

**Financial Demands and Funds to Support
Community Enterprise in Cotton Products: A
Case Study of the Cotton Hands Weaving
Groups at Sobia Sub-district, Chom Thong
District, Chiang Mai Province**

— *Review of* —
**Integrative
Business &
Economics**
— *Research* —

Thodsaporn Chaiprakong*

Faculty of Business Administration and Liberal Arts
Rajamangala University of Technology Lanna, Thailand

Sureenart Manola

Faculty of Business Administration and Liberal Arts
Rajamangala University of Technology Lanna, Thailand

ABSTRACT

The objective of this research was to study the financial demands and funds to use for Community Enterprise for Cotton products: A Case study of The Cotton Hands Weaving Groups at Sobia Sub-district, Chom Thong District, Chiang Mai Province. The examples for data collecting were 20 by using questionnaires and analyzed by description and percentage method. Sobia Sub-district has 21 small villages. It is situated on the hillside and the lowland full of field for crops including cotton fields. This research provided a knowledge management to improve the business community in cotton products for studying the cotton productions of Community Enterprise in Weaving Cotton Products Groups of Sobia Sub-district, Chom Thong District, Chiang Mai Province. The groups produce the Cotton production. The group members are farmers and gardeners, most of them are under graduated and earn below 5,000 baht per month. After their work in the field, they weave the cotton to make products from the orders. They are professional because they have experience for over 15 years. They can produce more products according to orders in their free time but the shortage of raw materials is one of the recent problems because they have the high expenditures so they can produce less products. They must find the funds and capital to run their business instead of their own capital. According to questionnaires, most of them want short-term loan for buying raw materials, tools and also labor wages which is cost paying from government financial institution. The main problems are the demand of working capital and study the conditions for loans from financial institutions. The example groups are cotton manufacturers with knowledge and expertise in manufacturing. They would like to contribute their knowledge and experience among their groups in the community. From this point, the researchers were interested in finding the funds and capital for these groups in order to solve their recent problems. Additionally, the study found that high interest rate, insufficiencies for guaranteed estate for loan, inadequate financial information and knowledge in loaning and also new technology for their products cycle.

Keywords: Financial Demands, Cotton Products, Cotton Hands Weaving, Sobia Sub-district.

1. INTRODUCTION

In an era of competition in the business world, it affects the wisdom folk products for sale of the community or other community cannot be fairly competitive because current business need many kinds of availabilities; technology, information, management and finance. Any potential community which has all mentioned availabilities will be able to strengthen the business of the community. Conversely, any weak community will have less opportunity to make their business successful. In the strategy of the National Development from the tenth National Economic and Social Development Plan (2006-2011), the researchers chose a strategy for researching to strengthen the community and society to become a solid foundation of the country. The research focuses on how to create stability to the community economic and is conducted on financial and funding sources requirement in the business of the cotton hands weaving groups in the case study of The Cotton Hands Weaving Groups at Sobia Sub-district, Chom Thong District, Chiang Mai Province to build potential and capability for economic development as a fundamental of sustainable community economic development. (Office of the National Economic and Social Development, 2008).

Chom Thong District is a large and important district of Chiang Mai Province. Its history lasts for more than 200 years. Provincial administration classifies Chom Thong District to be the first class district or can be equivalent to province level when classified by Department of Local Administration. Moreover, Chom Thong District is the biggest city and the center of all prosperities in the southern part of Chiang Mai Province. It is also a high potential district for development as well as its favorable geographic to support the prosperity of Chiang Mai Province. There are three universities, one vocational school and lots of famous schools. As for public health, there is Chom Thong hospital, the largest hospital in Chom Thong District, serving people in the area. About the tourism, Chom Thong District has many major tourist attractions, those are; Doi Inthanon National Park, Phra That Si Chom Thong Worawihan Temple and well-known waterfalls which are nationally renowned tourist destination. For the commerce, Chom Thong district has been continued developed and extended including department store, hotel and real property. Sobia Sub-District is a group of village, consisting of 21 villages, and a Sub-district of Chom Thong District. The topography of Sobia Sub-district is mountains, foothills and plains. The plains are on the east of the district. The slope and foothills are on the west. Most of the eastern areas are fields, planting area and Longan garden. Most of the western areas are Longan garden area (Office of Community Development Chom Thong District, 2011).

The Cotton Hands Weaving Groups at Sobia Sub-district, Chom Thong District, Chiang Mai Province, is the assembly of the cotton hands weaving maker at Sobia for a long time consisting of members who are knowledgeable manufacturers of cotton and expertise in production. It is the result of knowledge exchange in the community and the development of the production layout and the sale of cotton hands weaving which is consistent with the life of the community in producing cotton hands weaving to use and disposal. Products are divided into sewing groups, processing group and distribution group. The products are various such as clothing, bags, scarves, tablecloths, curtains, pillowcases, mats, hats, bedspreads, souvenir or other cotton memento and so on. This research was to manage knowledge for community business development in cotton hands weaving products. The study group is a cotton hand weaving groups. Therefore, the preliminary studies and surveys found that the main problem of Sobia in running community business of cotton hand weaving product was a requirement of working

capital for raw material purchasing such as cotton, wage payment for weaving and sewing finished goods. While the finished products still cannot be sold, manufacturers need a working capital in running their business. In addition, manufacturers do not have access to the source of investment funds at low interest rates in the financial markets; however, the manufacturers also have to study the conditions of loans from government financial institutions that have an important role in providing credit to other entrepreneurs or other communities. Thus, the researchers studied about the requirement of the necessary finance and funding sources in operating cotton hand weaving business of the cotton hands weaving groups at Sobia Sub-district, Chom Thong District, Chiang Mai Province.

2. OBJECTIVE

2.1 To study the requirement of financial in operating cotton hand weaving business of the cotton hands weaving groups at Sobia Sub-district, Chom Thong District, Chiang Mai Province.

2.2 To study funding sources in operating cotton hand weaving business of the cotton hands weaving groups at Sobia Sub-district, Chom Thong District, Chiang Mai Province.

3. CONCEPTUAL FRAMEWORK

Chom Thong District is the ancient civilization sources and is well known in cotton hand weaving. The cotton is weaved by hand, known as “Chom Thong cotton hand weaving” Chom Thong district is subdivided into six Sub-districts where each Sub-district has various cotton patterns or various forms of processed cotton. The most famous cotton hand weaving is from Sobia Sub-district. From the ancient to the present, funds and financial resources demand for the implementation are higher. The researchers required to study the demand and funding sources in implementing the business of cotton hand weaving groups at Sobia village, Sobia Sub-district, Chom Thong District, Chiang Mai Province by following conceptual framework;

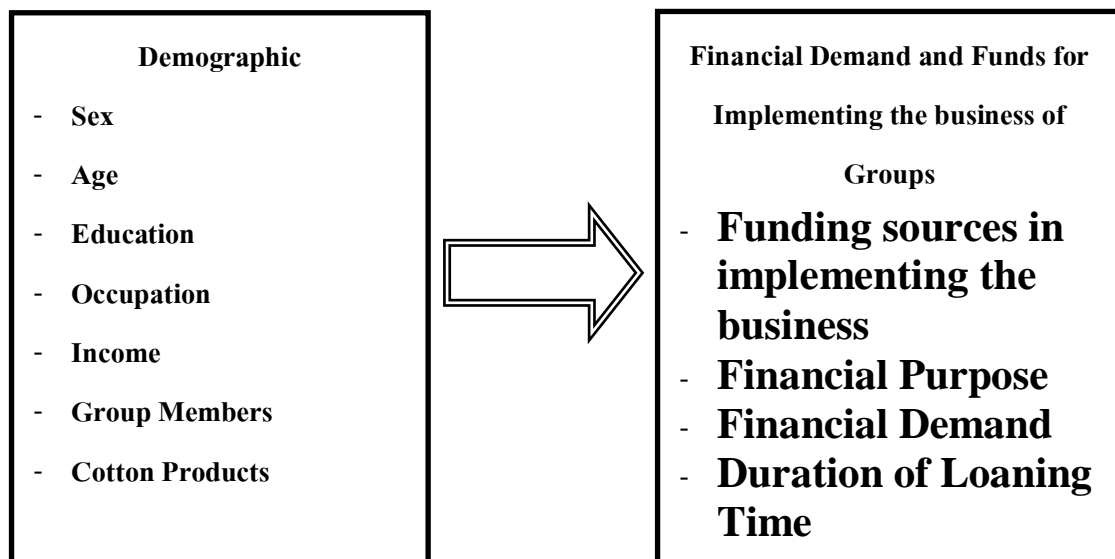


Figure 1-1 The framework concept of financial demand and funds for implementing the business of cotton hand weaving groups at Sobia Sub-district.

4. Related documents and researches

Yupa Sriwichai (2011) studied about the potential of community enterprise management of Dok Keaw Broom groups at Sub-district Dongsuwan, District Dokcomtai, Payao Province on organization management, production, marketing and finance.

The finance of community enterprise of Dok Keaw Broom groups at Sub-district Dongsuwan, District Dokcomtai, Payao Province demonstrated the funding sources receiving from Sub-district Dongsuwan Administrative Organization, Dr. Piroj Tanbanjong, under the project of Yudee Meesuk of The Bank for Agriculture and Agricultural Cooperatives (BAAC). This CEO budget used to support equipment to the members. The accounting of community enterprise of Dok Keaw Broom groups at Sub-district Dongsuwan, District Dokcomtai, Payao Province was simply income – expense because the treasurer of the group lacked knowledge and understanding of accounting. However, it was conducted with integrity and revealing.

Nongnooch Eimroeng (2010) studied about the potential development of community enterprise of Wallum Village, Moo 3, Sub-district Maba, District Toongkaoluang, Roi Et Province. The objectives of the research were 1) to study the background of Wallum Village silk weaving group, Moo 3, Sub-district Maba, District Toongkaoluang, Roi Et Province 2) to study the management and key success factors of Wallum Village silk weaving group, Moo 3, Sub-district Maba, District Toongkaoluang, Roi Et Province 3) to study the potential development of community enterprise of Wallum Village, Moo 3, Sub-district Maba, District Toongkaoluang, Roi Et Province. The capital of the group still had limitation in financial resources which affected to factor of production. Inputs are also developing the knowledge of the board members have a variety of product. In addition, knowledge development of committees and members helped product development to be more diverse and remain in quality and standard. With the development of the network to connect the production, marketing and funding sources of the group together and to become strong and sustainable community enterprise. Moreover, It was found out that funding source of the members, financial institute or organization that provide aid or village loan funds, community enterprise group received help or support from Department of Community Development (such as OTOP). Therefore, group products had been certified by government or private sector. In marketing, existing customer increased their order. Production process was on time as planned. In financial, sources of capital reserve were easily to be found. In management, there was the way to evaluate the performance of qualified staff. As for the level of management problem, the marketing lacked of marketing planning. The production had lots of waste from production. Financial and accounting had poor system. Management had a shortage of experience. The relationship between management and the general information of the community enterprise, the total number of employee was different which related to the management. The total value of fixed assets had difference of the relationship with the management. Total sales of the year had no different relationship with the management. Different profit did not relate to the management. Different funding sources related to the management. Different financial institutions or organization that provided aid or loan funds had a relationship with the management. Helping organization or overall support had no different; the relationship between the level of potential evaluation and generally information of community enterprise where the total number of employee were different associated with the potential evaluation. Total sales per year was

different had no concern with the potential evaluation. Different profit did not involve with the potential evaluation. Funding sources associated with the potential evaluation. Financial Institutions or organization that provided aid or loan funds related to the potential evaluation. Helping or support organization involved with the potential evaluation. And, government or private organization that certified products associated with the potential evaluation.

Supanee Kodfoea (2008) studied about factors affecting implementation of community enterprises in San Pa Tong District, Chiang Mai Province. The objective of the research was to study the implementation of community enterprises in San Pa Tong District, Chiang Mai Province on organization management structure, production, marketing, financial and the support from government officer. These were to analyze internal and external factors (SWOT Analysis) that affect the operation of the community enterprises in San Pa Tong district, Chiang Mai Province. Furthermore, when studied about the problems, it found out that community enterprises aimed to establish a group to raise money for the family, troubleshooting and professional development. The structure of corporate management was built, but the sharing responsibility or record was unclear. The financial revealed that the community enterprises had no guidelines on the management of funds, no savings money, no financial / accounting record and without disclosing financial and other information to its members.

The supporting from government officers demonstrated that the community enterprises received aid or support by the District Agriculture Office and Sub-district Administrative Organization in the field of training, promoting / transferring knowledge and the development of skills and capacities.

From the analysis of internal factors and external factors (strength, weakness, opportunity and constraint) that affected to the five operations found that the overall strength of community enterprises was the knowledgeable and capable president who was accepted and trusted by skilled and expertise workers in production. They developed selling product to meet customers' needs and continuously track market information. Weakness point was lack of knowledge and understanding in running community enterprise on its way. Opportunity was a government organization provided fully assists and support. Constraints were economy and competitor. Problems and obstacles in the implementation of the community enterprises were lack of experience in corporate management, high production cost, less distribution, lack of working capital and the supporting from the government authorities did not meet the truly need of the group.

Thanchanok Jantarasorn (2007) studied about the requirement of potential production development of cotton hand weaving group at Ban Don Luang, District Pasang, Lamphun Province. The objective of the research was to study the potential of cotton hand weaving group at Ban Don Luang, District Pasang, Lamphun Province on equipment or machine, production process, distribution, funds and receiving support from related government to study the issue. Also, the suggestion on the development of weaving showed that general condition and capacity of the most members had less weaving equipment, most of materials were bought. The design of the product patterns were inherited from ancestors and blended in with their own ideas. Floral pattern was the most popular woven. The most popular processed products were clothing. The shop

was at their office and set their own price. Funds usage was used 10,000 baht and capital resources loan from the government organization was municipality.

The requirement of development needed more employees to help in weaving, in particular, the weaving machines to produce various types of fabric and to decreased the price of the weaving material. The demand of pattern design and product development in format and the use of helping equipment changing the method of distribution and prices as well as increased working capital requirements.

Cheunjit Aungwawong and Nongnit Janjarat (2003) studied about the problem of funds sources of small and medium-sized enterprises of Thailand with the aim to study the problem of funds sources of small and medium-sized enterprises of Thailand. This research used field data collection (Field Survey Research) from two groups of population: entrepreneur or representative of the establishment of small and medium-sized enterprises and officer of financial institutions. The research demonstrated that the problem of funds sources of small and medium-sized enterprises of Thailand considering on financial institutions were at moderate to high level. The problems at the high level were the issue of mortgage securities, the complicated credit condition and the long duration of credit requesting. Other problems were unsupported SMEs policy, high interest rate, the short duration of repay the loan and without credit counseling, were at moderate level. When considering on entrepreneur, the problem lied at the moderate to high level, most of the problems were unreliable mortgage securities from financial institutes issues, inaccessible funds sources and inexperienced in business. As for the problem of unclear business operation plan, inexplicit objective of the loan and lack of understanding of the loan were at moderate level. When considering in the government, the problem was at the moderate to high level, there were the issue of less measurement of encourage financial institution to lend to SMEs, and the state bank was unfulfilled the policy of the state in providing loans. The problem of the government's supporting policy was unclear. And, the government had less funding sources to support SMEs, the problem was at the moderate level.

The problem solving method of funds sources in the entrepreneurs' point of view was the government should reduce the terms and procedures for credit approval policy, especially in part of the mortgage securities and guarantees. And, they should provide capital resources to support SMEs, particularly loan limits and the duration of the loan and interest. The government should play a role in encouraging the policy about lending credit and increasing a consultant to prepare a business plan for the financial institutions. As for the financial institutions, they should be able to help SMEs with sincerity, and followed the policy announcement by considering in the business plan and the feasibility of the business rather than property. The entrepreneurs themselves should create a systematical business plan and information, and strengthen the marketing. The opinion of financial institution officer in terms of the government policy, they suggested to set up more government organization to provide more support and counseling, and opportunity for SMEs to obtain credit. The role of the government, there should set the policy between the government and financial institutions and implemented policy clearly by imposing the flexible and equal condition to all financial institutions. Then, the financial institutions should decrease interest rates to aid to SMEs and followed the policy announcement. The entrepreneur should prepare the clearly document, information and business plan that could be verifiable, including distinctly marketing plan of the existing customers and the new customer, determining the purpose of the loan and the expense to meet the objectives.

5. METHOD

5.1 Population Scope

The sample used in the study was the cotton hands weaving manufacturers 20 groups in the area of Sobia Sub-district, Chom Thong District, Chiang Mai Province.

5.2 Content Scope

Independent variable is the cotton hands weaving groups at Sobia, Sub-district Sobia District Chom Thong, Chiang Mai Province.

Dependent variable is the funding sources in implementing the business of cotton hand weaving groups at Sobia Sub-district, Chom Thong District, Chiang Mai Province.

5.3 Data Collection

This study used the field research and collected data by questionnaire method, then made a conclusion by using descriptive method and the average percentage. This chapter presented comments on the questionnaire from 20 groups of the cotton hand weaving manufacturers at Sobia Sub-district, Chom Thong District, Chiang Mai Province. The data collection for studying the procedures that mentioned above, the researcher analyzed and interpreted the data into two sides; those were general information about the cotton hand weaving groups and the information about the demand of financial and funds used in the business.

5.4 Research tool

A research tool used in this study was a questionnaire. A research population consisted of the 20 groups of the cotton hand weaving groups. The questionnaire was divided into 3 parts;

Part 1 General information

Part 2 Demanding in the financial and funds used in the business of the cotton hand weaving groups at Sobia Sub-district, Chom Thong District, Chiang Mai Province

Part 3 Recommendation

Data were collected through validity and reliability questionnaires with coefficient alpha to ensure that this research met its objective. The research tools used for collecting data was questionnaire as the following.

1. To study the context of the cotton hand weaving groups at Sobia Sub-district.
2. To study from the document, text, related research and the detail on the purpose of the research to aware the financial demand and funds to use in the business of the cotton hand weaving groups at Sobia Sub-district. Those data were used to draft the survey based on the purpose of research.

3. Developing research tool was the survey of financial demand and funds to use in the business of the cotton hand weaving groups, case study: the cotton hand weaving groups at Sobia Sub-district, Chom Thong District, Chiang Mai Province. The procedures of creating the tools were;

- 3.1 To study technical terms in document and related research about financial demand and funds in running the business of the cotton hand weaving groups at Sobia Sub-district.

3.2 To create the questionnaire about financial demand and funds in running the business of the cotton hand weaving groups at Sobia Sub-district.

3.3 To verify the quality of the tools, consisted of content validity, the tools was validated the content by the consultants. After that, the researchers developed the questionnaires as the suggestion of the expert and used it with the cotton hand weaving groups which looked similar with the three groups of sample to evaluate the understanding of the content.

4. To collect data, the researchers distributed the 20 sets of survey to the cotton hand weaving groups at Sobia Sub-district.

5. The researchers verified the content validity of the collected data and analyzed statistical data by using descriptive statistic, percentage, average and standard deviation.

6. Conclusions and the result of further research were presented.

6. RESULTS

The researchers collected data from questionnaire; the sample was the cotton hand weaving groups at Sobia Sub-district, Chom Thong District, Chiang Mai Province. Research results were collected from the questionnaires about financial demand and funds in running the business of the cotton hand weaving groups at Sobia Sub-district, Chom Thong District, Chiang Mai Province. Research results on general information about the cotton hand weaving groups from querying 20 groups of the cotton hand weaving groups found out that the majority were 10 females, the average age range 51-60 years old (50%). As for the education level of the cotton hand weaving groups, 9 persons were completion elementary school level which was the majority (45%). Most of the cotton hands weaving groups were agriculturists such as gardening and farming, the average was or 8 persons (40%). Moreover, there were 5 peoples (25%) making a living as a traders. There were 13 groups (65%) had the average income per month less than 5,000 baht. In addition, 17 groups had members in their groups less than 10 peoples (85%) and 15 groups (75%) manufactured the cotton hands weaving which were the majority. 13 groups (65%) produced clothing and 10 groups (50%) made home decoration. Moreover, the average age range 16-20 years old had the most experience in the cotton hands weaving production which were 5 groups (25%).

Research results on the information of financial demand and funds in running the business of the cotton hands weaving at Sobia Sub-district, Chom Thong District, Chiang Mai Province, from querying 20 groups the cotton hand weaving groups showed that most of the funds sources used in running the business in the present of the cotton hands weaving at Sobia were private funds, 9 groups (45%). The following were other funds such as village fund, housewife's group, saving village group, family, relatives and friends, there were 8 groups (40%). Furthermore, 4 groups (20%) were loaning from government financial institutions. The groups that demanded financial in running the business of, there were 15 groups (75%) which were the majority. And, 5 groups (25%) of the groups did not demand financial. Most of the cotton hands weaving, 6 groups (30%), had financial purpose in supply material. Secondly, there were 4 groups (20%) had financial purpose in supply equipment. And, 3 groups (15%) needed funds for compensation (wages). Besides, 10 groups (50%) demanded financial less than 10,000 baht each time. There were 3 groups (15%) requires financial more than 10,001 baht but not over 15,000 baht. Next time, 9 groups (45%) of the cotton hands weaving desired to loan from government financial institute. 4 groups (20%) used their own fund to implement the business. The duration of loaning time for using in the business of the

groups, 8 groups (40%) requested short term loan (less than 1 year). The following requirement was moderate term loan (1-2 years) which had 5 groups (25%). As for the problem of funds in operating business in the present, 10 groups (50%) said the biggest problem was high interest rate of loan 9 groups (45%) stated that another problem was lack of mortgage securities. And, 6 groups (30%) had a problem in funds service and lack of the knowledge of loan. Thus, 8 groups (40%) which were the majority requested Sobia administrative organization to support and help in financial. Industry Promotion Center was required support and help from 6 groups (30%) and 4 groups (20%) needed help and support from Chiang Mai Provincial Administrative Organization and Cultural office of Chom Thong district. And, there was a need from organization to provide the financial cognition, 5 groups (25%) required the lecturer to provide knowledge and arranged seminar, and 3 groups (15%) requested observing related organization.

7. DISCUSSION

A study of general information about the cotton hands weaving groups by using a questionnaires with 20 groups of the cotton hands weaving manufacturer found out that the majority were female, the average age range 51-60 year old, completion of elementary school level, mostly making a living as a agriculturist, the average income per month less than 5,000 baht, the member in the group less than 10 people, the most produced product were cotton hand weaving and clothing, and the average of experience in producing cotton hands weaving was 20 year. Financial demand and funds to support the cotton hands weaving groups at Sobia showed that funds in operating the business in the present of the cotton hands weaving at Sobia were from private funds and most of the groups required financial which corresponded with the theory of Maslow 5 at the level of succeed in life requirement. Moreover, the concept of financial market in one economic system, there was no financial assets. It meant to no currency which served as a medium of exchange. Then, in this kind of economic system would be conducted direct exchanges that were wasting process and inefficient. In addition, the investment in the economic system would be low because the economic unit to expand investment cannot invest more than their savings. It was impossible to find sources of funding to offset.

Financial demand in running business had the objective to purchase raw material, material, equipment and compensation expense (wage). In each time, the groups needed financial in running the business less than 10,000 baht. And, funds demand to support the business next time from government financial institute with the short term duration of loaning not over than 1 year which accorded with the concept of financial market. He explained that the financial market was a source of loaning from a capitalist and the loans for people who demanded capital in the short and long term. Whether borrowing or lending was at individual level institutes or national level, financial markets was an important factor that would allow savings money to become invested money in the same period. Because, the financial markets served to mobilize savings money from various sources into the market and distributed to various funding sources as needed. The problems of funding source used in running business in the present were high interest rates on loans and lack of loan collateral. There was a request support and help from organization or financial institute such as Sub-district Administrative Organization and Industry Promotion Center. As the result of, the cotton hands weaving groups had a shortage of financial and fund understanding, thus, they

required to have a lecturer to provide knowledge, arrange seminar, or observe various organization to support the understanding of financial and fund.

8. CONCLUSION

A study of general information about the cotton hands weaving groups by using a questionnaire with 20 groups of the cotton hands weaving manufacturer found out that the majority were female, the average age range 51-60 year old, completion of elementary school level, mostly making a living as a agriculturist such as gardening and farming, the average income per month less than 5,000 baht, the member in the group less than 10 people, the most produced product were cotton hand weaving and clothing, and the average of experience in producing cotton hands weaving was 20 years. From this research, the suggested to use these results as the following; most of the groups needed financial to operate the business, demanded for loans from government financial institutions for a period not exceeding one year, with low interest rates and required support and help form organization or financial institution such as Sub-district Administrative *Organization* and Industry Promotion Center in providing a lecturer to give a knowledge, arranging seminar, or observing various organization to support better understanding of financial and fund. Therefore, there should coordinate relevant organizations to be aware and support based on the following issues and updating the progress on the used funds of the cotton manufacturer to determine the sources of funding for financial services that meet the needs of the cotton hands weaving manufacturers in the future research.

REFERENCES

- [1] Chuenjit Aunvaravon and Nongnit Janjarat (2003), Problems of sources of Capital for Small and Medium Enterprises in Thailand. *Faculty of Management Sciences, Khon Kaen University, c.*
- [2] Nongnuch Imruang (2010), Potential Development of Community Enterprise: A Case Study of Wailum Village, Maba Sub-District, Thungkholuang District, Roiet Province. *Public Administration Program in Local Government, Public Administration Program in Local Government, Khon Kaen University.*
- [3] Office of Community Development Chom Thong District (2011), General Details. *[On-line]. Available : <http://www.cdd.go.th> [2011,November12].*
- [4] Office of the National Economic and Social Development Board (2008), National Economics and Social Development, Act, B.E.2551. *[On-line]. Available : <http://www.nesdb.go.th> [2011, June 2].*
- [5] Supunnee Khodphue (2008), Factors Affecting Implementation of Community Enterprises in San Pa Tong District, Chiang Mai Province, *Science (Agriculture) Agricultural Extension, Chiang Mai University.*
- [6] Thanchanok Jantarasorn (2007), The Requirement of Potential Production Development of Cotton Hand Weaving Group at Ban Don Luang, District Pasang, Lamphun Province, *Department of Management, Chiang Rai Rajabhat University.*
- [7] Yupa Sriwichai (2011), The Potential of Community Enterprise Management of Dok Keaw Broom Groups at Sub-district Dongsuwan, District Dokcomtai, Payao Province on organization management, production, marketing and finance, *Department of Public Administration, Chiang Rai Rajabhat University.*