

# **Working for Money or Working for the Group? Community-Based Women's Rural Enterprises in Chainat Province under the *OTOP* Project**

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## **Abstract**

*This paper investigates the nature of the One Tambon One Product (OTOP) policy in Thailand and its impact on community women. A case study of two well-established groups practicing OTOP is used to contrast the means by which economic success can be achieved through and also highlights the different motivations which women might have when approaching such a Community-Based Rural Enterprise. It is noted that OTOP works much better in terms of rewarding profitable groups rather than those more interested in fostering community solidarity, self-help and women's empowerment as part of the human economy.*

**Keywords:** *community-based rural enterprises, empowerment, gender, One Tambon One Product, Thailand.*

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<sup>1</sup> The authors would like to thank the editor, Dr. Chuthatip Maneepong and the two anonymous reviewers for their useful comments.

## 1. Introduction

Thailand started the *One Tambon One Product (OTOP)* project in 2001. After the 1997 economic crisis, HM the King announced the Theory of Economic Self-Sufficiency to focus on a more resilient and sustainable economy (Department of Agriculture Extension, 2006). Based on this principle, and to appeal for support from the rural population, Thaksin Shinawatra, who became Prime Minister in February 2001, came out with a series of poverty alleviation projects such as the People's Bank Program (through the Government Savings Bank) and the Village Development Fund (VDF), as well as OTOP.

Rural micro and small-scale enterprises have always been dominated by women in Thailand, and have always been positioned as a means for supplementary income for rural households. Even before OTOP was introduced, a large number of community-based income generation groups already existed in Thailand. The objectives of the OTOP project are to create jobs and income for the communities and to strengthen communities to be self-reliant, as well as to develop community's creativity in harmony with their way of life,<sup>2</sup> which shows that they need to be closely related to the strengthening of these income generation groups.

There have previously been many studies undertaken on Community-Based Rural Enterprises (CBREs), especially those operated by women. These studies focused on the problems and obstacles in the process of setting up and running the enterprises from both internal factors (socio-economic characteristics and background of the

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<sup>2</sup> The Office of the Prime Minister's regulations concerning the One Tambon One Product National Board B.E. 2544 states five objectives: (1) to create jobs and income for communities; (2) to strengthen the communities to be self-dependent; (3) to promote Thai wisdom; (4) to promote human resource development and (5) to promote the communities' creativity in developing products which are in harmony with local culture and way of life (Source: OTOP 5 Star Website, n.d.).

members, as well as production, financial and marketing management of the enterprises) and external factors (technological, financial, marketing and policy support from government) as found in the work of Novenario (1984), Khattak (1993) and Mahat (1995).

There have also been many other studies related to the OTOP project focusing on the organizational management of OTOP groups, effects of those groups on local people, problems and obstacles that groups have faced and consumers' opinion and feedback on OTOP products, as found in the studies of the National Economic and Social Development Board (NESDB, 2003), Chuo Senko Public Co., Ltd., Thailand (2003) and Rattanakamchuwong (2005).

Nonetheless, there remains very limited literature emphasizing the social and institutional effects of CBREs, such as development in knowledge and skills, change in attitude of members, change of gender roles within households and the creation of local networks. The assessment of the linkage between the organizational structure and management of the CBREs and economic, social and institutional effects to the rural people has also rarely been studied and documented, especially in terms of the gender aspect.

Consequently, by taking a case of two OTOP groups, this study aims to fill in the gaps in literature by not only focusing on the commercial aspect of OTOP but, also, how it has contributed to social development and women's empowerment.

## **2. Women in Community-Based Rural Enterprises**

Rural non-farm enterprises, as which most CBREs can be categorized, are important income sources for rural households. Since most of the rural non-farm enterprises can be started and operated with little capital, it is relatively easier for households to start them and it has been an indispensable survival strategy for rural households (Ellis, 1998). Silvey's (2004) study in Indonesia showed how vibrant rural

non-farm enterprises backed by agriculture resources (land), enabled the community to weather the economic crisis better, while another community which did not have a strong non-farm enterprise and was totally dependent on remittances from migrants, was harder hit by the crisis. Rural non-farm income is important for rural diversification (Ellis, 1998) and for development linkages (Leinbach, 2004).

Women are the major operators of rural non-farm micro-businesses, and this provides an important income source, for especially for middle-aged women who would have fewer employment opportunities than younger women and men. Since women's micro-businesses are normally carried out at home, it is easier for women to combine them with household work. Women's community-based income generation groups have economic, social and institutional advantages. Economically, community-based income generation groups create employment opportunities and income as they facilitate the effective mobilization of resources, knowledge and skills which would otherwise not be utilized for economic purposes (UNIDO, 2003; Tewari *et al.*, 1991; Anderson and Leiserson, 1978). They raise organizational and managerial capabilities of women, build awareness of rights and obligations, and thus improve women's confidence (UNIDO, 2003), as well as self-esteem and self-efficacy (Moyle *et al.*, 2006). Acharya (2006) noted that the social mobility of women is enhanced by the effective launch of entrepreneurship. Additionally, moral support a group may receive improves the social status of women through networking, achieving economic gains and cultivating an entrepreneurship culture (Tewari *et al.*, 1991).

Institutionally, by being organized as a group, they obtain more opportunities for attending seminars, trainings and workshops, and this enhances networking between women (UNIDO, 2003). It also makes it easier for women's groups to draw the attention of banks, NGOs and other financial institutions to support their activities further (Anderson and Leiserson, 1978). The visibility achieved by a group

enables many women to overcome gender-bias in the access to credit (Acharya, 2006).

The performance of women's rural income generation groups is influenced by various factors, including management capacity and leadership, as well as external factors, such as the macro-economic environment and government support. Leadership and the entrepreneurial attitude, as well as risk taking or risk avoiding characteristics of the leaders who have the confidence of the community, play important roles in setting focus and providing impetus for women's rural enterprises. As indicated in the strategic paper of SEED (2009), capable leaders can ensure meaningful participation in decision-making and actions from the broader community. Millman and Martin (2007) observed women entrepreneurs obtain great self-confidence and self-belief both at start up and as the business continued. They had confidence in their abilities and felt that there were no barriers to female enterprise. Many successful women's enterprises were found to have strong and capable leaders (e.g. Ogawa, 1994; Tewari *et al.*, 1991; Millman & Martin, 2007).

Although women's rural income generation groups create advantages and benefit, they still suffer from the general obstacles that female-managed enterprises often face, such as lack of technology, resources and credit, as well as lack of market linkages (Della-Giusta and Phillips, 2006; Mayoux, 2001). Women's enterprises tend to be concentrated in certain sectors and tend to remain small and earn little (Dignard and Havet, 1995). At the same time, a number of scholars point out that women's enterprises do not only operate on pure enterprise economic performance alone but can also be motivated by non-economic factors that derive from the particular positions and social expectations that women possess in society. Tinker (1995) argued that women's enterprises do not operate on the logic of the market economy but on the human economy – which places higher priority on the family's well being rather than the growth of the

enterprise. Della-Guista and Phillips (2006), referring to Matthews and Moser (1996), noted that social roles and self-images of women allow them to focus more on the 'balance of activities they engage in' rather than the enterprise performance itself, which is incompatible with the male-defined success of such enterprises.

OTOP is, by definition, a CBRE and many of the OTOP groups are women's groups. This paper, by comparing two OTOP groups run by women, explores how women's groups operate with respect to various values separate from economic performance, and analyzes how the OTOP project is able to capture the dynamics of such CBREs. Before evaluating these cases, it is necessary to review how the OTOP policy was introduced to Thailand.

### **3. Development of OTOP as a Policy for Rural Development**

Before 1992, developmental policies of the Thai government focused on building roads and other physical infrastructure, promotion of agricultural activities and of large-scale export-oriented industries. A change in policy in 1992 shifted the focus to promotion of community-based income generation groups,<sup>3</sup> although such discourse was not yet translated into implementation and practice. The government set up a community development department in each province and district starting from as early as the 1960s and also established community-based groups, including housewives' groups.

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<sup>3</sup> In Thailand, the community-based income generation group is recognized as a small and micro community enterprise (SMCE). According to the Act of Promotion of the SMCE (2005), the SMCE is defined as a community enterprise that produces products or offers services and must be operated by a group of people who have a relationship with one another and share their way of life to create income and self-reliance of their families, their communities and other communities. The SMCE may either have or not have registration as a juristic person.

The Ministry of Agriculture created a series of training sessions on food processing and handicraft making for village women to promote off-farm income. However, the budgets allocated to such activities were relatively small and, even though credit facilities were provided, many groups faced marketing problems after receiving such training, and businesses remained small even if they did start up in operation. There were many housewives groups that started small income generation activities but, with few exceptions, they catered principally for local consumption.

Community-based income generation groups received renewed attention after the economic crisis in 1997 as a means whereby unemployed people could be returned to employment. However, it was only in 2001, under the Thai Rak Thai administration, that these community-based enterprises were seen as prime movers to stimulate the rural economy, through the introduction of the OTOP project.

The OTOP project was established following the model of the One Village One Product (OVOP) campaign of Oita Prefecture in Japan, although with its own modifications and adaptations. The principal rationale of OTOP was to create market linkages for locally produced products, through upgrading product quality and linking products to domestic as well as international markets, while also addressing the major bottlenecks of access to market for many rural enterprises (Rattanakamchuwong, 2005). OTOP aimed for a ripple effect through supporting products which utilized local resources so that the producers of raw materials, especially in the farming sector, would benefit (Secretariat of the Prime Minister, 2001). It also aimed for the conservation of natural resources and the environment and the preservation of indigenous knowledge, culture and the customs of each local area (Sombatpanich, 2004), as well as promoting self-

reliance and creativity and the utilization of indigenous knowledge<sup>4</sup> (CDD, 2002). However, the most evident feature was the marketing.

Year	Allocated Budget (Million Baht)	Expenditure Plan (Million Baht)	Actual Expenditure (Million Baht)
2003	800	893.50	700.97
2004	1,500	1,445.89	1,236.93
2005	1,000	976.83	547.56
2006	1,000	N/A	912

Table 1: Thai Government's Budget for OTOP; source: Bureau of the Budget, available at: [http://www.bb.go.th/Evaluation/rep\\_dept49/evaluation49/contents/OTOP.doc](http://www.bb.go.th/Evaluation/rep_dept49/evaluation49/contents/OTOP.doc) (accessed on 15 August 2009).

The Thai government initially focused on providing non-monetary support, such as technological support, marketing support, and skill and knowledge training support to the *OTOP* groups rather than giving them the subsidy or monetary support (Rattanakamchuwong, 2005). The government provided machineries and tools, as well as established provincial OTOP centres, organized provincial and national OTOP fairs and linked OTOP producers to retailers and wholesalers domestically as well as internationally (see Table 1).

In order to encourage OTOP producers to improve their products' quality and design, the OTOP Product Champion (OPC) Campaign competition was organized each year by the Community Development Department of the Ministry of the Interior. The evaluation principles

<sup>4</sup> According to the Community Development Department (2002), the main principles of OTOP are: i) Local yet global; to use indigenous knowledge for the improvement of products and services until global acceptance is achieved; ii) Self-reliance and creativity; to utilize the use of local raw materials and indigenous knowledge for income generation, which helps to improve the living conditions of local people and iii) Human resource development; to foster in people a challenging and creative spirit.



of OPC were considered from both supply and demand sides (CDD, 2006) – with the supply side mainly examining the potential for ripple effect locally and the demand side examining marketability issues.

For the supply side, OTOP groups and products were measured based on the following criteria:

- Provincial identity (unique and outstanding product and its presentation of the identity of the province);
- Local wisdom and resources (use of indigenous knowledge and local wisdom, ratio of local raw materials and labour from the province in which the group is located);
- Marketability (satisfaction of customers, creation of occupations and income for people in the province, stable and secure domestic and/or international markets and recognition as the souvenir of the province); and
- Value creation (transformation and diversification of the products and design development).

For the demand side:

- Production (production capacity, continuity of production, period of business operation exceeding three years, unique and outstanding provincial product and knowledge transformation to other local people and the next generation);
- Quality and standards (safe raw materials for the consumers, environmentally friendly production process, avoidance of the destruction of the scarce resources or violation of any standards or law, acquirement of required standards and no official complaints from customers);

- Marketing (systematic production and marketing management, clear distribution channels, application of marketing plan, market expansion and sales volume and revenue from products);
- Product design (appearance and testing of products, quality and elegance of products, practicality of products and avoiding imitation of other products and violation of the copyright law); and
- Social responsibility and cultural preservation (preservation of local culture and norms and avoidance of the destruction of the local culture as well as Thai culture).

Based on these criteria, the products were given one to five stars, with five stars signifying export quality. Depending on the number of stars that the product received, producers received different types of assistance from the government. Only those who received five stars were promoted by the government for export and those that obtained four or more stars could participate in the national OTOP fairs, while the lower starred products could only participate in provincial or district fairs. Government supported the cost of these fairs and the cost of presentation booths, which was the major part of the marketing cost for many OTOP groups.

Later, the Thai government identified that many OTOP producers still faced the difficulty in running their business due to the lack of financial resources, and shifted its policy to providing financial support to OTOP producers directly and indirectly. A Village Development Fund (VDF) was established in each village as a revolving fund that facilitated long-term local investments and income creation in rural areas at community levels (Thailand Investor Service Centre, 2001). Even though this was not exclusively intended for OTOP groups, many groups utilized this as their principal source of capital. The People's Bank Program and the Bank for Small-and

Medium-Sized Enterprises (SME Bank) were subsequently introduced for the same purpose (Secretariat of the Prime Minister, 2001). The OTOP credit project was introduced by the SME Bank specifically to targeted the financing of OTOP groups for expansion and improvement of the enterprises involved, improvement of production techniques and the marketing and distribution channels of the OTOP products, creation of value-added OTOP products through product development, and other business operation activities of OTOP enterprises (SME Bank, 2006). After Thaksin Shinawatra and Thai Rak Thai won a second term in 2005, support for community-based agro-processing continued, and new credit sources were added to accelerate local economic development through the establishment of a Small Medium Large Government Budget (SML), which, again, did not target OTOP groups specifically but was used as a credit source by many groups. Some OTOP groups obtained financial support from the Tambon Administration Organization, the Community Development Department (CDD) and other government agencies.

In October 2005, Permanent Secretary of the Ministry of Commerce, Mr. Karun Kittisataporn, announced that the export value of OTOP goods reached US\$1 billion (around 40 billion Thai baht) (Bangkok Post, 9 October 2005). In 2004, 29,385 OTOP products were registered for grading (one to five stars) and 7,967 products were selected (Janchitfah, 2005), while in 2010, the number increased - 11,001 OTOP products were registered for grading and 10,728 products were selected ([www.thaitambon.com](http://www.thaitambon.com)).

As can be seen from Table 2, many of the products are concentrated on textiles handicrafts and food, where many of the community based enterprises are strong. As for the types of producers, nearly 70 per cent of the producers are community based enterprises (see Table 3 for the type of producers). NESDB (2003) reported that 81 per cent of those who joined OTOP projects in 2003 were women.

Product	Number of products
Food	2,679
Drinks	445
Textile, fabric, dresses	3,553
Handicrafts, decorations, souvenirs	3,475
Non-food Herbal products	576
Total	10,728

Table 2: Type of OTOP Products in 2010; source: ThaiTambon.com website (<http://www.thaitambon.com/>) (accessed on 8 August 2011).

Type of producers	Number of producers
Small and medium size enterprises (SMEs)	726
Community based enterprises	22,189
Sole proprietorships	10,303
Total	33,218

Table 3: Number of OTOP producers by type in 2010; Source: ThaiTambon.com website (<http://www.otoptoday.com/about/otop-ten-years>) (accessed on 8 August 2011).

#### **4. OTOP: Is It Benefiting the Local People?**

The assessments of OTOP are mixed. Chuo Senko's (2003) study showed that after the implementation of the OTOP project, income of OTOP producers, sellers and local people in place where OTOP exists increased and out-migration decreased in all places, except in the Northeastern part of Thailand. On the other hand, Sangkaman's (2002) study showed that OTOP producers still find it difficult to market their products in spite of the support from the state and, thus, are not able to link their participation in the project to higher income.

The studies by Chuo Senko (2003) and NESDB (2003) identified that OTOP groups are not able to overcome the typical challenges that are often faced by small enterprises, such as low quality products and lack of quality control; low technical knowledge and poor packaging; difficulty in differentiating their products from other CBRE products;

no protection for intellectual property; lack of business management skills; low profit margins;<sup>5</sup> and no access to distribution channels, despite the government's support for marketing. These might be because many of the operators of OTOP groups were older in age and had low education (NESDB, 2003) but also shows that OTOP fell short in changing the nature of small-scale community based enterprises and many groups could not fully benefit from OTOP's strongly marketing oriented support.

What was alarming was that these studies pointed out the disparities among OTOP groups, since government support focused on the more successful groups leaving out the rest. Advertisements for products were done on the internet, so only the products that were suited for such advertisements catering to a specific audience benefited and many people did not know about the products.

Another question was whether the OTOP projects were benefiting the community-based groups or not. Prapas Pintoptaeng's study showed that successful OTOP businesses were already well-established businesses (Janchitfah, 2005). Rattanakamchuwong (2005) observed that some of the OTOP producers were individual business persons but joined in the project just to get privileges from the RTG's support policy. These entrepreneurs have more resources and linkages, thus are more successful in expanding their products, getting more attention and support from the government and marginalizing the truly rural community-based groups. Such business groups do create employment but only for low waged labourers.

Although OTOP includes products that are mainly made by community-based groups, Table 4 shows that the increase in sales was enjoyed more by SMEs rather than village-based groups, suggesting

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<sup>5</sup> Chuo Senko (2003) and NESDB (2003) noted that 27.5 percent of OTOP groups earned less than 5,000 baht per month.

that the economic benefit from OTOP project might have accrued more to private enterprises than village enterprises.

Type of group	Total sales in 2001	Total sale in 2002	Increase/ decrease in percentage
SMEs	2,723,652.17	4,765,217.39	74.96
SMEs registered as a small villager group	869,521.62	1,263,729.73	45.32
Villager groups	421,013.48	483,478.08	14.84
Cooperative and farmer groups	27,660,000.00	25,440,000.00	-8.06
Average	1,911,985.39	2,310,521.01	20.83

Table 4: Total sales of goods produced in 164 villages before and after the implementation of the OTOP policy; source: OTOP Policy Evaluation 2005, in Janchitfah, 2005.

Fujioka (2008) maintained that the major differences between original OVOP of Japan and OTOP was that while OVOP was a movement that was locally-led, OTOP is a centrally-led project looking for rapid results. While OVOP did not have any designated budget, OTOP had one of 1,000 million baht (around 27 million USD) in 2005,<sup>6</sup> which amounts to around 0.08 per cent of the national budget (Bureau of Budget website). Fujioka (2008) further pointed out that while OVOP focused on community development through promoting “only one” product of the locality, OTOP focused on entrepreneurial promotion by promoting “number one” through OPC, which followed various criteria.

As can also be seen from the OTOP assessment criteria, there are none concerning building up of local cohesion or labour issues. That is, the assessment is solely concerned with the product itself and the

<sup>6</sup> The actual amount spent was only 547.6 million baht.

economic values created around the product. Empowerment of the local people and especially women and women's groups that are the natural target group of community-based enterprises development was not its main focus. This is the reason why such criticisms as OTOP only benefiting the already established existing personal business operators and creating disparities among OTOP groups have been raised. It has never been the objective under OTOP to empower the poor or build local cohesion but the objective was to promote the products for the rural economy.

This being said, still, OTOP had an unexpected result of empowerment a number of so-called housewives' groups in the locality who were able to adapt to the market oriented nature of OTOP. This paper has explored how and why certain women's groups are able to grow under the OTOP project, while others do not seem to be performing but still do not close down altogether. Which ones are able to fit into the market and what are the motivations behind the operation? The hypothesis is that the local women's groups are holding different values, not necessarily commensurate with the priority of OTOP. In order to explore the different ways community-based enterprises are operated by women's groups, two groups in the same locality that produce OTOP products have been selected for study.

## **5. Methodology**

Data collection was conducted in August to September 2006 with two OTOP CBREs in Bang Loung sub-district in Sapphaya district of Chainat Province in Thailand. Bangluang Sub-district was selected because of the availability of CBREs operating for more than 10 years, and because there are two different CBREs producing similar type of the products with distinctive differences in their degree of business success. In order to maintain anonymity, the groups will be called Group TS and Group SL.

Chainat Province depended for 30.3 per cent of its Gross Provincial Product from agriculture, hunting and forestry activities in 2005, followed by trading and repairing services (20.9 per cent) and public administration and defence and compulsory social security activities (10.2 per cent) (Chainat Provincial Comptroller website). There are a large and growing number of OTOP producers in Chainat. In 2002, there were 79 groups, while in 2006, it grew to 183. In 2004, six OTOP products received five-star awards, all of which were produced by local groups operated exclusively by women.

Aside from observations, a structured questionnaire survey was conducted with members of the CBREs. There are two types of members of CBREs. Committee members are the core members of the group, who are engaged in day-to-day production and marketing as well as overall management, while group members are basically shareholders, who contribute to the capital of the group enterprise and receive dividends at the end of the year.

All committee members of both CBREs who were available in the village during the period of data collection were selected for interview. There are 20 committee members in TS<sup>7</sup> and 8 committee members in SL, but only 6 from TS and 5 from SL were interviewed. The group members from each selected CBRE were randomly selected from a list of group members. There were 154 group members in TS and 71 group members in SL. The sample sizes of the group members of TS Group and SL Group were 30 people of each.

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<sup>7</sup> From the total of 20 committee members, there were 13 core committee members and 7 non-core committee members. The 13 core committee members comprised of the Chairperson, Vice Chairperson, treasurer, secretary, public relations and marketing officers who represented the core management of the CBRE, while the rest were assigned to do other kinds of production and marketing work. The seven other committee members were assigned to do production work only.



Type of Memberships	TS (persons)	SL (persons)
Committee Members	6	5
Group Members	30	30
<b>Total</b>	<b>36</b>	<b>35</b>

Table 5: Number of Committee Members and Group Members interviewed.

The chairperson of SL Group and one of the key group committee members of TS Group were interviewed in detail to explore the history of development of the group. Both groups are called “housewives’ groups.” Further face-to-face interviews with interview guides took place with selected committee members and group members. Key informant interviews were also conducted with related government officers.

The two CBREs were formed in different manners. Assisted by the Agricultural Extension Division (Home Economic Unit), TS group was formed in 1990 by the chairperson using the connection of the savings group, whereas SL group was formed later in 1994 with the encouragement of the village headman and assistance from the Non-Formal Education Office. Both groups are led by well-connected women in villages and often carried out in conjunction with government-led events in the locality. At the same time, they had opportunities to attend government offered training courses and seminars and, through that, started food processing and other small-scale income generating activities.

## 6. History of the Group TS

Group TS is a well-known group that has received many awards from government. It was established in 1990 and was based on an existing savings group. The Chairperson of the group has remained the same since its establishment in 1990. Initially, TS started to process seasonal fruits in 1990. With the help of Agricultural Extension

Division of the District, 20 members (all women) came together to form a group. Most group members were older and less educated women. Among the respondents, more than 80 percent had only primary school education and 50 percent were aged 50 or above. The younger generations either migrated to the urban areas or are engaged in other full-time jobs and are not interested in CBREs.

The seasonal fruit project was not successful and they could only sell products in the village. After some time, the villagers became bored with the existing products. Discovering that they have a lot of leech lime in the area, through local wisdom concerning herbs and plants and assistance from the Non-Formal Education Office on production techniques, the group then started producing aloe vera shampoo mixed with leech lime in the backyard of the chairperson's house. Household items such as knives and basins were used in the production process. The product was sold in plastic bags within the village during monthly meeting among villagers. Encouraged by positive responses from the villagers, the group bought the plastic bottles originally intended for medicines from the Public Health Centre to use as containers. Later, the group sold 72 shares to villagers at 50 baht per share and raised 3,600 baht, which was enough to buy plastic bottles directly from the factory.

They started to market not only inside their village but also to nearby villages. However, the salary of committee members who worked on production was only around 500 baht per month in the first year. This caused some of the committee members to lose confidence in the group and some dropped out.

In the second year, the group improved production techniques and management systems. The agriculture extension officer informed them of a big market fair in Bangkok and supported them so that they could participate. This led to higher recognition of the products and sales volume gradually increased. However, the higher sale volume led to a shortage of leech lime and aloe vera in the area. The Non-

Formal Education Office then provided seeds for the herbs and the group started to plant the herbs by themselves.

In the third year of the group's existence, the group generated total annual revenue of around 3,000,000 baht. The core committee members who took care of both managerial and production work were able to earn 50,000 baht per year and the members (shareholders) received a dividend of 500 baht per share. TV shows reported on this successful group, which further improved their reputation. The group further diversified their products and received several awards.

In 1996 (the seventh year after group formation) and in 2002 (after 13 years), they were struck by heavy floods and both production and marketing suffered, contributing to a decline in sales. After the second flood, the group decided to invest in infrastructure to improve production and storage to stabilize production and marketing and improve quality. With loans from the Community Organizations Development Institute (CODI)<sup>8</sup> and some from their own funds, they built a production room, storage room and show room.

Although TS's products received OTOP awards every year since the first product competition was organized in 2003, the group has faced increasing competition in recent years. The OTOP project inspired the formation of a number of other groups producing identical products in Thailand. As a result, their sale volume decreased gradually, even though they still remain the strongest shampoo production group in the province.

## **7. History of the Group SL**

Group SL was established in 1994 by 22 members (all women) with the assistance of the Non-Formal Education Office, which provided

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<sup>8</sup> CODI is a public organization. A total of 700,000 baht was received at an annual interest rate of just 1 per cent.

training and raw materials. The training was initially provided for normal shampoo production. Subsequently, with technical assistance from Non-Formal Education Officers, group members decided to modify the formula by adding various types of herbs available in the local area to the products. The group was established through the strong leadership of the previous village headman, whose wife served as the Chairperson of the group.

The place of production place was an open area under the house of the previous village headman. Household items such as knives and basins were used in the production process. The group sold around 230 shares to villagers at 100 baht per share in the first year. Their main products initially were herbal shampoos and conditioners and, later, they added chili pastes. With the initial funds from selling shares to its founding group members, the group had enough money for its operations and also for the purchase of good plastic bottles from Bangkok. The products could be sold only in the locality, so the group could offer only three baht dividend to its group members at the end of the first year.

During 1995 to 1998, even with the death of the former village headman and the change of chairperson, the sales volume and the revenue of the group gradually increased due to the expansion of the market to nearby areas, diversified packaging and the launch of the herbal hair conditioner and allied toiletry products. The increase in demand for the chili paste was also one of the reasons leading to the greater revenue of the group.

The group won second prize nationally as an outstanding occupational group from the Ministry of Agriculture and Cooperatives in 1996. This caused the group to be widely recognized by customers and communities. Several field visits, both domestically and internationally, appearances on TV shows and participation in various exhibitions accelerated the growth of the group until it achieved peak revenue in 2001. In that year, the total revenue of the group was

around 500,000 baht. The committee members who took care of both managerial and production work could earn 20,000 baht per year and the shareholders received a dividend of 46 baht per share.

After 2001, the group faced continuous decline in sales volume and revenue due to competition with the TS group. Even the receipt of a four-star OTOP award at regional level in 2003 did not improve the situation. The chairperson then decided to invite one group member, who made Thai snacks, to become a committee member and merged her business with that of the group. The chairperson wanted to include the Thai snack producer in order to maintain the existence of the group, which was at a risk of closing down because of the decline in shampoo and chili paste products. She also hoped that, with the help of the Thai snack producer, other products would be marketed better. The merger was arranged such that the Thai snack operator would maintain financial independence, but by virtue of being a member of the group, would help to market other goods on behalf of the group. Hence, Thai snacks became a new product line for the group. While sales volume and revenue from the Thai snacks gradually increased, those of the herbal shampoo and hair conditioner kept declining. Since the Thai snack revenue did not contribute to the group's income, the merger with the Thai snack business made little positive impact on the financial well-being of the group.

The group was very much dependent on the Thai snack producer, who had become a committee member so as to market its original products, including herbal toiletries and chili pastes. Committee members were no longer able to work full time because of the low income that the enterprise produced. The current chairperson, who was the main and indeed the only person responsible for all types of managerial work in the group, was too old and discouraged to wish to continue the group. She planned to operate the group just to maintain existing business as long as possible but she was afraid that she would not be able to continue for much longer, since she had to look after her elderly mother. Sales of herbal shampoo, hair conditioner and chili paste

continue to decrease and, in July 2008, almost all committee members resigned.

## **8. Management of TS and SL Groups**

In general, TS had better business performance than SL in terms of more structured management, more modern production facilities, more working capital, better equipment and better marketing information. For example:

*Production techniques and facilities:* TS has a production building that allowed them to produce products in a cleaner, more controlled environment with a larger production capacity, while SL were producing on the open floor beneath the former village headman's house, with most of the processes being carried out manually. TS also has better quality control and standardized production methods, with a facility to conduct pH balance test, while SL had to depend on rules of thumb and experience to check the quality.

*Inventory management:* TS organized its own herb planting sub-group and cleared the problem of procurement of raw materials. Together with proper storage rooms and stock management system, TS is able to have controlled production plans and has stabilized the cost of production. SL does not have a proper storage room and produces only when necessary, for example, when there are fairs.

*Market information and marketing:* TS obtained higher amounts of income and more up-to-date marketing information because of higher levels of interaction with government officers and customers. They had better exposure because they were involved with more training sessions, field visits and market fairs than SL, whose members were less mobile than TS. The access to information this represented allowed them to improve their product and design. Unlike SL, which tried to improve its original products and packaging design and expand the product line during a limited period of time, TS has

constantly improved its product line and packaging. Owing to the limitations in obtaining market information to improve existing products, SL relied on their personal connections and information from inside the village, instead of improving the existing product lines, SL launched new products by introducing Thai snacks. Owing to differences in market information, TS was able to expand their market not only domestically but also to neighbouring countries, while SL found the local market to be the main target.

*Capital:* TS were able to access more capital compared to SL. The chairperson of SL had a risk averse personality and did not really want to borrow money, while the TS Chair took it as an opportunity to borrow money at a very low interest rate. Better capital allowed TS to have higher production and thus higher income and profit. In 2005, the net annual profit of TS and SL was 1,000,000 and 36,000 baht respectively. This allowed TS to invest more in production and assets and better wages and dividends. However, in terms of dividends, SL have been more generous in recent years, although their business performance has not been good. In 2006, TS gave 62.3 baht on average per member (members who are not founding members cannot hold more than two shares per household), while SL gave 80.3 baht per member (the average number of shares that members hold is around eight).

*Workers and working conditions:* TS has a higher number of permanent workers who have received good quality training and experience in production and management. On the other hand, in SL, it is only the head of the group and two more committee members who have a certain level of training, skills and knowledge. The working conditions and environment of TS were also found to be better than those of SL, having a standard working place with proper instruments, machinery, uniforms, lights and ventilation to facilitate the work of the workers. The wages are higher in TS than SL - in 2005, TS offered 5,000 baht per month for permanent workers (core committee members) and 130 baht per day for non-core committee

members and other temporary workers; SL meanwhile paid just 30-40 baht a day for both committee members and temporary workers. Committee members who worked permanently only earned about 800 baht per month, which is below the poverty rate.

TS, because of better mobility and willingness to borrow money for business expansion, was able to benefit more from the OTOP project, which has provided opportunities to participate in fairs outside their provinces, and also from related government projects, which gave access to more credit sources.

## **9. Different Values of Different Groups**

It is apparent that TS has much better achievements in terms of economic and business performance. In TS, among the 20 committee members, 13 core committee members shifted from being farmers and part-time traders to becoming full-time herbal shampoo producers. Through this, in 2006, they were able to earn 5,000 baht per month or around 164 baht per day (other committee members earned about 130 baht per day).<sup>9</sup> Noting that the average income of the population in Chainat in 2006 was around 4,162 baht per person per month (NSO, 2006), core committee members earned above average income from CBREs. On the other hand, SL earned only around 800 baht per month even for permanent workers of the CBRE. Even for core members, the work was not regular, and they worked on average 107 days per year only. Temporary workers earned only 30-40 baht per day, much lower than the minimum wage, although it is noted that the wage rate was the same for temporary workers and permanent workers (committee members) in SL, while the wage rate was different in TS.

Consequently, the income effect from CBREs for committee members was much less in SL compared to TS. Among the interviewed

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<sup>9</sup> The minimum wage in Chainat province in 2006 was 142 baht per day (Chainat Provincial Statistical Office website).



committee members, members of SL earned on average only 7 per cent of their household income from a CBRE, while TS members earned 40 per cent. For one of the TS committee members, her only household income source was from the CBRE. With such a large difference in terms of economic performance, it would be expected that the confidence in running a business and the members' perceptions of the business would be better in TS. However, it is noted that, when asked whether rural people have the ability to run the business, both SL and TS respondents have shown the same level of confidence in their ability to run the business.<sup>10</sup> It was also noted that SL members felt that gender roles inside the household changed after joining a CBRE more than TS respondents did. In SL, out of 30 respondents, eight (26.7 per cent) replied that other members of the family help out with household work more than before they were engaged in the CBRE, while in TS, this was only two out of 30 (6.7 per cent).

It was also noted that SL members felt that group solidarity increased with CBRE membership. In TS, only nine out of 30 (30 per cent) replied that group solidarity increased, while in SL, 16 out of 30 (53.3 per cent) replied the same. In SL, even though the profit was small, the venture distributed higher and more regular dividends to its members than in TS. This was because the enterprise had to pay back the loan borrowed for the construction of its production building. TS informed its members that, from 2002 to 2007, they would receive the dividends at a fixed amount of 20 baht per share only. However, it was discovered that the dividends had not been paid to the shareholders in 2002 and 2004. Instead, they were paid 40 baht per share in 2003 and 2005.

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<sup>10</sup> The study asked respondents to answer in three degrees on how strongly they are confident in the ability of rural people to run the business. With a weighted average index, with a full score of 1, TS scored 0.72, while SL scored 0.76.

SL hired ordinary members as temporary production workers at the same wage rate as committee members. The work in SL was manually done and there were not many committee members who worked permanently, so there was more room for non-committee members to be involved, thus contributing to providing income and employment to ordinary members. On the other hand, TS hardly hired anyone outside the committee members, since the work used high-tech machinery and did not require extra labour. This was also reflected in the members' replies when they were asked whether they participated in CBRE group activities. SL members replied that they attend more activities than did those in TS.<sup>11</sup> Such participation and interaction might have influenced the members' confidence in the SL group.

So, what does this mean? The economic performance of TS is much better than in SL. With better business performance, the chairperson of TS and the group received a higher number of awards than did SL. The TS group also made donations to local schools and funeral ceremonies, since they had more resources to spare. They received more visitors from outside, since government and other agencies recognize TS as a successful case, and were in turn introduced to others. TS thus enjoyed stronger linkage with government and other development agencies, as well as with other OTOP groups, wholesalers, retailers, community-based organizations and NGOs. Consequently, they were able to receive more opportunities for training and marketing. Since the members were more mobile than in SL, TS were able to respond to the opportunities created by the OTOP project much better than did SL. However, although their linkages with external agencies have increased, they have been more detached from their community itself. It is also noted that SL raised more

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<sup>11</sup> The study asked respondents the degree to which they participated in the groups' activities in three degrees. For the weighted average index, with a full score of 1, TS scored 0.64 while SL scored 0.7.

capital through selling shares in the community than TS, and TS's capital composition has a higher external fund ratio than SL.

Despite such different economic and business performance, the level of self-confidence and satisfaction between the two groups remain the same. This indicates different values that make women feel successful about their business apart from economic performance alone. The satisfaction and confidence of SL comes more from the interaction and linkages that they receive from their community members. The way SL operates is community-based. It tried to employ more people and to distribute dividends as much as possible to benefit as many people as possible. Even though the business profit is not high, the committee members gain strength to carry on by support from the community members.

“We started this group because, by having a group, it will allow our village people to access support from different government agencies such as information on fertilizers from agriculture extension office and other services and information from the government (interview with chair person of SL).”

On the other hand, the TS vice president remarked that the success of the group was due to their high mobility, which allowed the business to gain more contacts with various people and organization. TS committee members do not have problems leaving home and attending meetings and fairs organized in other provinces. The OTOP project has benefited the committee members, since it has provided them with many kinds of opportunities for training and attending meetings, and field visits, as well as selling products in OTOP caravans or fairs. TS committee members have business travel trips two or three times a month, while the head of the group travels even more often and further afield. Women's mobility is normally restricted because of the multiple responsibilities that they have at home, but the high mobility of the TS chairperson was possible because of her former experience as an independent entrepreneur.

Committee members of SL also travel, but not as much as in TS. The SL Committee members have more restrictions in terms of mobility, since they have to attend to household work and farm work. The head of the group is also not very mobile, since she has to take care of her elderly mother. She can only manage day trips. SL committee members do not travel more than once per month.

The mobile members of TS were influential in capturing external markets through the OTOP project, which is something SL was not able to do. This restriction made them look more locally and they found encouragement and meaning in their group activities through group cohesion and community support. This group tried to benefit more and more people in the community rather than retaining profit internally to make the business grow. From the OTOP perspective, such non-economic, intangible community/group cohesion and increased confidence does not get recognized. Groups that do not grow are seen as being non-successful. The SL case shows that CBREs can operate according to different values than pure market value.

## **10. Conclusion**

The comparison between TS and SL groups demonstrated how some women's groups are able to benefit from the OTOP project, while others are not able to do so. Group members, especially the leaders, need to be mobile and, at the same time keen, to borrow more money to expand their products in order to be assessed as a success by OTOP project criteria. It is noted that many women who work in community groups would experience a similar situation as the members of SL, who have restricted mobility because of their responsibilities at home, and who are more scared of borrowing money because they have lack experience in large investments and repayment through running a business and who cannot afford to risk their savings and income for the business because they are responsible for managing the household finances. The OTOP project assumes that women will be able to

negotiate their mobility and responsibility in the household and community, once an opportunity for marketing is provided. What the cases of these two groups show is that such connection does not automatically happen.

Many women are not able to capture opportunities offered by OTOP because of their multiple responsibilities at home and their concerns for the community. They need to have a “balance of activities they engage in” (Della-Guista and Phillips, 2006) so as not to offend other community members on whose relationships they rely for their well-being in the community. They do not necessarily aim for business success but to maintain the group to feel useful for the community and family.

OTOP has been effective for business entrepreneurs but has had little effect in supporting women who are entangled in various relations and responsibilities in the household and society or to enable them to change their situation or to value, recognize and support the intangible benefits that these women obtain from group activities – that is, the Human Economy (Tinker, 1995). The cases of SL and TS demonstrated the various values that women’s small enterprises might hold. These cases shows that the present support of CBREs through OTOP can benefit those people who can adapt to market-oriented values. However, at the same time, it is important to note the importance and strength of groups that operate under the human economy and provide support to strengthen them. The OTOP project, in one sense, can again go back to OVOP to adapt its community development perspective so as to capture the dynamics of women’s CBREs.

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