province according to future needs of the local community.

Related Concepts and Theories

The primary concept of development of special economic zones (SEZs) is to specify the specific areas for trade and investment benefits in the specified economic activities in order to distribute the development to different areas and to prevent the economic concentration in certain areas. The areas specified as SEZs will acquire facilitation in tax preferences or investment promotion to attract the private investment both domestically and internationally. The major goal of SEZs is to boost the economic growth to generate income, as well as to create jobs and to enhance the labor skills through technological transfer from the foreign investment. Theoretically, the goals to establish the special economic zones are divided into 3 major aspects as follows:

- 1) To attract job creation in the economic zones.
- 2) To create positively economic sustainability in terms of economics through the investment to develop the infrastructure, economic reform, etc.
- 3) To build economic confidence as a tool to create sustainability through the cooperation from all sectors.

Kornkarun Cheewatrakoolpong, Thanee Chaiwat, Panutat Satchachai และ Sothitorn Mallikamas (2016) studied on the development of measures and institutional frameworks to promote direct investment among ASEAN Community countries. The objectives of their study were to develop the foreign investment efficiency of Thai entrepreneurs and to boost the investment in accordance with the changes of Thailand's economic structure by investigating the foreign approaches including Singapore, Malaysia, and Korea. The findings showed that the policies to promote foreign investment for small and medium enterprises by primarily focusing on providing financial support, information, and consultation. Promoting foreign investment for small and medium enterprises should establish the significant policies and measures consisting of determination of tax incentives, financial support, information support, and infrastructure support. The government sector including major and minor departments requires mutual cooperation and coordination to bring to efficiency and effectiveness of significant policies and measures.

Objective

1. To investigate the support policies from the government sector influencing decision making for industrial investment in Tak province.
2. To investigate creditability and reputation influencing decision making for industrial investment in Tak province.

Expected Benefits

1. To facilitate decision making for entrepreneurs in the industrial business interested in making an industrial investment in Tak province.
2. Tak province is considered as a high potential and especially eye-catching province because currently there are outstanding development projects, especially development in infrastructure and logistics, which will become a significant opportunity in developing into a new manufacturing base of the industrial sector. This will benefit the government sector in improving and developing the action plan in other areas to serve needs of entrepreneurs in the industrial business interested in making an industrial investment in Tak province.
3. To act as the information and guideline to make continuous improvement and development in other areas in order to have potential and serve needs of entrepreneurs in the industrial business interested in making an industrial investment in Tak province.

Conceptual Framework

Independent Variables

Support policies from the government sector
- Measures on Investment Promotion of the Office
- Board of Investment
- Measures of the Revenue Department
- Other support measures from the government sector

Credibility and Reputation
- Credibility in Tak province
- Reputation in Tak province

Dependent Variables

Decision making for industrial investment in Tak province

Source : Office of Board of Investment of Thailand, 2015

Research Methodology

1. The quantitative analysis was applied to investigate the factors influencing decision making for industrial investment in Tak province.
2. The population of the study were 213 entrepreneurs authorized to operate in Tak province. The validity of the questionnaire was tested by the experts to investigate the content validity and reliability through doing 30 questionnaires and the internal consistency through the alpha coefficient.
3. The data was collected by using the questionnaire to analyze and statistically process the data through the package software for data analysis. The statistics used for data analysis were frequency, percentage, mean, standard deviation, One-way ANOVA, Scheffe's pairwise analysis and multiple regression analysis.

Research Results

The results were as follows:

The sample gave importance on the following support policies from the government sector.

In terms of measures on investment promotion of the Office of Board of Investment of Thailand, most of the sample group gave importance on measures on investment promotion of the Office of Board of Investment of Thailand at the very high level ($\bar{X} = 4.16$). They gave importance on other privileges the most (allowed to deduct twice of freight, electricity, and water bills for 10 years and to deduct 25% of the investment for installation and construction of facilities apart from usual depreciation deduction). The second was in case of the enterprises according to the attachment of Announcement of the Board of Investment No. 2/2557 allowed to exempt from income tax apart from 3-year regular criteria but totally not over 8 years. If it is the enterprise in A1 or A2 group which is allowed to exempt from income tax for 8 years, it will acquire additional privileges by deducting corporate income tax for the net profit from investment at the ratio of 50 percent of usual rate for 5 years from the expiration date of tax exemption. In case of the target enterprise according to the Policy Committee of Special Economic Zones, it will be exempted from corporate income tax up to 8 years by limiting the financial amount of 100 percent of investment excluding land cost and working capital, and deducting corporate income tax for the net profit from investment at the ratio of 50 percent of usual rate.

In terms of measures of the Revenue Department, most of the sample group gave importance on measures of the Revenue Department at the moderate level ($\bar{X} = 3.66$). They gave importance on the enterprises not acquiring investment promotion from the Office of Board of Investment of Thailand (BOI) the most with the deduction of corporate income tax for 10 accounting periods. The second was under the

measures of the Revenue Department, Ministry of Finance, the enterprises are allowed to acquire the privileges. The measures of the Ministry of Finance will provide the rights of corporate income tax exemption for the enterprises not acquiring investment promotion from the Office of Board of Investment of Thailand (BOI), such as, the enterprises excluded from BOI in promoting or failing the conditions of BOI's minimum investment scale.

In terms of other support measures from the government sector, most of the sample group gave importance on other support measures from the government sector at the moderate level ($\bar{X} = 3.58$). They gave importance on the government sector in investing to develop the infrastructure and the customs, as well as public utility the most. The second was the government sector to permit the migrant workers to have round-trip commute to work or stay not over 7 days.

The below table showed the relationship testing between the measures on investment promotion of the Office of Board of Investment of Thailand, the measures of the Revenue Department, the other support measures from the government sector, creditability in Tak province, and reputation in Tak province.

Table 1 Industry in Tak Province

Variables	b	SEb	B	T	p-value
Measures on investment promotion of the Office of Board of Investment of Thailand	0.238	0.071	0.241	3.347	0.001
Measures of the Revenue Department	0.028	0.053	0.040	0.520	0.604
Other support measures from the government sector	0.197	0.082	0.203	2.388	0.018
Creditability in Tak province	-0.064	0.100	-0.073	-0.638	0.524
Reputation in Tak province	0.588	0.092	0.649	6.368	0.000
Constant 1.649 ; SE = ± 0.50					
R = 0.58 ; R ² =0.323 ; F=21.257 ; p-value < 0.05					

Table 1 showed that all of five factors had relation with decision making for industrial investment in Tak province at the high level with the multiple correlation coefficient at R = 0.58 and can predict 32.3 percent of decision making for industrial investment in Tak province at a significance level of 0.05.

Summary of the Study

The government sector has invested to develop the infrastructure, customs, and public utility, as well as establish one stop service to facilitate the investors. At present, Tak province has constructed the Special Economic Zone Office which can be responsible for a one stop service to provide information and facilitate trades, investment, and labors. However, it is a new special economic zone and lacks of availability and completeness as much as possible. Therefore, it requires the government sector for close supervision and operation in order to bring about readiness as soon as possible.

Discussions

The Office of Board of Investment of Thailand has announced the investment promotion policies in special economic zones by specifying the privileges for the enterprises investing in the areas consisting of the enterprises as attached to Announcement of the Board of Investment No. 2/2557 allowed to exempt from income tax apart from 3-year regular criteria but totally not over 8 years, which is the period of 5 years from the expiration date of corporate income tax exemption. Moreover, the Office of Board of Investment of Thailand has provided other privileges, that is, permission to deduct twice of freight, electricity, and water bills for 10 years and to deduct 25% of the investment for installation and construction of facilities apart from usual depreciation deduction. In case of import duty, it will be exempted from import duty for machinery, and exempted from import duty for raw materials, and materials necessary for export manufacturing for 5 years, as well as permitted to use unskilled migrant workers. These have led the investment promotion measures of the Office of Board of Investment of Thailand to influence decision making for industrial investment in Tak province. It was consistent with the theories of Bolnick (2004) which concluded the choices of tax measures for investment promotion consisting of 1) Special Income tax

Rate, 2) Income tax Exemption, 3) Accelerated Depreciation or Investment Tax Allowance, 4) Investment Tax Credit, 5) Dividend Tax Exemption, 6) Double Tax Deduction, such as r&d and marketing, and 7) Indirect Tax Incentive, such as VAT. Moreover, it agreed with the research of Sirivasa Sithichai (2008) on Tax incentives for establishment special economic zones which found that Thailand proposed tax incentives in several laws. The tax incentives which appeared in major laws included Investment Promotion Act, B.E. 2520 and Industrial Estate Act, B.E. 2522. Furthermore, promotion of tax incentives has still existed in the measures of Tax Sparing Credit in Double Taxation Agreement. The forms of tax incentives are required to be provided specifically and have special objectives in providing tax incentives, as well as relieve the tax burdens of beneficiaries. The types of incentives Thailand proposing to investors included tax holidays, tax reduction, accelerated depreciation deduction, import duty exemption for importing machinery or other equipment, etc. However, incentive proposition can be established in other forms, such as, the establishment of the economic zones, referring to any areas specified and developed under laws and management of the enterprises specifically to prepare the areas for investment support, proposing a variety of incentives whether tax incentives or public utility facilitation.

Recommendations

1) Measures on investment promotion of the Office of Board of Investment of Thailand

Some entrepreneurs still lack of knowledge and understanding on the rightful incentives from measures on investment promotion of the Office of Board of Investment of Thailand. Therefore, the government sector should publicize and disseminate information on incentives to a wide range of people and easy to understand in the same direction through printed media, television, and online media. Besides, it can be done by inviting investors, businesspeople, visitors, and interested people to participate in, such as organizing seminar activities and holding exhibitions to reveal readiness of Tak province in the eyes of investors by inviting experts or gurus in economics or scholars to provide information and have discussion.

2) Other support measures from the government sector

The government sector has permitted the migrant workers to have round-trip commute to work or stay not over 7 days. It can be seen that at present the minimum wage of Thailand are increased which leads the entrepreneurs to hire migrant workers in lower wages. Tak province is a border economic zone close to the border countries of Thailand so that it is easy to access to a large amount of labors and convenient to distribute goods to the border countries to Thailand. The labor incentive is also another factor which the investors give importance and are interested in making investment in the special economic zone. The government sector should support facilitation in terms of places and time for quickness in proceeding the procedures.

Recommendations for Further Study

1) Additional study should be done in other economic zones to acquire a variety of information and compare the information to consider the different factors influencing decision making for industrial investment in other economic zones.

2) Other factors influencing decision making for industrial investment should be investigated to acknowledge various information more comprehensively and to apply the research results as a guideline to further develop other economic zones.

3) The future study should be done as a qualitative research through in-depth interview of the respondents to gain insights of the study.

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