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Factors Influencing Decision Making for Industrial Investment in Tak Province

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Abstract

This research was aimed at investigating factors influencing decision making for industrial investment in Tak province. There were 213 respondents participated in this study from entrepreneurs authorized to operate in Tak province using questionnaires as a data collection tool. The data were analyzed by frequency, mean, standard deviation, and the hypothesis testing through One-way ANOVA (F-test) and Multiple Regression Analysis with statistically significance level at 0.05.

The results of hypothesis testing revealed that organizational factors including type of business and corporate investments affected the decision making for industrial investment in Tak province. In addition, the results of multiple regression analysis revealed that policies for investment promotion of the board of investment of Thailand, policies for other support by government, and the reputation of the special economic zone of Tak province affected the decision-making process at a significance level of 0.05

Introduction

Changes of the world economy and the entrance to ASEAN Community in 2015 have led the Thai government to establish the policies on reengineering economy, marketing, trade, and investment, which accelerate the establishment of the special economic zone of the potential area by emphasizing on border provinces to promote trades, marketing, investment, employment, and using the raw materials from the border countries. (The Secretariat of the House of Representatives, 2014) Moreover, the government has announced the Regulations of the Office of the Prime Minister on Special Economic Zone B.E. 2556 to become effective from July 25, 2013 (Office of the Prime Minister, 2013) to act as a tool for promoting the economic zone development. The International Financial and Developmental Institute, University of Iowa, defined "economic zone" as the geographic area managed by the organization providing the trade preferences to the company located in that economic zone. The objective of the establishment was to enhance regional trades by providing the trade preferences to boost the investment both locally and internationally. (Choen Krainara, 2012 cited in Central Region Economic and Social Development Office, 2010) Therefore, development of the economic zone is to consider the insignificant areas to promote the local potential for sustainability of country development, as well as to survey the opinions of the government sector, private sector and local people.

Tak is an important province in the west of Thailand because it is a border province with the highest import-export values in Thailand (Mae Sot Customs House, 2014) and the trade gateway and the connection on the East-West Economic Corridor (EWEC) which has been studying and developing as the pilot special economic zone (SEZ) of Thailand. It is to maximize benefits in accordance with the area potential as a primary goal to develop the pilot special economic zone of the country (the Policy Committee of Special Economic Zones, 2013) leading to country development and agreeing with local needs of related people.

he significance and background mentioned above led the researchers to be interested in investigating factors influencing decision making for industrial investment in Tak province on the opinions of related people in the local areas in terms of policies, operation, and local leadership, as well as the success factors in developing the border economic zone, application of the information for planning the development of country's economic zone, and making use of the border areas of Tak province according to future needs of the local community.

Objective

1. To investigate the support policies from the government sector influencing decision making for industrial investment in Tak province.
2. To investigate creditability and reputation influencing decision making for industrial investment in Tak province.

Methodology

1. The quantitative analysis was applied to investigate the factors influencing decision making for industrial investment in Tak province.
2. The population of the study were 213 entrepreneurs authorized to operate in Tak province. The validity of the questionnaire was tested by the experts to investigate the content validity and reliability through doing 30 questionnaires and the internal consistency through the alpha coefficient.
3. The data was collected by using the questionnaire to analyze and statistically process the data through the package software for data analysis. The statistics used for data analysis were frequency, percentage, mean, standard deviation, One-way ANOVA, Scheffe's pairwise analysis and multiple regression analysis.

Result

The sample gave importance on the following support policies from the government sector.

In terms of measures on investment promotion of the Office of Board of Investment of Thailand, most of the sample group gave importance on measures on investment promotion of the Office of Board of Investment of Thailand at the very high level ($X = 4.16$). They gave importance on other privileges the most (allowed to deduct twice of freight, electricity, and water bills for 10 years and to deduct 25% of the investment for installation and construction of facilities apart from usual depreciation deduction). The second was in case of the enterprises according to the attachment of Announcement of the Board of Investment No. 2/2557 allowed to exempt from income tax apart from 3-year regular criteria but totally not over 8 years. If it is the enterprise in A1 or A2 group which is allowed to exempt from income tax for 8 years, it will acquire additional privileges by deducting corporate income tax for the net profit from investment at the ratio of 50 percent of usual rate for 5 years from the expiration date of tax exemption. In case of the target enterprise according to the Policy Committee of Special Economic Zones, it will be exempted from corporate income tax up to 8 years by limiting the financial amount of 100 percent of investment excluding land cost and working capital, and deducting corporate income tax for the net profit from investment at the ratio of 50 percent of usual rate.

In terms of measures of the Revenue Department, most of the sample group gave importance on measures of the Revenue Department at the moderate level ($X = 3.66$). They gave importance on the enterprises not acquiring investment promotion from the Office of Board of Investment of Thailand (BOI) the most with the deduction of corporate income tax for 10 accounting periods. The second was under the measures of the Revenue Department, Ministry of Finance, the enterprises are allowed to acquire the privileges. The measures of the Ministry of Finance will provide the rights of corporate income tax exemption for the enterprises not acquiring investment promotion from the Office of Board of Investment of Thailand (BOI), such as, the enterprises excluded from BOI in promoting or failing the conditions of BOI's minimum investment scale.

In terms of other support measures from the government sector, most of the sample group gave importance on other support measures from the government sector at the moderate level ($X = 3.58$). They gave importance on the government sector in investing to develop the infrastructure and the customs, as well as public utility the most. The second was the government sector to permit the migrant workers to have round-trip commute to work or stay not over 7 days.

The below table showed the relationship testing between the measures on investment promotion of the Office of Board of Investment of Thailand, the measures of the Revenue Department, the other support measures from the government sector, creditability in Tak province, and reputation in Tak province.

Table 1 Industry in Tak Province

Variables	b	SEb	B	T	p-value
Measures on investment promotion of the Office of Board of Investment of Thailand	0.238	0.071	0.241	3.347	0.001
Measures of the Revenue Department	0.028	0.053	0.040	0.520	0.604
Other support measures from the government sector	0.197	0.082	0.203	2.388	0.018
Creditability in Tak province	-0.064	0.100	-0.073	-0.638	0.524
Reputation in Tak province	0.588	0.092	0.649	6.368	0.000
Constant 1.649; SE = 0.50					
R = 0.58; R ² = 0.323; F = 21.257; p-value < 0.05					

Table 1 showed that all of five factors had relation with decision making for industrial investment in Tak province at the high level with the multiple correlation coefficient at R = 0.58 and can predict 32.3 percent of decision making for industrial investment in Tak province at a significance level of 0.05.

Conclusion

The Office of Board of Investment of Thailand has announced the investment promotion policies in special economic zones by specifying the privileges for the enterprises investing in the areas consisting of the enterprises as attached to Announcement of the Board of Investment No. 2/2557 allowed to exempt from income tax apart from 3-year regular criteria but totally not over 8 years, which is the period of 5 years from the expiration date of corporate income tax exemption. Moreover, the Office of Board of Investment of Thailand has provided other privileges, that is, permission to deduct twice of freight, electricity, and water bills for 10 years and to deduct 25% of the investment for installation and construction of facilities apart from usual depreciation deduction. In case of import duty, it will be exempted from import duty for machinery, and exempted from import duty for raw materials, and materials necessary for export manufacturing for 5 years, as well as permitted to use unskilled migrant workers. These have led the investment promotion measures of the Office of Board of Investment of Thailand to influence decision making for industrial investment in Tak province. It was consistent with the theories of Bolnick (2004) which concluded the choices of tax measures for investment promotion consisting of 1) Special Income tax Rate, 2) Income tax Exemption, 3) Accelerated Depreciation or Investment Tax Allowance, 4) Investment Tax Credit, 5) Dividend Tax Exemption, 6) Double Tax Deduction, such as r&d and marketing, and 7) Indirect Tax Incentive, such as VAT. Moreover, it agreed with the research of Sirivasa Sithichai (2008) on Tax incentives for establishment special economic zones which found that Thailand proposed tax incentives in several laws. The tax incentives which appeared in major laws included Investment Promotion Act, B.E. 2520 and Industrial Estate Act, B.E. 2522. Furthermore, promotion of tax incentives has still existed in the measures of Tax Sparing Credit in Double Taxation Agreement. The forms of tax incentives are required to be provided specifically and have special objectives in providing tax incentives, as well as relieve the tax burdens of beneficiaries. The types of incentives Thailand proposing to investors included tax holidays, tax reduction, accelerated depreciation deduction, import duty exemption for importing machinery or other equipment, etc. However, incentive proposition can be established in other forms, such as, the establishment of the economic zones, referring to any areas specified and developed under laws and management of the enterprises specifically to prepare the areas for investment support, proposing a variety of incentives whether tax incentives or public utility facilitation.