AN EXAMINATION OF COMMUNITY-BASED ENTERPRISES AND POVERTY REDUCTION IN RURAL NORTHERN THAILAND

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Doctor of Philosophy

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Declaration

I certify that the substance of this thesis has not already been submitted for any degree and is not currently being submitted for any other degree or qualification.

I certify that, to the best of my knowledge, any help received in preparing this thesis and all sources used have been acknowledged in this thesis.

Nuttamon Teerakul

Abstract

Poverty alleviation remains a challenge for Thailand's socio-economic development. A key strategy of the Thai government to help meet this challenge at the 'grass roots' level has been the promotion of community-based enterprises (CBEs). Approximately 40 per cent of CBEs engage in food processing and handicraft production. The Government has supported CBEs through the One Tambon One Product (OTOP) project, which includes such initiatives as the OTOP Product Champion (OPC) certification that aims to improve the quality of CBE products.

National statistics and descriptive studies show that CBEs have led to both income improvement and employment creation. However, the question is whether they have alleviated poverty. Poverty can be viewed from a number of perspectives, not only monetary. Therefore, a multidimensional perspective of poverty is a central theme of this thesis. The purpose of this research has been to conduct a comprehensive analysis of the role that CBEs play in poverty reduction at the *household* level in the context of the United Nations Millennium Development Goals (UN MDGs). To obtain data for the research, a detailed survey was conducted of 14 CBEs in northern Thailand. The survey included 343 households from 12 villages.

The analytical framework used in the research is based on a multidisciplinary approach with two key steps: (1) identification of poverty groups within the target geographical area and their related poverty components; (2) and investigation of the role of CBEs and other factors on household poverty. The framework combines three well-known but traditionally separately used methodologies in order to better explore the economic dynamic of CBEs on households. The framework is relevant, both theoretically and methodologically, to researchers undertaking similar poverty, microenterprise and social entrepreneurship studies in developing countries.

The principal component analysis (PCA) method is used to formulate a poverty index and to discriminate poverty groups. By applying PCA, the study established significant poverty indicators that were then used to identify the most vulnerable households within the survey area. The propensity score matching (PSM) method was used to assess impacts of CBEs on household poverty and also used to address the selectivity bias arising from

the quasi-experimental design with constructed controls method. The analysis was extended to examine impacts of the CBE characteristics and performance on household poverty by applying a regression-based method with statistical controls. This study also examined the determinants of household poverty by using the weighted least square regression (WLS) method.

Using the results of PCA from eight dimensions of poverty indicators, the relative poverty of households can be divided into three groups of approximately the same size. The lowest-ranked group (the poorest) comprised 32 per cent of the households; the middle-ranked group 32.7 per cent; and the higher-ranked group accounted for 35.3 per cent.

The research postulated that there would be a relationship between the wellbeing of CBE members based on their level and type of involvement. Therefore members of CBEs were classified as either ‘active’ or ‘inactive’. It was shown, by using PSM, that there was a significant difference between the income that active and inactive CBE members earnt. This is primarily attributed to the fact that active members are able to derive additional income from wages for their CBE labour, whereas inactive members are only able to derive benefit from dividends, which are highly variable between CBEs. Contrary to expectations, further examination of household income indicates that there is no significant difference between CBE members and non-CBE members. The main contribution to wellbeing appears to be related to social-capital building and gender empowerment. This outcome stresses the importance of using other than monetary measures to address and understand poverty.

A clear outcome of this study is that CBEs play an important role in capacity building through social-capital development. As such CBEs constitute a genuine economic stimulus mechanism at the grass roots level. However, in terms of monetary aspects, there is a need to further examine the reasons why some CBEs do not contribute to income improvement. In part this may be to do with the lack of business-plan development, the lack of market knowledge coupled with remoteness from main centres of economic production, the lack of partnerships, such as production technology and financial alliances, and the lack of achievement of an OPC certification. An additional consideration is the influence of ethnicity on attitudes to economic development.

Governments and CBEs could be encouraged to address sufficiency of partnerships with CBEs, in particular regarding provision of financial and technical expertise. In relation to the OPC certification, the government could facilitate ways of ensuring that a greater proportion of CBEs achieve higher OPC certification. Governance issues may warrant further inquiry, perhaps the social audit literature may be of help in this regard.

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List of Acronyms

Acronyms	Definitions
ADB	Asian Development Bank
AEO	Agricultural Extension Office
ATT	Average Effect of Treatment on the Treated
BAAC	Bank for Agriculture and Agricultural Cooperatives
BRAC	Bangladesh Rural Advancement Committee
CBEs	Community-Based Enterprises
CBMS	Community-Based Monitoring System
CDD	Community Development Department
CDO	Community Development Office
CGAP	Consultative Group to Assist the Poor
CIA	Central Intelligence Agency
CPD	Cooperative Promotion Department
CWIQ	Core Welfare Indicators Questionnaire
DFID	Department for International Development
DHS	Demographic and Health Survey
DIP	Department of Industrial Promotion
DOAE	Department of Agriculture Extension
EUROPA	European Commission
FAO	Food and Agriculture Organisation
FTI	Federation of Thai Industries
GDP	Gross Domestic Product
GIS	Geographical Information System

GNI	Gross National Income
GPP	Gross Province Product
HAU	Home Activity Unit
HDI	Human Development Index
HPI	Human Poverty Index
IFAD	International Fund for Agricultural Development
IFPRI	International Food Policy Research Institute
IGPs	Income Generating Projects
IMF	International Monetary Fund
IRFT	International Resources for Fairer Trade
JBIC	Japan Bank for International Cooperation
JETRO	Japan External Trade Organisation
KB	Khushhali Bank
LPM	Linear Probability Models
LSMS	Living Standards and Measurement Survey
MCA	Multiple Correspondence Analysis
MDBs	Multilateral Development Banks
MDGs	Millennium Development Goals
MFI	Microfinance Institution
MICS	Multiple Indicator Cluster Survey
MOAC	Ministry of Agriculture and Cooperatives
MOI	Ministry of Interior
MPAT	Multidimensional Poverty Assessment Tool
MPEN	Manchester Progressive Enterprise Network
MPI	Multidimensional Poverty Index

MSE	Micro and Small Enterprise
NESDB	National Economic and Social Development Board
NESDP	National Economic and Social Development Plan
NGO	Non Government Organisation
NSO	National Statistical Office
OAE	Office of Agricultural Economics
OLS	Ordinary Least Squares
OPC	OTOP Product Champion
OPHI	Oxford Poverty and Human Development Initiative
OTOP	One Tambon One Product
OVOP	One Village One Product
PRADAN	Professional Assistance for Development Action
PASW	Predictive Analytics Software
PCA	Principal Component Analysis
PCFC	People's Credit and Finance Corporation
PIO	Provincial Industrial Office
PMI	Poverty Measurement Index
PPP	Purchasing Power Parity
PSM	Propensity Score Matching
ROA	Return on Assets
SHG	Self Help Group
SMCE	Small and Micro Community Enterprise
SME	Small and Medium Enterprise
SPSS	Statistical Package for the Social Sciences
TAO	Tambon Administrative Organisation

UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNICEF	United Nations Children's Fund (or United Nations International Children's Emergency Fund)
USAID	United States Agency for International Development
WHS	World Health Survey
WLS	Weighted Least Square
WPI	Water Poverty Index

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