

## Social Enterprise Policy in Thailand Context

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### ABSTRACT

The purpose of this research is to identify the importance of implementing the social enterprise policy and reflect the constrain of the Social Enterprise Promotion Act in Thailand. The research uses the qualitative methodology by interviewing social enterprises or organizations with the social purpose for the inspiration of establishment and operations. Interview target includes 68 organizations/agencies, divided into three main groups: 1) Social Entrepreneur, 2) Policy Designer, 3) Civil Society and non-governmental organizations, including general public in the community who will be affected by social enterprise activities. Synthesize content and present descriptive ways. The result has shown that driving the social enterprise policy in Thailand should take into account the social context. The type of enterprise establishment can be categorized into top-down or bottom-up, using the same principles as the start-up phase for business into consideration. The policy should be open to broader participants and enhancing the support in main areas include: 1) Tax exemption mechanism is important for driving and stimulating participation from the general public. 2) SE Supporting mechanism in various forms is an important tool in driving the policy which the government sector should provide full support as well as open more for the private sector to participate Social Enterprise. 3) SE Promotion Fund is important, and cooperation from various sectors should be integrated to drive this fund sustainability. 4) Social enterprise performance monitoring system should be clear, but simple and easy to follow. All four of the above must be aligned with the three success factors of a social enterprise which are: 1) Leadership, 2) Awareness and participation from public, and 3) Integrating cooperation from various sectors.

### Keywords

Social Enterprise, Policy, Thailand, Social Entrepreneur

### Introduction

Thailand is one of the countries that has been heavily screened for inequality in society. There are more than 30 million farmers and their families, but they only get 10% or less of the GDP. The country would not have been able to develop if these people were not raised. Domestic purchasing power would not have existed if these population are still in extreme poverty. Current government policies have been aware of these issues and have focused on promoting and strengthening the Community Enterprise (CE) so that they can generate income to help themselves by providing the support for medium-sized businesses and businesses in the community to drive the national economy. Having social problem as the main objective of the organization is the starting point to solving social problems and creating value added for the society. In order to create sustainability and participation of people in society, a Social Enterprise (SE) must reflect the value that each society can utilize as a guideline for solving social problems and developing the society without waiting for the government or other agencies assistance. The examples of Social Enterprises (SE), both internationally and locally in Thailand will create a good benchmark for society which could lead to sustainable social development by the community itself in the future. (Poolsawat P. and Srimai S., 2018)

The term Social Enterprise (SE) or Social Business (SB) has become more widely known in Thailand in the days of Mr. Meechai Viravaidya on behalf of the Population and Community Development Association (PDA) in 1974, which was considered one of the first social businesses in Thailand. It was established for social purposes, and during that time, businesses arising out of charitable foundation, non-profit organization, or projects under the Royal Patronage began to recognize the importance of

sustainability in business and focusing on sustainable business rather than donating money to help the needy or just selling products to people who wish to make merit to disadvantaged.

Thai government policies also started to become more decentralized and working in line with supporting Social Enterprise (SE) for solving social problems in the community. These policy concept has been made more visible through the Village Fund in 2001, then Community Enterprise Act in 2005, which later evolved to the Unity Civil Society Policy or "Pracharat Samakki" in 2015. Considering these different definition of Community Enterprise (CE) and Social Business (SB) policy, they all could be linked to Social Enterprise (SE) in term of objectives in solving social problems. Although practically separated from the Social Enterprise Promotion Policy that was initiated in Thailand in 2009 under the Prime Minister's Office, which later launched as a Social Enterprise Promotion Act in 2019. Therefore, the social enterprise model is one of the guidelines for sustainable social development policy (Crane, Matten and Moon, 2008, pp. 382-383).

This study was made to encourage action plans that all parties could take together and actively drive the social enterprises that create social benefit. Cultivating a sense of contribution for their own communities by preserving traditional value while raising awareness for younger generation of social enterprise policy and promoting innovation and creativity (creative economy) of local businesses to achieve results in terms of economic development as well as social development. In order to achieve the integration of the socio-economic impact of the social enterprise policy, example case studies in different countries and the process of engaging different sectors in designing and driving social enterprise policies should be

raised in order to create the sustainable system related to social enterprise in Thailand.

## Objectives

1) To point out the importance of implementing a social enterprise policy in Thailand and reflect the recommendations for the Social Enterprise Promotion Act 2019.

## Research Methodology

This study uses the qualitative methodology by interviewing people in Social Enterprises (SE) or enterprises with social development initiative regarding the concept of establishment and operation. Totaling 68 representative sample interviewed divided into three main groups as following:

1) Social Enterprise (SE) entrepreneurs and businesses that are able to develop into social enterprise in the future including Community Enterprise (CE) network groups, which carry out activities related to community development and should be supported by the social enterprise promotion policy.

2) Stakeholders in government policy design, civil society, and thought leaders from various groups that have participated in the policy orientation for Social Enterprises Promotion Act 2019. This includes academics, educational personal and university representatives that are involved in advancing social enterprise in various fields.

3) Medium to large private organizations interested in implementing social enterprise promotion policies and the general public in the community who will be affected by social enterprise activities

The tool used was a structured interview with research questions focusing on the formation of business and the role of various sectors in the operations, contribution of each group to the policy orientation, and the impact of the policy focusing on small and medium enterprises.

Analysis and presentation of results, the researchers used information from interviews with key informants, notes and audio recordings to verify the accuracy of the information. The information are then separated in accordance with the research objectives and conceptual framework. To summarize, the information has been brought to discuss the theoretical and phenomena results to find descriptive conclusions and recommendations.

## Results and Discussion

The social context of Thailand is inevitably different from that of other countries that are typically used as a case study for Social Enterprise (SE). Social enterprises in Thailand if including those that originated from civil society, non-profit organizations or various foundations that later developed into sustainable and profitable enterprises. It could be said that SE in Thailand has been around for a long time as well as having a long track record of successful and sustainable operations in many organizations. One example of a charitable cause that could claim as Thailand's first social enterprise, established in 1941, is the Abhaibhubej

Foundation. The foundation operated as the medical and public health services before receiving government funding and was upgraded to operate as a provincial hospital under the name "Chao Phraya Abhaibhubej Hospital". The hospital was raised to the central hospital in 1996 and has been in continuous development and has continued good performance until now.

Abroad in parallel with SE in Thailand, the advent of various organizations is based on the context of that society and culture in that country. The researcher would like to cite examples of SE in foreign countries based on the country of origin of the business started with the European Union which has been promoting social policy for decades. Having studied the context from the founding of the enterprise, help identify the main goals and missions of the establishment according to the location and social context mentioned. **1) Information on the movement of social enterprises from different countries in different socio-cultural contexts comparing with social enterprises in Thailand, it was found that** the main goals and missions of the establishment are based largely on location and social context. The researcher would like to classify SE in Thailand into two categories according to the inspiration of the establishment which are "Top-Down" and "Bottom-Up". By considering the necessity of support and driving force in the early stages, SE began to operate in conjunction with the mission of operating for the sustainability.

**Top-Down SE** in Thailand originated from non-profit foundation, Civil Society, or receive financial support from the government. The example of the Top-down SE including Abhaibhubej and royal projects like Doi Tung or Doi Kham. Other Top-down SE which the researcher interviewed including SE Thailand, Ashoka Thailand, Mae Fah Luang Foundation, Khon-Thai Foundation, and Change Fusion.

SE department or SE business unit in the large private company also another important part of Top-down SE in Thailand. The researcher studied and interviewed these SE units including Bank of Ayudhya Public Company Limited, Banpu Public Company Limited, and PTT Public Company Limited.

Aside from Top-down SE that already mentioned, educational institutions also play an important role in the development of both people and businesses. Educational organizations that the researcher interviewed including Thammasat University, King Mongkut's University of Technology Thonburi, Suranaree University of Technology (SUT), Rangsit University, and Chulalongkorn University. These institutional together with other Top-down SE in Thailand help incubate more Bottom-up Social Enterprise in the country.

**Bottom-Up SE** are business that arises from the people in the community that involved directly with the social problems. There are few examples of bottom-up businesses that are successful and are often used as case studies for SE, so researcher would like to categorize these Bottom-up SE in Thailand as following:

### 1. Emerging SE from business incubation programs

Currently there are many projects, new ideas, or startups which based on the growth of technology and production of mobile applications and various services. Most of these ventures go through various fundraising options and

incubator program to mobilize the initial phase of these startups. Various SE that researcher interviewed include:

*Moreloop*; Business that intend to create a circular economy for the environment answering to factories that have a stock of residual fabrics in the warehouse.

*Refill Station*; Reagent filling station for consumer products in daily life which aim to build a community that care about environment and giving back to society.

*Toolmorrow*; Help solving youth problems by providing thinking skills and the courage to make decisions and the communication within family members.

*Innowhale*; Try to build a community of technologists, inventors and developers to help the community with social problems.

*Folk Charm*; Provide fair and environmentally friendly cotton products by working with chemical-free cotton growers group from Loei province

There are many other businesses in this group, especially in the local product design category, such as the Flow Folk group, the owner of the Muan Joy brand. Identity group providing Naga chintz from Nong Bua Lam Phu province. Go went gone brand which providing natural dyed fabric from Surin Province. Craft de Quarr together with the community using Teen-Jok fabric from Mae Chaem. Phu Khram brand from Sakon Nakhon Province provide unique value to the producer from the community by giving credit to people who embroider and dye by wearing contacts.

## **2. Emerging SE from innovative products or business plans**

The ventures in this category are startups that has passed the initial funding stage. They are often supported by grants or charities due to the innovation of products or process in the organization and because of the tendency of future profitability. The founders of these ventures often had special knowledge and access to resources, including the following ventures:

*Tham Thu Ra Kit*; A platform for educating and distributing agricultural products fairly

*Local Alike*; Promote local ecotourism

*Lemon Farm*; Alternative markets for organic agricultural products

*Dots Coffee*; A cafe that uses baristas and staff as visually impaired

*Care Nation*; Recycle paper funeral wreath forwarding merit with the goal of solving social and environmental problems

*School of Change Maker*; A school that focus on creating social change maker

*Good Factory*; Consultant for Social Innovation and Ethical Business Training

*Try Arm*; Lingerie from an unfair dismissal employee from a lingerie company

## **3. Community enterprise (CE) or SE that are initiated from the community**

Ventures that researcher categorized in to this group including Akha Arma Coffee Brand, Homestay Baan Mae Chan Tai, Phu Pha Hi Roasted Coffee Community Enterprise, Ban Mae Mok Homestay in Lampang Province, and Huataphan Model Community Enterprise from Ubon Ratchathani Province.

In addition to having a well-known reputation and ability to solve social problems, the main objective of Social Enterprise (SE) are still on sustainable profitability. The SE

should be able to expand using income generated from its operations without relying on grants or donations. In Thailand, even though the bottom-up SE are larger in numbers, but the social impacts and profitability still cannot compare with the Top-down SE or initiatives from private enterprise. This can be analyzed that SE in Thailand still lack sustainability due to their inability to grow or scale their business up. Hence, it is necessary that in addition to the government support in term of funding, knowledge support is another factor that will contribute to the sustainability of these emerging social enterprise. It is very important to provide knowledge and ability to integrate business and solve social problems. As well as continue to create participation from the public. It can be concluded that the factors that are important to the growth of those social enterprises are as follows:

### **1) Leadership and execution**

Leadership and execution is the main factor of success in the development of social enterprise. Research has shown that successful ventures arise from both formal and informal organizational leaders who have authentic leadership based on Bill George's guideline. (George B., 2003) Good leader should know themselves truly and understand their values, beliefs, emotions, identity and abilities. Have emotional maturity, morality and ethics that switch between organizational leaders and are able to use leadership to increase leadership potential in different situations based on the new leadership concept of James A. Belasco. (James & Ralph, 1993) Top-down SE that was initiated from the government support or civil society funding, without organizational leaders who can integrate the business and continue to operate as a sustainable process, it will not be able to turn into a profitable and socially impactful enterprise.

As for the Bottom-up SE, Leadership is also a key for te survival of the enterprise. Social enterprise leaders with the growth mindset believes that every success can be developed through learning, accepting new challenges, never give up, and see effort as a way of expertise. These type of leader will learn from the Criticism and inspire the success of others(Dweck. C S., 2007). Because in doing business for sustainable profits, it is very important to constantly learn about the various factors that make a business successful. Social entrepreneurs that emerged from non-profit foundations often lack perspectives and knowledge of doing for profit business. And social entrepreneurs who come from the business sector will need to learn about the context of social problems and the concept of working as a charitable organization that is essential to running a social enterprise. As Mr. Jasegawa Atsumi, the chief executive officer of Litalico, a Japanese social enterprise, provide his opinion in an interview regarding the management of SE that the social organization should consider using business-driven executives. Because learning the concept of society is easier than learning business management. Therefore, if the SE leader qualifies for the concept of social development, they can learn and integrate various concepts to build cooperation from various sectors and break the barriers between each sector until finally creating social innovation.

It can therefore be concluded that a leader needed for SE is not only a person with business capabilities, or social



development ability, but also should be able to create values, beliefs, and growth mindset. SE leaders should create a driving force in learning new things and reluctance to barriers in an organization. Good leader should be able to integrate knowledge, create sustainable social innovation, and able to transfer experience to tacit knowledge for others in the organization as well as prototyping process that can be learned and reproduced by other organizations in the future.

## 2) Public participation

The main obstacles or limitations in the development of SE in Thailand are related to the social and cultural context, which has instilled a belief in limitations and capabilities of the Thai people. People's views on the management of public services as the state's duty to manage and take action to resolve the problems that arise in society. Therefore, the urgent agenda that the government or large SE advocates have to go beyond cultivating the idea of growth. In addition, the values of sustainability and social innovation must be instilled in the people.

The cultural context that Thais are kind can be seen from the survey data of the economic and social conditions of Thai households in 2009-2017 by the National Statistical Office which found that 96% of all Thai families had charitable expenditures. The total value of the donation is 130 billion baht in 2017 (SCB EIC, 2019). If those donations are used for investing in sustainable and profitable enterprises, they will be able to create innovation and solve problems in society in a sustainable way.

Therefore, the duties of all stakeholders in driving SE should, first of all, create knowledge and understanding about social enterprise. So that people have a common understanding of the differences of sustainable social activities, donations for charities, or just corporate social activities (CSR). As well as raising awareness of SE activities from related sectors. The government sector could create participation from the public through policies to promote community enterprises (CE) and social enterprise (SE) in various fields. For example, a tax deduction for an individual who wants to make a donation for the fund, etc.

Thai SE still lacks professional business development support or an incubator consultation including training plans, support, and investment readiness, etc. The support needed for SE are similar to those of mainstream businesses but at the same time, SE has some unique features and requires expert support for social enterprise. Therefore, the private sector should be involved in driving various forms of social enterprise in Thailand.

## 3) Integrating different sectors

As for the support and participation of the people in the development of SE, majority of private companies and universities regularly provide activities related to the promotion of social enterprise, especially for the Top-down SE, which mostly has received initial support from various sectors. And some bottom-up SE have received support and drive to establish the business from Third-sector organizations or public charities in term of finance and education. However, these support is mostly standalone, non-centralized operation, and lack of a common mission. Therefore, the direction of operation is quite scattered. The government sector should set guidelines to promote social innovation as a national agenda. Public sector should be the

main actor to integrate the cooperation of various organization as social enterprise requires knowledge in terms of business support from 1) Ministry of Commerce in expanding business results for growth of the organization from community affairs or small SE into a small, medium or large enterprise. 2) Ministry of Social Development and Human Security which in present responsible for the Social Enterprise Promotion Act to host and coordinating with various agencies and sharing information on social development with various agencies. 3) Ministry of Higher Education, Science and Research which currently in charge of innovation research. Experts should be sent to the community to investigate problems and solutions to social problems through innovative research. 4) Third sector Civil society organization and other public charities and 5) The private sector or businesses could also be able to help drive and promote marketing and public relations to create sustainable awareness and making true social innovation as means of integrating cooperation of different sectors or to "Wreak the barrier of communication between government, private sector and non-profit organizations." (James A. Phills Jr., Kriss Deiglmeier, & Dale T. Miller, 2008)

In conclusion, Top-down SE, both from third parties and private sector, did not pay much attention to the benefits that the organization will receive from SE promotion Act. Every enterprise are happy to execute and operate according to what SE promotion Act require and willing to help other SE in term of knowledge and other support. Most SE which are evolved from business organizations have better knowledge and understanding of the mission, definition of social enterprises, and understand the required laws related to business operations and tax management. Which is completely different from Bottom-up SE especially those from the community or community enterprise (CE), most were unaware of the differences between social enterprises and community enterprises and had never heard of the support from SE promotion Act. before. As for bottom-up SE that are emerging from individual, product or business plan, there are more knowledge and understanding of the principles, but still lack of knowledge of business management or laws related. It is a group that is in great need of help and drive in business operations to grow sustainably. This is slightly different from a bottom-up SE that emerge from business incubation program or from an innovative business plan or product. This group have moderate knowledge and understanding of definitions, but lacking only a small amount of driving force in the early stages to grow into a sustainable business.

**Result discussion on 1) adopting the social enterprise policy and reflect suggestions for the design of the Social Enterprise Promotion Act. 2019,** considering the current economic and social situation, it was found that the support for social enterprise in Thailand from the government sector has been around for a long time, and there as well has been considerable investment in budget or grants from the private sector, or donations from the general public. However, overall performance of SE is not as efficient as it should be. In terms of the ecosystem, the environment and the occurrence of the business, neither the policy nor infrastructure is sufficient to sustain sustainable growth for SE in Thailand. The researcher recommendations for policy-driven are summarized into following categories:

### 1) Policy Design and Social Enterprise Fund

The public sector has a primary duty to educate people about the basic needs of utilities, health and nutrition, as well as the management of resources in their communities. Influential individuals should be appointed. This could be the people in the community themselves who have the ability to influence the people of the community, an elected leader or an influential traditional chief. The researcher would suggest appointing youth from the community in order to cultivate awareness of the development of the hometown community. The government should initiate projects by sending specialists into the area to study problems like China's poverty reduction, since 2012 till today, more than 289,800 scientists have been dispatched into 100,000 villages to carry out 37,600 projects and produce more than 50,000 new technologies. The results are clearly recognized on tackling social problems and reducing poverty levels in China. (Yangfei. Z., 2020) Considering the social context, this methodology can create participation from community that is suitable for the context of Thai society. Building a network of people in the community and create community personnel that capable of creating innovation along with creating participation and raising awareness of the importance of SE, the government should seriously take the initiative to support social enterprise. The Initial subsidy should start with establishing a Social Enterprise Support Fund which is a very necessary tool in the formative stage of social enterprise. The government should drive cooperation from the private sector for example; business matching or help bundling SE products with existing products. This approach is suitable for mainstream businesses in the form of special product categories such as SE product groups or special SE categories in marketplace or online selling platforms. The SE matching support can be done through the distribution such as Big Issue magazine in England or Happaynarae in Korea which use homeless or minorities for their distribution.

### 2) Leadership, Organizational structure, and Innovation process

Both Social Enterprise and Social Entrepreneur are important tools for developing and changing the world. From the review of the literature on the definition of Social Entrepreneur, the meaning of the word Social Entrepreneurship is diverse and there are no universal criteria for identifying social entrepreneur. It is therefore necessary to clearly separate between:

Social Enterprise as an "Organization" that aim to create continuous social results, and Social Entrepreneur or a "Person" who initiate the social impact. These two elements are the main factors for the growth and sustainability of SE, which emphasize in the process to create social value. By which that process must be able to be exemplary and repeatable, and help break the communication barriers between government, private, and the third sectors. (James A. Phills Jr., Kriss Deiglmeier, & Dale T. Miller, 2008) Therefore, it can be concluded that whether it is an individual who is a Social Entrepreneur, or Social Enterprise in the form of an organization, both can be considered a social innovation if it initiates a process that creates value, solve social problems, and integrating cooperation among relevant sectors.

The researcher has analyzed the factors affecting the success of SE, and one of the factors that directly affect the enterprise is leadership. Leaders, formal or informal, that will effectively drive the SE must have Authentic Leadership based on the theory of Bill George (George B., 2003). Which is having self-awareness, know yourself truly about your values, beliefs, emotions, identity, and abilities. And more importantly have Emotional Maturity, Morality, and Ethics. Successful SE leaders must be able to align their values with the organization value and possess the growth mindset base on the concept of Carol S. Dweck (Dweck. C S., 2007). Which believes that every success can be developed through learning, accepting new challenges, and never give up. These type of leaders see effort as a way of expertise, willingly to learn from the critic, and are inspired by the success of others. Whether it's a Top-down or a Bottom-up SE, Bill Drayton's approach of finding a Fellowship in each countries for Ashoka to serve as an intermediary in promoting and advocating for SE emphasize the idea that everyone is a change maker. The organization will support transformational leaders from those in that community, who understand the problems and social contexts of that society more accurately.

Therefore, creating Social Entrepreneurs, Change Maker, or Thought Leader who will lead SE to sustainability must start from 1) Cultivating the concept of growth mindset and 2) Nurture the qualities of a social entrepreneur including creativity, action, transformation, inspiration, courage, and fortitude 3) Providing knowledge of the business operations and build holistic business operators which are value creator, strategic thinker, organizer, marketer, and visionary innovator that understand the creation of social innovation in order to solve the problems that arise in society in the future.

Successful Social Entrepreneur must also be able to pass on experience and transfer the knowledge to the next generation of corporate personnel. As well as create a model or prototype innovation process that can be learned and reproduced by other organizations for genuinely sustainable operation.

**Knowledge on Social Innovation:** as it is important for SE leaders to have a growth mindset, regularly pursuing new knowledge, and always have the drive to learn new things. Therefore it is the duty of the government sector, civil society and universities to build a learning ecosystem in society and push for appropriate learning for the growth of social enterprise in various fields.

**Participation of public to Sustainable Development:** The perception of the general public of the importance of SE is essential to business growth and success. As in the end, these businesses were created to solve problems and meet the needs of the people in the society. Currently most of the people including stakeholders of SE such as Community Enterprise (CE), businesses, or government agencies still do not understand the sustainability objectives of SE. Most people still perceive the social value provided by SE as the responsibility of the government. In order to change these behaviors and attitudes, an enabling policy environment has to be created. Certain limitation including requirements for the source of income or SE, and regulations on the allocation of profits should be exempted, and allow medium and large private companies to participate and register as a

SE instead of just register the entities as a foundation for CSR. There should be tax incentives for individuals who wish to support SE by investing in social business. The rate of tax deduction for individuals or corporations should be equivalent to the deduction from charity, or using the deduction criteria equivalent to the purchase of a long-term equity mutual fund (LTF) or Retirement Mutual Fund (RMF). This will create awareness and create active participation from the public sector which is very important to the sustainable growth of SE.

**Knowledge on Business Management:** A field that the government and civil society cannot fully support SE is knowledge on how to do business as a private enterprise. Most Community Enterprise (CE) in Thailand are bottom-up SE. This includes a total of 86,611 community enterprises registered, but only 520 of those number are registered as juristic persons or company (กองส่งเสริมวิสาหกิจชุมชน, 2561). This means majority of CE have never really dealt with accounting for the income, expenses, or profits they have made. This may be concluded that the main factor causing these enterprise to suffer and ultimately fail is due to the lack of knowledge and experience in operating the business. They are unable to continue to generate profit and have to rely on financial support from government or merit from others.

Exchanging knowledge from other SE as a case study is very important. Various organizations provide education for those interested SE. The suggestion from the researcher is that SE should learn from an entity that was formed in a similar context. Using a Top-down SE as a case study for a Bottom-up SE may not be comprehensive and sufficient to create success for the business. In particular, concrete social outcomes can only be realized in similar contexts, not by foreign or international references. Therefore, the stakeholders should have a clear understanding of the social context and the success factors of different entity. SE should be able to customize the model from each community with the help of different sectors, as well as educational institution by starting with community leaders training and pass on knowledge down to people in the community.

## Conclusion

For the Social Enterprise Promotion Act B.E. 2019, the policy itself is focused on supporting pure social innovation which is based on the concept of Eduardo Pol and Simon Ville (Pol & Ville, 2009) that the social innovation is to be wholesome and unrelated to business innovation. The public sector needs to support SE in the early stage according to the Big Push development theory (Martinussen, 1997) or government acting as a driving force in the stage of formation. The Social Enterprise Promotion Act B.E. 2019 contain strict guidelines for defining SE, as it is a transfer of policy including lesson-drawing, diffusion, and convergence studies according to the guideline of Dolowitz and Marsh (Dolowitz and Marsh, 1996).

Trying to define SE in Thailand base on pure social innovation theory including the criteria of no dividend to stakeholder (SE Type A) or setting a dividend rate to less than 30% for SE Type B, create limitation for the business operation. The researcher found that this methodology not

only make it difficult to participate but also reduce incentives for ventures to register as a social enterprise. This causing the policy to stuck with public sector frame and unable to integrate the concept and cooperation from other sectors. Therefore, it is difficult to create social innovative with this limitation. Defining a social enterprise is like tackling the first button which will have a great impact on the entire operation and success of the business. Therefore, the policy should carefully consider for the following SE requirements:

### 1) Definition of Social Enterprises (SE) and Social Business(SB) groups

Section 5 of the Act which identified the characteristics of social enterprise contain several key words that must be further clarified in the subordinate law such as the definition of people who deserve a special promotion, what is giving back to society, and criteria on profit management. Most interviewee disagree with the criteria and think that the registration requirements are too complex. Most ventures perceive that the registration as a SE is not necessary as the assistance and benefits have not yet been clearly mentioned in the Act. Most businesses that are in the formation stage decided not to register as a SE. As for the stakeholders from the Top-down venture, which mostly is a successful medium to large business, they would register their SE entities as a non-profit organization, a practice that has been widely used for charitable foundation.

### 2) Tax benefit to promote Social Enterprise (SE)

In this Act, tax incentives are granted to two groups including SE Type A which do not pay dividends to stakeholder, and legal entities donating money to SE which will receive a 100% tax reduction. There are still vague definition for latter group whether should it include 1) SE Type B that donate their profit or invest in SE fund 2) General public supporting or investing in SE 3) Other Legal entities that support SE in other form apart from donation such as education, knowledge sharing, and product or services support. Should these groups receive tax benefits as well?

Those involved in the policy design are highly concerned about tax incentive of private enterprises that support SE because the private company might use SE as a tool for tax evasion. However, all interviewees from private organizations say that they couldn't care less about tax privileges from this policy. As well as other Top-down SE, which have been operating for a long time and are larger in size, they do not need additional tax breaks from this Act.

Enterprises that need tax incentives from this Act. are mostly Bottom-up SE that are in the early stages of establishment. These SE has just started and still not seeing any clear results. Mostly has never received assistance or funding from government, Civil society, or private sector. Some might have received from funding, but not enough to scale up or grow the business. Usually at this stage of business operations, most businesses are not yet subject to profit and are not subject to income tax. Tax benefits at this stage, therefore, may not be the main factor for registering themselves as Social Enterprise (SE).

In my opinion, giving tax incentives to individuals investing in SE is of the most importance. This is because it can create long-term awareness and participation in solving social problems at the public level.



### 3) Social Enterprises (SE) supporting mechanism in various forms

Other supporting mechanism to create SE ecosystem include: 1) Start-up capital 2) Incubation system 3) Borrowing and 4) Government procurement system. All the Bottom-up SE agree that the four promotional measures mentioned above are very essential to the start-up of an enterprise. It is even more important than tax incentives. However, this needs to be examined in detail whether it is sufficient to register as a SE or not as the SE registration process has to strictly state the dividend and source of income of the enterprise. If the benefits received are not clear and persuasive enough, the registration is not needed.

### 4) Conditions and rate of remittance to the SE fund

After registering as a SE and receiving various benefits, the Social Enterprise Act requires social enterprises to send contributions to the fund to be used in promoting sustainable growth of social enterprises. The question for this fund is what kind of contribution delivery system should the fund look like in order to maximize the benefits of the desired business.

Top-down SE and stakeholders from various sectors agreed that there should be a contribution to the fund for the participation of all businesses. However, most Bottom-up SE are not confident in remittance to fund due to unclear criteria and view that SE in the formation stage have sufficient burden to manage and to operate to profitable venture. Most Bottom-up SE think that the Act should not add additional regulations for sending money to the fund, it should be a voluntary remittance.

### 5) Social Enterprise (SE) performance monitoring system

Most SE disagree with having to provide annually the earnings report and the comprehensive detail of social impact as it is seen as an unnecessary additional burden. If social outcomes must be assessed, government or supporting organizations should have a simple form for SE to fill in. The performance evaluation system should not consume much resources as SE wants to focus on running the business for sustainable success rather than reporting the performance to government agencies that do not have a direct impact on the business

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