

-RESEARCH ARTICLE-

## SMES' LOANS APPROVAL CONSIDERATION AFTER PANDEMICS: CASE OF THE THAI GOVERNMENT SAVINGS BANK

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### Abstract:

The study compared the perspectives of 67 bank business relations and credit analysis employees and 200 small and medium-sized enterprise (SME) loan customers during the period following the COVID-19 outbreak. To test the differences hypothesis, the study employed a 5-level Likert scale questionnaire, data analysis with descriptive statistics, and an independent sample t-test. The study results refuted the hypothesis that the two sample groups hold different opinions regarding loan approval criteria and analysis methods. In the event of a crisis, it was possible that the macroeconomic effects and hazards associated with providing loans would lead to an imbalance in the demand and supply of bank and financial institution loans. These resulted from alterations to the

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balance sheets, decreased income, and reduced profits of the SME loan applicants. It led to credit management in the form of reduced loan allocation and credit rationing by the bank, ultimately impeding SME access to credit.

Regarding the possibility that there is no difference in opinion, according to the study, SME entrepreneurs as loan applicants emphasized the significance of aligning various operational processes, loan approval considerations, and loan analysis methods in order to obtain approval based on the desired loan amount, objectives, and disbursement period. The loan applicants have prepared and improved their credit readiness, are aware of the benefits of policies and support from various supporting organizations to create opportunities for capital procurement, and know that bank and financial institution decision-making is contingent on the risk control conditions of the bank or financial institution itself. In the meantime, bank employees adhere to bank policies and government regulations. The Bank of Thailand assisted following the measures outlined in the Emergency Decree on Financial Assistance for Small and Medium-Sized Enterprises, which must be rigorously implemented to ensure that the bank bears the risk associated with loan decisions.

**Key Words:** SMEs' Loans, Loan Approval Consideration, 6C's, Thai Government Savings Bank

## 1. INTRODUCTION

The COVID-19 pandemic has caused a global economic contraction (Gazi, 2020; Dang & Viet-Nguyen, 2021; Song & Zhou, 2021), prompting nations to implement a variety of policies and measures to mitigate the economic impact in countries experiencing a decline (Senakhan & Pavepanunkul, 2022). These measures also seek to address the negative effects of preventive measures taken to halt the spread of the virus, which have had a negative impact on economic activities (Juergensen et al., 2020). Countries are exerting great effort to combat financial crises in various sectors. During this crisis, small and medium-sized enterprises (SMEs) have been identified as a significant factor in the business environment, particularly due to their vulnerability during times of crisis (Corredera-Catalan et al., 2021; Ali et al., 2020; Xie et al., 2021; Harrison et al., 2022; Pearmunwai et al., 2022). During the crisis, many small and medium-sized enterprises (SMEs) face risks associated with cash flow disruptions and ongoing expenses, as well as limited or reduced business income (Lu et al., 2020; Qun et al., 202). Consequently, small and medium-sized enterprises (SMEs) must investigate a variety of financial measures to improve their liquidity during a financial crisis, including pursuing credit from banks and financial institutions (Zhang et al., 2022; Lua et al., 2022). (Harrison et al., 2022) The financial risks resulting from the crisis impact the imbalance of objectives and constraints for SME loan applications and access to bank credit and financial institutions. At the national level, governments, public sector entities, and various organizations are responsible for implementing policies and measures to promote a

balanced financial environment, alleviate economic problems, and support guarantee schemes and initiatives to improve SMEs' access to capital (Corredera-Catalan et al., 2021). In the meantime, banks and financial institutions are transforming to develop sustainable growth capabilities, promote digital banking adoption, and integrate technology into their products and services. These modifications aim to overcome difficulties and restrictions bank branches encounter in managing credit risks, loan approval processes, credit analysis methods, and assessing the transparency of SME operations in regions where banks provide services. The crisis has prompted changes in the banking sector, policies, and effective managerial practices, impacting the relationship between SME business owners and banks (Lua et al., 2022).

For the present crisis, the Bank of Thailand (BOT) projects that the Thai economy will contract by 5.3% in 2020 and face increasing risks of economic contraction (BOT, 2021). The value of Thailand's GDP decreased by 1.8% in the first quarter of 2020, with small and medium-sized enterprises (SMEs) experiencing a contraction of 3.3% in the same period. However, the estimate on the expansion of the GDP for 2021 anticipates a growth rate of 4.6%, indicating an improvement from the negative growth rate of -5.9% in 2020. This recovery is driven by private consumption and increased government spending and investment. However, there is still a risk from the resurgence of the COVID-19 virus in the country, which has halted economic activities once again and impacted financial institutions with limited expansion capacity due to the economic slowdown. As the target group, SME investment has slowed, necessitating changes from business proprietors to adapt to the changes mentioned above (Thai Government Savings Bank, 2021). As Specialized Financial Institutions (SFIs) with specific laws and objectives, commercial banks, including the Government Savings Bank of Thailand, continue to play a role in providing business loans in the current economic climate. The banking operations respond to the policy of promoting and developing specialized financial institutions that play a significant role in capital formation and resource allocation. The bank's primary purpose is to serve as a source of savings and loan funds for 1) business and government consumers or 2) small and medium-sized enterprises (SMEs). Before the crisis, emphasis was placed on creating access to funding sources and financial support for entrepreneurs to grow sustainably, as well as upgrading to digital banking by bringing technology and innovation to the development of products, services, and service channels to enhance business opportunities and accommodate future changes, as part of the Bank's Fundamental Capabilities infrastructure. It is a mechanism to support and drive operations to accomplish strategic goals sustainably, following Government policies to stimulate the Thai economy, which encourages entrepreneurs to be competitive and grow in potential. In addition, the increasing number of entrepreneurs in Thailand has accelerated the release of higher-quality loans, focusing on credit quality and expanding credit to high-potential SMEs under the supervision of the bank's Business Credit Office during normal economic conditions. The bank requires credit analysis personnel to consider and analyze credit as part of its four-step SME

credit approval process. 1) application submission, 2) collateral and value evaluation, 3) credit analysis, and 4) loan disbursement. The bank's credit analysis process integrates the 6C's policy, considering both quantitative and qualitative information regarding SME loan applicants (Ketworsunthorn, 2021). The consideration involves financial performance, debt assets, and various financial statement items to reduce credit risk. In this new approach, it is crucial to adhere to credit assessment policies and guidelines to accommodate the bank's circumstances. 2020 (Potiratsombat and Jarutach).

Regardless, the banking operations for providing loans during the post-pandemic period of the bank revealed that the approval results for loans by the SME Business Credit Department of the bank in the provinces of Songkhla, Pattani, Yala, and Narathiwat represented 80.12% of approved and contracted agreements with SMEs entrepreneurs (SME Customer Business Center, 2020). This circumstance occurs within a fundamental context accompanied by a crisis that imposes restrictions and necessitates caution in granting additional loans with the necessary precautions. During the financial crisis, the bank's loan approval process is influenced by factors such as a greater emphasis on customer screening, a focus on releasing loans to existing customers with a solid repayment history, and more stringent qualification checks. These factors are consistent with the criteria and instruments used by financial institutions to evaluate the risks associated with non-performing debts (Meechai & Khumphaisan, 2021). The problem of loan operations not meeting the bank's objectives and not aligning with the aforementioned national-level SME support guidelines, including the process and criteria for loan approval and credit analysis methods used by the bank, as well as the divergent opinions between SME business analysts of the bank and SME business entrepreneurs and lenders (banks and financial institutions) in the loan application and approval process, is the subject of this study. Comparative opinions regarding loan approval processes and credit analysis methodologies after the COVID-19 pandemic and differences in opinions between SME bank analysts and SME business owners are investigated. It is assumed that the initial hypothesis regarding possible differences in opinion stemming from the bank's SME loan approval process, which consists of all four steps, and the application of the bank's credit analysis guidelines that utilize the 6C's policy in conducting Credit Analysis, which includes both quantitative and qualitative data of loan applicants, may be the causes of operational process difficulties.

## **2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT**

### **2.1 Consideration of SMEs Loans by Banks and Financial Institutions**

It is impossible to overstate the significance of small and medium-sized enterprises (SMEs) to the economy and the importance of their access to credit from banks and financial institutions as vital external sources of funding. When a crisis occurs, the risks encountered by SMEs increase, and the credit evaluation procedure is impacted, influencing the willingness of financial institutions to lend to SMEs (Harrison et al.,

2022). This situation necessitates policy support from national institutions and organizations to promote and assist SMEs in accessing credit and navigating through these crises (Palacin-Sánchez et al., 2019; Murodovich and Jahongir, 2022). Access to funding sources for small and medium-sized enterprises (SMEs) still faces obstacles, and having credit has been shown to negatively impact the overall business performance of SMEs (Palacin-Sánchez et al., 2019; Ali et al., 2020). SME access to financial services and credit from banks and financial institutions is hampered by the need to undergo a thorough examination of business characteristics and financial statements, resulting in greater financial constraints for SMEs compared to large businesses and organizations. The complexity and difficulty of the bank loan application procedure make "accessing credit for SMEs difficult." Even though regional branches conduct preliminary application and evaluation processes, central authorities typically issue loan approvals (Lua et al., 2022). Studies on the credit approval process for SMEs in various countries emphasize the importance of business structure data, financial statements, appropriate financial foundations, and uncertainties in business operations, such as purchase orders, accounts receivable, and market demand generated by the core enterprise business of SMEs (Zhu et al., 2022; Ali et al., 2020; Lua et al., 2022). In addition, banks and financial institutions take into account factors such as asset evaluation, collateral coverage, market awareness, and industry knowledge, as well as having competent personnel in their decision-making process, quota allocation, and interest rates expected to generate profits from providing credit to SMEs (Ali et al., 2020; Murodovich & Jahongir, 2022). Banks and financial institutions have considered these factors when making lending decisions to small and medium-sized enterprises (SMEs), specifying loan quotas and the expected profit-generating interest rate. Conditions, processes, and outcomes from the analysis of optimal credit decision-making, providing advice on business operations, reviewing SME loan applications in the event of further improvement, and demonstrating compliance with various intervention issues that are policy or regulatory issues that occur in the macro period at that time (Zhu et al., 202).

In conclusion, the issue of SME access to funding sources persists and originates from multiple perspectives. SME entrepreneurs frequently mention the difficulty of accessing credit for SMEs, whereas the banking sector believes that SME entrepreneurs present insufficiently robust data to support their credit needs. SMEs continue to face risks to their business operations, especially when a variety of crises threaten their financial stability. In response to these issues, however, policies and operational guidelines are typically implemented to support SME access to credit (Harrison et al., 2021).

## **2.2 SME and Approval of the Thai Government Savings Bank**

SMEs are businesses or business groups with a total business credit limit not exceeding 250 million Baht or an annual income not exceeding 1 billion Baht or businesses with a total credit limit not exceeding 100 million Baht or a yearly income exceeding 100 million Baht but not exceeding 700 million Baht. (Government Savings Bank, 2019)

The bank's operational guidelines include providing loans that benefit business operations. The bank must adhere to the established criteria and give weight to the following factors when approving loans: 1) the purpose of the loan application; 2) the feasibility of the business or project; 3) financial stability, credit limits with other financial institutions, and debt repayment capacity; 4) the integrity, ability, and experience of management personnel; 5) industry and market conditions; 6) financial projections; 7) collateral and asset valuation, including business assets; 8) loan structure, conditions, contractual documents, and related legal documents; and 9) c. In addition, the bank has established loan consideration guidelines and conditions for SME business loan products to serve as a reference for loan evaluation during the COVID-19 period. These guidelines and conditions encompass the following aspects: 1) Loan limits provided to individuals or legal entities that have been in business for at least two years, based on the purpose of the loan application, such as for use as working capital in the business, for investment, for international trade, providing guarantee and aval services such as overdraft (O/D), Long Term Loan, Promissory Note Purchase Limit (P/N), Trade Finance, L/G Services, Loan for Factory and Equipment, etc. The bank considers the facility's objectives, working capital needs, collateral, interest and fees, debt serviceability risks, business feasibility, and the company's past financial history ([Thai Institute of Banking and Finance Institute, 2003](#)).

### **2.3 The Loan Analysis of the Thai Government Savings Bank with the 6C's Policy Principle**

Credit analysis evaluates quantitative and qualitative data on loan applicants to determine their creditworthiness for approval based on the loan's purpose ([Ketworasunthorn, 2021](#)). Nevertheless, several studies have uncovered barriers to accessing funding sources and obtaining loans from financial institutions. The operational performance of SMEs frequently encounters numerous issues, such as investment, finance, accounting, management, production, and service-related issues. Therefore, the bank's loan approval process must incorporate criteria involving an analysis of the 6Cs to promote the development of businesses by ensuring sufficient capital, asset quality, management capability, profitability, financial liquidity, and minimizing risks that may have an impact on business operations ([Ketworasunthorn, 2021](#)). ([Gongkhonkwa et al., 2021](#)). Using credit analysis and the 6C's policy concept, entrepreneurs can use the above principles to create easier access to capital ([Amnuayprawit, 2016](#)). Consideration elements for quantitative credit analysis (Y2) include (1) Character (C1), which includes the entrepreneur's characteristics, the loan applicant's characteristics, and the behavior and character of the loan applicant. If it is a new client, there must be an investigation into their general character, business experience, expertise, etc. (2) Capacity (C2) evaluates the ability to repay debt. In the case of natural persons, primary consideration will be given to the applicant's qualifications and income. The company's financial statements will be considered in the case of legal entities. (3) Capital (C3) examines the structure, source, and quantity of a

company's capital. (4) Collateral (C4) is responsible for evaluating the qualifications and suitability of guaranteed securities. (5) Condition (C5) requires consideration of the debtor's business circumstance and environment, as well as the impact of various changing conditions on the debtor's position. (6) Country (C6) must take into account the environment, business loan applicants, international conditions, as well as political, economic, and social conditions (Potiratsombat and Jarutach, 2020). This information is derived from accounting records and an analysis of financial statements. The information utilized by SMEs for credit consideration and credit analysis. The Bank will conduct a comparative analysis of data collected annually or with other businesses in the same industry. Thus, analysts can accurately and reliably evaluate the efficiency of the business by analyzing (1) The Balance Sheet, (2) The income Statement, and (3) Analysis of the business's various necessary financial ratios, such as Liquidity Ratios, Current Ratios, Quick Ratio, Asset Management Ratios, Inventory Turnover, Days Sales Outstanding (DSO), Fixed Asset Turnover, Total Asset Management, Debt Management Ratios, Total Debt to Total Asset, Debt to Equity Rat

#### **2.4 Banking Loan Approval Process**

Organizations in the banking industry must have credit approval processes that assure risk management and the efficient execution of bank lending decisions (Tejaswini et al., 2020). Currently, the banking and finance industry utilizes a universal system of credit default prediction and credit approval/rejection systems to predict borrower credit approval (Tejaswini et al., 2020). The process will commence with the borrower's application for loan applications, access to borrower review and estimation processes, review of qualifications both automatically and by bank personnel, and decision-making process on approval or rejection of sources with suggestions from the case of each borrower to enter the disbursement process following the process (Tejaswini, et al., 2020; Murodovich & Jahongir, 2022; Sastsara, & Mektee, 2021).

#### **2.5 Loan Analysis with Bank Loan Analysis Staff**

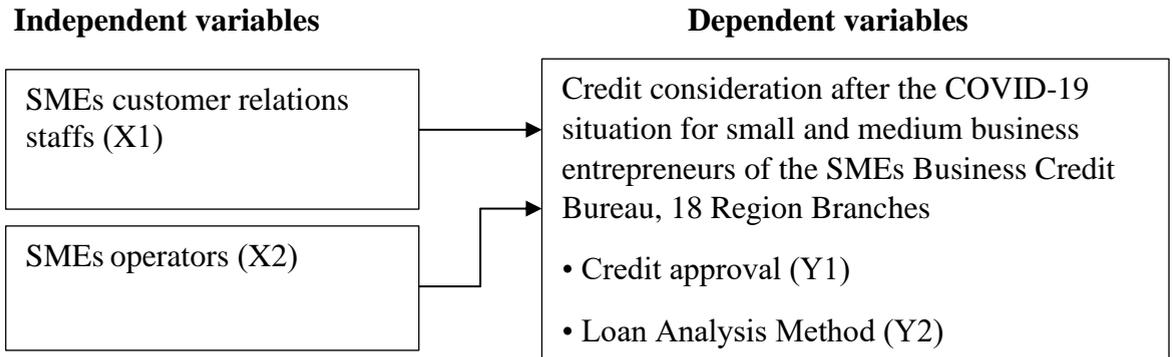
Setting goals to increase the rate of bank loan approval, despite increasing the volume, also increases the risk for the bank, particularly during times of crisis. Therefore, the proactive marketing efforts of bank employees engaged in lending activities must be made more effective via various supplementary measures. These measures include having effective data, information about bank products, central marketing promotions, personal performance indicators, and developing personnel to increase knowledge of business operations, contract processes, loan approvals, customer explanations, and information technology (Chainupatham, 2016). When analyzing credit applications for small and medium-sized enterprises (SMEs), bank credit analysts consider four factors: the borrower, the investment structure, the collateral, and external factors. However, the creditor or business entity is evaluated based on its debt repayment history, investment projects, financial plans, and investment returns (Sornda, 2021). In general, financial institutions rely on the ability and experience of employees to adhere to the criteria for

evaluating credit applications in the preliminary stage when contemplating bank loans. However, credit evaluation criteria may vary based on an individual's skills, customer-provided data, employees' experience in data analysis, and knowledge of the customer's business (Gongkhonkwa et al., 2021).

## **2.6 Loans Consideration Process SMEs Approval of the Thai Government Savings Bank**

According to the Thai Government Savings Bank of Thailand's case study on Loans consideration procedure SMEs approval, the credit approval process has been streamlined into four steps; 1) Acceptance Process (S1): The SMEs Business Credit Bureau evaluates loan amounts varying from 20 million to 100 million baht with a focus on introducing credit products to new customers and attracting refinance customers. Upon verifying the accuracy of documents and preliminary credit records, it was discovered that there were consideration conditions consisting of (1) the level of consideration for a credit line ranging from 10 million to 50 million baht, (2) offering products to existing customers, maintaining a customer base, and customers affected by the economy and the situation of COVID-19, and (3) offering products to customers affected by the economy and the situation of COVID-19. (3) Credit Product Program (CPP) as a preliminary guideline for evaluating business loans under the bank's, especially supported initiatives. (4) Borrowers with less than a year of business experience may cite prior business experience, financial stability, or the presence of a business advisor with specialized knowledge. (5) If the borrower does not meet the criteria that can be waived, collateral and interest rate increases will be considered to mitigate appropriate risks. (6) Consider only plain and trustworthy evidence, such as receipts - payments compared to accounting transactions, and (7) Use the Enlite online search engine to assist with the initial analysis of the customer's financial information. 2) Valuation and collateral (1) Using Geographic Information System (GIS) for appraisal submissions, monitoring progress, and inspecting work; and (2) Preliminary appraisal with an external appraisal company that can notify customers of prices and expenses before the actual appraisal. Credit analysis (S3) mentions credit analysis report analysis and preparation. The customer risks are analyzed based solely on preliminary documents to summarize the issue for the credit committee, which has the authority to authorize the scope of credit granting before submitting the request for credit approval to the credit committee. The conditions for consideration are as follows: (1) Develop and improve the financial data analysis system (Optimist) and the use of the Credit Risk Rating Model to be able to screen and assess risks of customers appropriately, and (2) Take into account the relationship between customers who are in the same group or are related according to the rules. Consideration conditions for the compilation of legal contracts and loan disbursement take between one and two weeks (S4). The legal action must be completed within one to two weeks before the consumer receives the loan.

### 3. RESEARCH FRAMEWORK



**Figure 1.** A Research Framework

### 4. RESEARCH HYPOTHESES

H1: There are different opinions regarding loan approval criteria and credit analysis methods between SME credit analysts of the bank and SME operators.

### 5. RESEARCH METHOD

**Population and Sample:** For the study's population and sample categories, cluster or area sampling was utilized. It was applied to 67 SME customer relations officers from Government Savings Bank Area 18 in 14 provinces in the southern region whose responsibilities are pertinent to loan deliberation and analysis based on the SME customer business department's responsibility areas. In addition, sample size and randomization were determined using Cochran and Morgan's equation for a small population sample (with a 95% confidence level) (Krejcie & Morgan, 1970). In addition, 200 SME business operators who are customers of other banks or financial institutions and are registered legal entities under Thai law were selected using Sample Random Sampling. This sampling was conducted in four southern provinces, namely Songkhla, Pattani, Yala, and Narathiwat. Table 1 presents descriptive data contrasting the sample groups used in the study, comparing SME customer relationship officers (X1) and SME business operators (X2).

The majority of the 67 SME customer relations officers involved in credit consideration and analysis in Area 18's 14 southern provinces were women, according to the general information of their samples. They were between the ages of 31 and 40 (47.2%) and held a master's degree (65.7%). All candidates had bachelor's degrees or higher and at least four to six years of professional experience.

**Table 1. Number and Percentage of Samples**

	SMEs Customer Relationship Officers		SMEs Business Operators	
	N	%	N	%
Male	18	26.9	85	42.5
Female	49	73.1	115	57.5
<b>Total</b>	67	100.0	200	100.0
Age below 21 years	0	0	5	2.5
21 – 30 years	25	37.3	87	43.5
31 – 40 years	32	47.8	88	44.0
Age over 40 years	10	14.9	20	10.0
<b>Total</b>	67	100.0	200	100.0
Bachelor's degree	23	34.3	-	-
Master's degree	44	65.7	-	-
<b>Total</b>	67	100.0	-	-
Work experience 1–3 years	8	11.9	-	-
Work experience 4–6 years	23	34.3	-	-
Work experience 7–9 years	20	29.9	-	-
Working experience >10 years	16	23.9	-	-
<b>Total</b>	67	100.0	-	-
Retail - wholesale business Type of business/ contractor	-	-	62	31.0
Agricultural business	-	-	18	9.0
Agro-industry business	-	-	27	13.5
Service business	-	-	63	31.5
Real estate/ construction business	-	-	30	15.0
<b>Total</b>	-	-	200	100.0
Annual sales of less than 20 million baht/year	-	-	93	46.5
Annual sales of 20 – 40 million baht/year	-	-	59	29.5
Annual sales 41 – 60 million baht/year	-	-	30	15.0
Annual sales 61 – 80 million baht/year	-	-	7	3.5
Annual sales of more than 80 million baht/year	-	-	11	5.5
<b>Total annual sales</b>	-	-	200	100.0
Applying for a loan from a financial institution and obtaining credit line approval	-	-		
Less than 10 million baht	-	-	120	60.0
10 – 20 million baht	-	-	58	29.0

**Table 1. Continued**

21 – 30 million baht	-	-	13	6.5
31 – 50 million baht	-	-	6	3.0
More than 50 million baht	-	-	3	1.5
<b>Total</b>	-	-	200	100.0
Objectives of requesting a loan	-	-		
To be used as working capital for business operations	-	-	156	78.0
To invest in fixed assets	-	-	34	17.0
To redeem the mortgage from other financial institutions	-	-	10	5.0
<b>Total</b>	-	-	200	100.0

**Table 2. Comparative Analysis of Opinion Levels of SMEs Customer Relations Staff and SMEs Entrepreneurs according to the Bank's Credit Approval Process**

Compare the level of opinions of SME customer relations staff and SME entrepreneurs according to the Bank's credit approval process.	SME customer relations staff		SMEs entrepreneurs		Df	t-value	Sig.
	Mean	SD	Mean	SD			
Bank Credit Approval Process (Y1)	4.13	0.34	4.17	0.43	141.832	-0.688	0.492
S1: Acceptance Process	4.21	0.44	4.27	0.48	265	-1.029	0.304
S2: Valuation and collateral	4.10	0.43	4.15	0.60	158.44	-0.824	0.411
S3: Credit analysis	4.21	0.48	4.17	0.56	265	0.542	0.588
S4: Credit disbursement	4.02	0.55	4.08	0.59	265	-0.732	0.465
Methods for analyzing bank credit using 6C's policy principles and quantitative credit analysis (Y2)	4.13	0.32	4.03	0.44	146.311	0.709	0.479
Qualitative Credit Analysis using the overall 6C's policy	4.04	0.36	4.02	0.44	138.762	0.299	0.766
C1: Operator Attributes	4.26	0.46	4.25	0.51	265	0.178	0.859
C2: Debt repayment ability	4.12	0.40	4.02	0.56	159.57	1.508	0.134
C3: Business Capital	3.99	0.50	3.91	0.63	143.59	1.095	0.275
C4: Qualifications of collateral	3.82	0.65	3.98	0.60	265	-0.802	0.073
C5: Circumstances and Business Environment	4.09	0.35	4.09	0.55	182.31	0.021	0.983
C6: International conditions affecting overall political, economic, and social conditions	3.97	0.45	3.90	0.73	184.08	0.826	0.410
Overall quantitative analysis	4.22	0.39	4.07	0.55	160.22	2.603	0.010*
Credit approval and overall credit analysis methods	4.10	0.30	4.10	0.39	146.96	0.009	0.993
	Levene's test			t-Test			
Credit approval and new credit analysis methods	F		Sig.	t	Df	Sig. (2tailed)	
Equal variances assumed	5.700		.018	.008	265	.994	
Equal variances not assumed				.009	46.95	.993	

\*\* Significant level .05

Regarding the general information of the sample of SME entrepreneurs in Area 18, it was determined that the majority were females between the ages of 31 and 40 and 21 and 30, engaged in the service and retail-wholesale industries. The largest group of SMEs had annual sales of less than 20 million baht per year (46.5%), followed by those with annual sales of 20 – 40 million baht (29.5%) and 41 – 60 million baht (15%). The data on loan applications from SME business owners revealed that borrowing from financial institutions and approved amounts of less than 10 million baht (60%) were the most common, followed by 10-20 million baht (29%) and 21 – 30 million baht (6.5%), with the majority borrowing for working capital (78%) and fixed asset investment (17%).

**Data collection:** The Likert Scale 5 level Questionnaire, considered for content validity (IOC) by experts and questionnaire credibility, was used with Combust Alpha = 0.98 according to the research methodological conditions for constructing the questionnaire.

**Data analysis** was used with statistical packages to summarize descriptive statistics, analysis, mean and standard deviation, and Independent Sample t-Test to compare the level of opinion on credit approval guidelines and credit analysis methods among SME credit analysts, banks, and SME entrepreneurs.

## 6. RESEARCH RESULT

The result of a comparative study of the level of opinions of SME customer relations staff and SME entrepreneurs according to the bank's credit approval process is shown below.

From the research results [table](#), it was found that:

- Hypothesis testing resulted in "Reject H1" The opinions of SMEs credit analysts of the Bank and SMEs entrepreneurs regarding credit approval guidelines and credit analysis methodologies did not differ statistically significantly. Using Levene's method, the variance test revealed that Sig. =.018, which explains the difference in opinion level variance. When choosing to consider Equal Variances Not Assumed Sig. (2-tailed) = 0.993, it is possible to explain why the level of opinion on credit approval guidelines and credit analysis methods among SMEs credit analysts, banks, and SMEs entrepreneurs did not reveal statistically significant differences.

- A comparison of opinions regarding the bank's credit approval process (Y1) revealed that the level of the views of SME customer relations staff was entirely high (Mean 4.13, SD 0.13). It was discovered that bank employees placed S1: Acceptance process (Mean 4.21, SD 0.44) and S3: Credit analysis (Mean 4.21, SD 0.34) at the highest level of importance. S2: Valuation and Collateral (Mean 4.10, SD 0.43) and S4: Credit Disbursement (Mean 4.02, SD 0.55) are the second and third greatest levels, respectively. Compared to SME entrepreneurs, the overall level of opinions regarding

the bank's credit approval process (Y1) was also high (Mean 4.17, SD 0.43) and slightly higher than the opinions of bank personnel in the average portion. However, it was discovered that the opinions and priorities in each area corresponded with those of the bank employees, with the highest level being the opinions toward S1: the complaint process (Mean 4.27), SD 0.48), followed by S3: Credit Analysis (Mean 4.15, SD 0.60), S2: Valuation and Collateral Appraisal (Mean 4.15, SD 0.60), and S4: Credit Disbursement (Mean 4.08, SD 0.59), respectively.

- Concerning the comparison of opinions on bank credit analysis methods with the implementation of the 6C's policy and quantitative credit analysis (Y2), it was determined that the level of the views of the Bank's SMEs customer relations staff regarding the overall level of opinions on the Bank's credit analysis methodology using the overall 6C's policy was high (Mean 4.04, SD 0.50). The order of importance was determined by averaging each factor: C1, C2, C5, C3, C6, and C3 in that sequence. This was followed by Debt serviceability (C2: Mean 4.12, SD 0.40), Circumstances and Business Environment (C5: Mean 4.09, SD 0.35), Business Capital (C3: Mean 3.99, SD 0.50), and International Circumstances wholly influencing political, economic, and social conditions (C6: Mean 3.97, SD 0.45). The property with the lowest rank was collateral (C4: Mean 3.82, SD 0.58). Mean = 4.22 (SD = 0.39) was the mean opinion of the Bank's SMEs customer relations personnel regarding quantitative credit analysis, and Mean = 4.13 (SD = 0.32) was the mean opinion regarding the bank's credit analysis method.

- Comparing the opinions of SME operators on how to analyze bank credit using the 6Cs, the aggregate level of opinions was also high. However, it was discovered to be slightly below the mean (Mean = 4.03, SD = 0.44). The importance of C1, C5, C2, C4, C3, and C6 varied following the level of opinion held by SME business owners, C1, C5, C2, C4, C3, and C6, respectively. The most relevant order was the characteristics of entrepreneurs and bank employees (C1: mean 4.25, standard deviation 0.51). Business circumstances and environments (C5: Mean 4.09, SD 0.55), debt serviceability (C2: Mean 4.02, SD 0.56), property of collateral (C4: Mean 3.89, SD 0.60), business capital (C3: Mean 3.91, SD 0.63), and international conditions that affect overall political, economic, and social conditions (C6: Mean 3.90, SD 0.73) were also ranked in different orders of opinion. Meanwhile, the opinions on quantitative credit analysis have a mean of 4.07 (SD = 0.55), while the opinions on the bank's credit analysis method have a mean of 4.03 (SD = 0.44), which is lesser.

## 7. CONCLUSION AND DISCUSSION

Xie et al.'s (2021) statistically significant inability to accept the hypothesis of differences of opinion regarding credit approval approaches. Credit analysis methods between SMEs credit analyst staff of the bank and SMEs revealed that SMEs entrepreneurs in China attach importance to operations following guidelines and recommendations for

credit approval and credit analysis methods of the bank to approve the required credit limit. There are also preparatory measures and enhancements in the improper areas to ensure credit efficiency, awareness of policies, and opportunities for financing from banks and financial institutions that are compatible with the operating business model. This includes the realization that lending decisions by banks and financial institutions are based on the bank's or institution's rational risk management. [Harrison et al. \(2022\)](#) discovered the difficulty of European SME bank financing during times of economic crisis. The study results indicate that the macroeconomic effects create an imbalance between supply and demand in bank credit, making it difficult for customers to obtain credit. Due to the lender's or financial institution's increased risk, arrangements were made to reduce the bank's credit financing and rationing. [Harrison et al. \(2022\)](#) also concluded that the transmission of supply-side effects initiated by bank lending in the post-crisis period for small and medium-sized enterprises (SMEs) led to balance sheet changes and reduced profitability of SMEs in the position of creditors requesting a loan from the bank. [Palacin-Sanchez et al. \(2019\)](#) analyzed credit applications of SMEs in European countries. They discovered that SMEs' access to credit is contingent on various institutional factors of the country that support the policy, legal system, and measures for enhancing the efficiency of the financial sector.

For the Thailand case study during the study period, there was a policy to support the government and the Bank of Thailand, which issued measures through a decree on financial assistance for SMEs affected by COVID-19 in three areas: measures on deferring principal and interest payments, soft loans, and new or additional credit. These policy measures aim to reduce the burden of expenses and increase the financial liquidity of SMBs so that they can continue to operate. This policy will impact the analysis of affected loans in accordance with government and Bank of Thailand support measures that are anticipated to increase entrepreneurs' financial liquidity and debt repayment capacity ([The Bank of Thailand \(BOT\), 2022](#)).

There is a lack of statistical data on credit approval process-related issues that can summarize differences in opinion between SME credit analyst staff of banks and SME credit analyst staff. It is comprised of the acceptance process (S1), valuation and collateral (S2), credit analysis (S3), and credit distribution (S4). Some processes assure effective risk management and management of bank loan approval decisions ([Tejaswini et al., 2020](#)). On the other hand, the preparation of acceptance of cases and valuation and collateral information is the responsibility of the borrower, who must provide as much coverage as possible in the review process with the expectation that the loan will be approved in detail, including determining the expected time for credit disbursement to be consistent with the needs of the business ([Nimitnaradol and Chantuk, 2016](#); [Sastsara, & Mekdee, 2021](#); [Angkanawisan, 2016](#); [Angkanawisan et al. 2019](#)).

The opinion levels of credit analysts and SMEs are consistent with [Tejaswini et al. \(2020\)](#) and [Murodovich & Jahongir \(2022\)](#), as there are insufficient data to conclude

statistically significant differences in opinions regarding qualitative credit analysis utilizing the 6Cs. Banks pay more attention to the process of analyzing data and drawing conclusions by passing through a variety of evaluative indicators for effective credit judgment in the banking industry, such as credit characteristics, borrower's credit profile, credit safety and risk, interest calculation, correct entity's correspondence to the repayment, the repayment period, etc. The purpose of these analytic procedures is to identify credit and banking risks. Nonetheless, [Murodovich and Jahongir \(2022\)](#) note that these processes have evolved from qualitative and integrated risk management systems. Modern information technology is utilized throughout the process, and it becomes more quantifiable.

Regarding the education section in the Thai context of [Sastsara & Mekdee \(2021\)](#), it was discovered that the problems of SMEs accessing credit in the commercial community product business in Bang Ban District, Phra Nakhon Si Ayutthaya Province, stemmed from a lack of knowledge and understanding of the terms of lending from financial institutions with unclear accounting systems. The loan application's objective is unclear. [Angkanawisan and Jitromroj \(2019\)](#) discovered that for the outstanding amount of loan payments and reconciliation with banks via information used in risk reduction management, there are debt-due problems, supporting and preventing measures that will result from debt overdue, and guidelines that make banks have credit quality. According to [Ngamkhum and Praesri's \(2021\)](#) research, there is a correlation between decision-making factors and factors for contemplating credit from SMEs' venture capital in the tourism service sector, which includes hotels, accommodations, restaurants, tour guides, and tour operators. Entrepreneurial characteristics and management team, product and service, marketing, and financial characteristics are the components of business experience. There are statistically significant correlations between the quantity of credit requested and the entrepreneurs and management team, product and service characteristics, marketing characteristics, and financial aspects. According to [Prasai and Phoosaksakkit's \(2019\)](#) research, the problem of bank loan utilization decreased due to market mix factors and loan officer service issues. It has been discovered that there are high debt serviceability problems, low-quality collateral, critical conditions, and troubled economic conditions, which affect the qualification of loan applicants. However, bank employees who provide credit services have statistically significant problems with credit analysis (6Cs) that influence their propensity to use credit services. [Amnuayprawit \(2016\)](#) examined the access to financing of small and medium-sized enterprises (SMEs) in Bangkok through government policy factors, the formulation of strategies, and an analysis of problems and barriers to accessing entrepreneurial financing. Entrepreneurs of SMEs determined that administration within the organization must be improved. In terms of accounting and financial systems, building the credibility of future entrepreneurs, maintaining financial discipline so that money requested for business operations is not misused, and education for utilizing SME

support programs in multiple dimensions. Implementing government policies and initiatives supporting SME funding is less difficult.

In conclusion, the bank's credit consideration towards SMEs after the COVID-19 situation still maintains continuity after the situation. According to government policy, the credit will be transferable under less stringent terms. There is, however, a credit risk appraisal of SME entrepreneurs in normal circumstances. By taking action, entrepreneurs can consider the results of the unaffected COVID-19 situation when granting additional credit to bolster the business's liquidity. Entrepreneurs should investigate and utilize various supporting factors to defer debt repayment, taking into account their capacity to repay and the borrower's qualifications. The essential factors to consider are the credit application's clarity and the information in the financial statements. It is always a significant factor in the approval of credit.

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