

# Crowdfunding as the Crown for Grassroot Thailand Economy

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## Abstract

Glassroot economy is the fundamental economic unit in Thailand, especially in the rural areas. The existence of OTOP or One Tambon One Product that encourages the development of community knowledge to be more like business. This concept could be both production or service industry. For decades, Thai government has been strongly supported for grassroot economy. Now, the crowd funding as the reward type could play the role in funding for community business. This surveyed research explores the reflection of the prospect customers on buying or service using on the factors of product, price, placement and government promotion. The outcomes reveals that all factors effect the buying decision with the highest level significant on government promotion.

**Index Terms** — crowd funding, grassroot economy

## I. INTRODUCTION

Crowdfunding is the alternative way to funding the capital as the equity or debt from public especially for the start up business or new fledged business. The crowdfunding could be the type of donation, rewarding, common stock or any kind of debt financing. Crowdfunding could be a good way of financing with lower service fees. The project pitching also is useful to make the marketing or get the media attention.

The economy of Thailand is dependent on exports averagely more than 60%. In 2021, GDP value at current prices was 16.2 trillion baht (505.6 billion US dollars). GDP per capita was 232,176.0 baht per person per annum (7,255.5 US dollars per person per annum) (NESDC, 2022). The Thai currency, Baht, ranked as the tenth most frequently used world payment currency in 2017. The industrial and service sectors are the main sectors in the Thai gross domestic product, with normally more than 40% of GDP. Thailand's agricultural sector produces 8.4 percent of GDP which is lower than the trade and logistics and communication sectors with 13.4 percent and 9.8 percent of GDP respectively. The construction and mining sector adds 4.3 percent to the country's gross domestic product. Other service sectors, i.e. the financial, education, and hotel and restaurant sectors, account for 24.9 percent of the country's GDP. Telecommunications and trade in services are emerging as centers of industrial expansion and economic competitiveness. Thailand is the second-largest economy in Southeast Asia, after Indonesia.

Thailand glassroot economy has been promoted since 2000s. Several funding supports through government policies were implemented with the main objective to lessen the percentage of poverty index. The Thailand poverty index has been improved from 11.2 to 7.4 in 2020

(National Statistic Office, 2022).

Thailand will initiate her 13th National Economic and Social Development Plan that starts from year 2023 to the year 2027. The plan covers the development of human resources, creating a society of opportunity and fairness. The main objectives of the plan cover five key areas. They are:

(1) Restructuring of production, into an economy based on innovation that aligns with technology trends and global trade that involves promoting research and innovation development.

(2) Developing people/ human resources to have the ability and quality of life suitable for the new world that covers building essential skills for the 21st century, as well as elevating schools and teachers into higher professions.

(3) Creating a society of opportunity and fairness to reducing social inequality and increase welfare for the people, and for the underprivileged to have equal access.

(4) Creating sustainability for the country that involves the better quality of environment and ecosystem, solving environmental problems, and strengthening the industry and green economy.

(5) Preparing the country to cope with risks and changes in a new global context

Thus, the plan is unavoidable to encourage the grassroots economy. While the government is short in budget due to the Covid 19 pandemic and current high cost of transportation costs, the crowd funding could play the significant role in supporting the grassroots economy.

## II. THEORETICAL FRAMEWORK

### A. Crowd Funding

Crowd funding is the financing process from general people. The advance of technology and network could bring retail investors to finance to any size or any type of organization i.e. business entities, non profit organizations or government agencies.

There are four types of crowd funding that are (1) donation base (2) reward base (3) lending base or P2P network and (4) equity base.

The illustration of each type of crowd funding could explain as follows:

**1. Donation:** Donation-based crowdfunding is when people give a campaign, company or person money for nothing in return. In business viewpoint, the company could set the campaign to purchase new equipment. The individuals who give the money do it out of support for the growth of your business and nothing else.

**2. Rewards:** This is when donors receive something in return for their donations. The rewards vary by the size of the donation, which incentivizes higher contributions. Based on how much money participants give to a campaign, they may receive a T-shirt, the product or service – often at a discounted rate.

**3. Debt:** Debt-based donations are peer-to-peer (P2P) lending, which is a form of crowdfunding. In debt-based donations, the money pledged by backers is a loan and must be repaid with interest by a certain deadline.

**4. Equity:** While some crowdfunding campaigns don't allow backers to own a portion of the company they're supporting, equity-based crowdfunding allows small businesses and startups to give away a portion of their business in exchange for funding. These donations are a type of investment, where participants receive shares in the business based on how much money they contribute.

Sexton (2022) summaries the benefit and threat of crowdfunding as shown on Table 1.

PROS	CONS
✔ Low overall risk for a potentially high reward	✘ Low success rate
✔ Increased exposure	✘ Long preparation time
✔ Established audience with centralized communication	✘ Difficulty getting noticed
✔ Community building and feedback collection	✘ High fees and strict rules
✔ Helps you avoid giving up equity in your company	✘ High upfront costs
✔ Product and idea validation	✘ Chance of someone imitating your product
✔ Increased momentum	✘ False positives
✔ Reward flexibility	✘ High pressure
✔ Small individual contributions	✘ Community is full of scammers and trolls
✔ New opportunities	✘ Reputation risk

## B. Crowd Funding in Global

Nowadays, there are many online crowdfunding platforms for the start up. The successful platforms could be as follows (S. Johnson, 2021):

**1. Kickstarter** is a rewards-based donation platform that has been helping companies raise money since 2009. It has been used to raise more than \$5 billion for more than 182,000 projects. Part of what makes Kickstarter so successful is how simple the site is to use. You set a monetary goal and the amount of time you want to reach it, and tell your campaign's story. You then share your project with the community in hopes of finding backers.

**2. GoFundMe** is a donation-based crowdfunding company, and although it's famously used for more charitable initiatives, businesses can take advantage of the platform as well. This is a great option for nonprofit organizations and businesses that have service-based initiatives. Statistically, 1 in 10 campaigns is fully funded on the site.

**3. LendingClub** is a debt-based crowdfunding site because it is a P2P lending platform. It offers up to \$40,000 in personal loans and up to \$500,000 in small business financing. Each loan term is three or five years. To qualify, your company needs to have been in operation for at least a year, the applicant must own at least 20% of the business, and it must have an annual sales revenue of \$50,000.

**4. Indiegogo** is a reward-based platform that offers two kinds of funding. Fixed funding allows you to set a goal for a certain amount of money, and if you don't reach your target, all funds are returned to donors. Flexible funding is when you're looking for any amount of monetary support, all of which you can keep whether you hit your goal or not.

### *C. The Application of Crowd Funding to Thailand Grassroot Economy.*

The grassroot economy is developed by the people in rural areas so their knowledge on financial mechanism is limit. To financing their products or service through crowd funding, it requires a lot of effort to establish a project that backers will perceive as a valuable product or service. Failure could be foreseeable, especially when coping with high demands.

Generating this type of backers' support can be a challenge. It takes a strong marketing effort, trustworthy founders and a quality product or service. The grassroot founders need to implement several methods. First, the successful of messaging in the campaign description that will drive interest in the product or service. Secondly, the development of informative and exciting campaign through social media which the community backer set up. Thirdly, creating and planning the logistic to deliver the product or service to the backers without any new fixed asset investment.

In summary, the grassroot economy crowd funding could be successful under the following conditions:

#### 1. The Communication with backers.

The importance of being transparent with backers throughout the process is undeniable even after the campaign ends. Toward the close of the campaign, it's often good to update the community, explaining where to reach the next projects.

#### 2. The marketing materials.

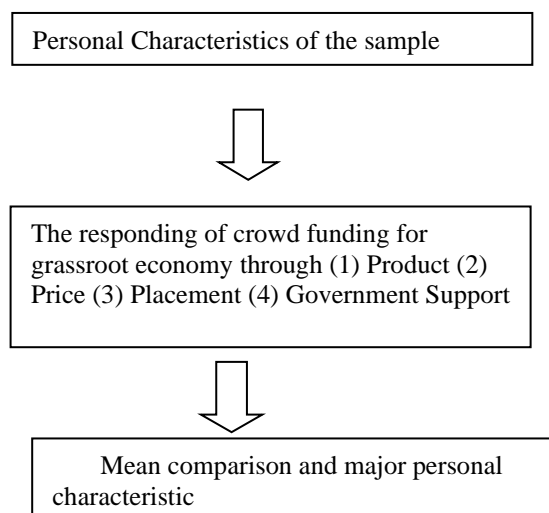
A good batch of marketing materials will help to campaign of the project. With new crowd funding campaigns launching daily, it is important to make the campaign stand out from the others. Creating strong marketing materials and spreading the campaign through all kinds of networks.

#### 3. The preparation of the campaign.

The prepare for the campaign should be completed before launching the projects. Creating the proper marketing materials also takes time. So, the grassroot economy group should be arranged their tasks with reasonable human forces.

### *D. The Conceptual Framework.*

In this research, the conceptual model is shown on figure 1.



**Figure 1** Conceptual Framework

### III. DATA AND RESEARCH METHOD

The sample of this research is collected from rural areas for both expected backer or grassroots community which is defined in Thailand as “OTOP” group. The total numbers of sample is 403 which is higher than the minimum requirement 400 samples (Taro Yamane, 1967).

The questionnaire is developed with the consideration of content validity, try out process and test of Cronbach. The sample is expected too be normal distribution with online questionnaire (purposive sampling). The questionnaire submission is nonprobability sampling. The questionnaire is divided to be 3 parts. The first part is related to personal characteristics which are address, sex, occupation, age, number of family member, the community related activities, the expense amount per month, the effects of Covid 19, the attention to be backer of crowd funding.

The second part is related to the knowledge of sample. The total check questions are 9. The last part is the survey of 5 level Likert scale on the topic of product, price, placement and government support.

### IV. RESEARCH OUTCOME

The characteristic of the sample is shown that most of them live in the municipal area with 69%, the answers mostly come from female with 57.30%. The sample are working with the private sector about 36.5% following with self employed 34.5%. Most of them are aging from 25 to 60 with more than 60%. The family member number is more than 7 people with 49.6%.

The survey responding on the independent proxies i.e. product, price, placement and government support are shown on Table 1.

**Table 1** Outcomes summary of the survey

Category	Sample Number	Mean	STD. Error Mean
Product	403	3.7885	.67752
Price	403	3.5790	.75239
Placement	403	3.7384	.63922
Government	403	3.7093	.69181

All categories are more than 3.50 but less than 4.49 so the respond of the survey is high but not on the extreme agreement.

The product category consists of the proposition of reward crowd funding attention from backers, the prepayment agreement, the types of products or services, the quality of the products or service.

The price category is combined on the preference of comparison to similar products or services. The placement category refers to the prepayment and logistic methods, the social service application. The government category is the propose of government network e.g. the establishment of government application to promote, delivery.

The summary table of mean comparison (t-test and F-test) on major sample characteristics are as Table 2.

**Table 2** Mean comparison of personal characteristics

Characteristics	Product (p-value)	Price (p-value)	Placement (p-value)	Government (p-value)
Address	.628	.816	.325	.679
Sex	.003*	.153	.719	.024*
Occupation	.310	.114	.688	.529
Age	.020*	.001*	.000*	.000*
Eldest Status	.059**	.086**	.028*	.881
Community Activity	.005*	.001*	.006*	.000*

\* Significant at 95%

\*\* Significant at 90%

The Table 2 depicts that the support of crowd funding on grass root economy group on product issue could be influenced by sex, age range, eldest status and community activity involvement. For price and placement factor, the personal characteristic of age range, eldest status, and community activity involvement are counted. The observed proxy, government support shows the difference support from sex, age range and community activity involvement.

**Table 3** Comparison of within characteristic sample through Scheffe analysis

Category	Proxy Observation	Results (Sig at 95%)
Career	Product (p-value)	Not Sig.
	Price (p-value)	Farmer – Gov Employee (0.018) Entrepreneur – Gov. Employee (0.074) Gov. Employee – Private sector (0.073)
	Placement (p-value)	Not Sig.
	Government (p-value)	Not Sig.
Age	Product (p-value)	Age 20 -25 with all other age ranges at confidence level 95%
	Price (p-value)	Age 20 -25 with all other age ranges at confidence level 95%
	Placement (p-value)	Age 20 -25 with all other age ranges at confidence level 95%
	Government (p-value)	Age 20 -25 with all other age ranges at confidence level 95%
Community Activity	Product (p-value)	Local officer – Entrepreneur (0.001)
	Price (p-value)	Local officer – Entrepreneur (0.002) Local Financier – Local officer (0.022)
	Placement (p-value)	Local officer – Entrepreneur (0.001)

	Government (p-value)	Local Financier - Local officer (0.020) Local officer - Entrepreneur (0.000)
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The insight analysis shows that main personal characteristic is sensitive with price factors while the age range is reflected the difference for all category independent variable. Community activity involvement seems to be different especially the entrepreneur and others.

The research outcomes indicate that the government could play the big role in supporting the crowd funding for grass root economy group. The age of backers is significant with positive direction especially the working range as well as the community activity involvement experience.

Further analysis on logit model to observe the respond of the survey due to the discount of product or service from advance payment from cloud funding is shown on Table 4.

**Table 4** Logit analysis through the discount as advance payment from cloud funding at the Step 1.

Factors	B	S.E.	Wald-test	Sig.
product	.746	.225	10.942	.001*
price	-.344	.200	2.957	.086**
placement	-.548	.224	5.969	.015*
govern	.331	.191	3.005	.083**

The outcomes from table 4 are tested on Hosmer and Lemeshow test with p-value is greater than 0.05. The survey guides that the product and placement seem to attract the buyers to pay through cloud funding with significant level 95%. While price and government support lead to the advance payment under the cloud funding with significant level of 90%.

## V. CONCLUSION

### A. Research outcomes discussion

The survey research shows that the successful of crowd funding is depend on the area of implantation, the density of backer age range and the involvement of community of backer. The support from the government is highly expected in logistic process.

### B. Research application

The development of rural areas in Thailand needs high amount of money while the covid 19 lessens the government ability due to higher debt level. The crowd funding could be the alternative method in supporting the grass root economy group. The application of technology could be the sustainable growth of rural areas of Thailand.



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