

## Economic Return from Related Tourism Business Surrounded Hot Springs Attraction in The Upper Northern Provincial Cluster, Thailand

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### Abstract

The objective of this paper was to study factors effecting the economic return of related tourism businesses surrounded hot springs attraction in the upper northern provincial cluster. Data was collected through in-depth interviews with 32 owners which opened the business at least 1 year, relevant managers or seniors' staff with the requirement of at least 5 years business experiences. The researcher used the purposive sampling method to get the accurate information from the experiences key informants about related tourism businesses (any of spa, food and beverage, accommodation, community-based tourism and other business) close to Hot spring not more than 10 kilometers, had GPS and accepted to reveal the financial information of their own business. The interviews were recorded and the financial analysis of the net present value (NPV), the Internal Rate of Return (IRR), the benefit-cost ratio (B / C) and the payback period (PB) were scored and interpreted through content analysis. The best economic return business was the small cooperative spa, very small-sized private food and beverage and very small-sized private community-based tourism around Sankampang Hot spring; The cooperative group's other business around Pong Duet Hot Spring; medium-sized accommodation around private Rungarun resort. In conclusion, most of the related tourism

businesses causing the best economic return were either very small private businesses with 1– 5 employees around the co-managed Hot Spring or small cooperative businesses around governmental Hot Spring or medium-sized business around private Hot Spring.

**Keywords:** Economic Return, Related Tourism Business Surrounded Hot Springs, Upper Northern Provincial Cluster

## Introduction

Most hot springs located in the small districts in the upper northern provincial cluster are like the center promoting value creation in each district. Especially to those with special interests in health promotion. Related tourism business surrounded hot springs attraction; such as spa business, food and beverage business, accommodation business, community-based tourism business, and other business, act like the amenities of the hot springs that accommodate tourists both on-site and on the way from/to the hot springs. This business also helps create jobs and income for the nearby community. It was important for driving the country's overall economy (Tata and Prasad, 2015).

While the new generation believes that doing business in the community earns a low income and is an unstable occupation, including lower social status than working in big cities. There is no support for creating a career for local people or supporting the local entrepreneurs. It causes the value of localization to disappear because of the lack of community involvement in the related tourism business around hot springs.

For decreasing the issue and empowering "Value Creation of the community business", the local entrepreneurs have to acquire the basic financial knowledge which can reduce the cost and increasing the revenue by increasing tourists and their expenditure. For example, the sales can be increased by the service design and new local products which has a contemporary and unique style to extend the distinctive characteristics of the product and service by local labor to attract more visitors and their return visit (Reypens et al., 2016). This research therefore studied about the factors effecting the economic return of related

tourism business surrounded hot springs attraction in the upper northern provincial cluster in the long term.

## Literature Review

### Related Tourism Business

Businesses around hot springs tourism destinations are economic activities which are managed by public, private, community and joint venture.

There is either direct business related to spa business or secondly indirect businesses related to food and beverage business and accommodation business or thirdly community-based tourism businesses related to local guide and fourthly, the other business related to souvenir business, grocery business and egg business.

For the business management, owners or managers may operate an independent or a family own business; gathering as a group such as a group of housewife, a group of senior citizens; local enterprise; a cooperative group; limited company. A partnership networking may be joint ventures with the government or private sectors. The community would receive appropriate compensation and maintenance of local resources from external sectors.

The scale of the business is the key effecting long-term business survival, the more the business scale are, the more there are the current stocks of resources such as assets, capacity, and employment. Anyway, a large amount of employee does not impact the profit of the business rather than the productive and qualified staff. The bigger company is, the longer business would survive (Bercovitz and Mitchell, 2007).

For profitability of the business is the key effecting long-term business survival, the greater the profit of the business is, the longer a business would survive. (Bercovitz and Mitchell, 2007). To study the profit of the business, the cost and income have to be also studied as follow;

### Economic Return

One of the business potentials consists of financial management. Financial management concepts used in this research were net present value, Internal Rate of Return, Benefit-cost ratio, and payback period.

NPV is the net present value, which is a technique for making investment decisions by comparing the cash flow and cash outflows in the project by taking both amounts into the present and net values. Projects that should be invested are projects that have cash inflows at present value, at least equal to cash flows paid at present value or say Net Present Value (NPV) = PV (cash inflow) – PV (cash flow paid). (Soontaree Laophatchan and Chatupon Tangkhachat, 2019).

$$NPV = CF_0 + \frac{CF_i}{(1 + i)}$$

CF<sub>i</sub> = is the cash flow of the project in the year i

If the value is positive, then the business owner should conduct the business. If the value is negative, then the business owner should not operate the business. And the more the score is the more economic returns, which means the profits or benefits of the business.

IRR is a discount rate that allows the present value of cash flows expected to be paid for the investment equal to the present value of the cash flows The economic returns received from the project (Internal Rate of Return) or IRR are returns that make PV (cash flow) = PV (cash flow paid).

$$CF_0 + \frac{CF_i}{(1+i)} = 0$$

CF<sub>i</sub> = is the cash flow of the project in the year i

If the value is positive, then the business owner should conduct the business. If the value is negative, then the business owner should not operate the business. And the more the score, the more economic returns, which means the profits or benefits of doing business.

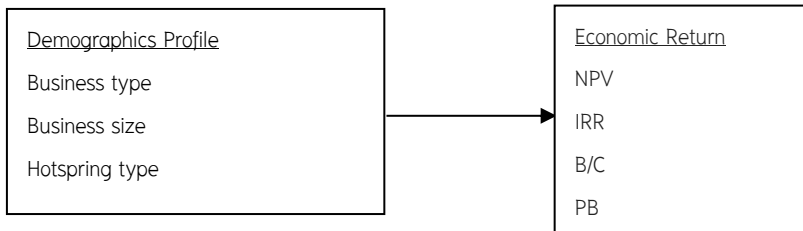
The benefit–cost ratio (B / C) is an economic return analysis by comparing the benefit and cost of all projects by dividing the total project revenue by the total cost. Costs will study the fixed costs such as regular employee salaries and temporary employee wages, rental fees, car rental, etc. and variable costs such as cost of food ingredients,

life insurance, fuel costs, which can help assess the effectiveness of the project. If the value is positive, then the business owner should conduct the business. If the value is negative, then the business owner should not operate the business. And the more the score, the more the profit or benefit of that business operation.

The payback period (PB) is the amount of time (in years/months) that the period from the project beginning to the point that the project can generate cash flow. The net of the project is equal to the investment in assets for the operation of the project at the beginning of the project.

The Pay Back period = The the number of years before the full return of capital + amount of return that is not all received at the beginning of next year and then divided by cash flow expected to receive in that year.

## Conceptual Framework



## Objectives

To study the factors effecting the economic return of related tourism business surrounded hot springs attraction in the upper northern provincial cluster, Thailand.

## Methodology

Draft semi-structured interview from observation data and data was collected through in-depth interviews with the key informants which were owners who opened the business at least 1 year ,or relevant managers or seniors' staff with the requirement of at least 5 years experiences of related tourism businesses operation (any of spa, food and beverage, accommodation, community-based tourism and other business) close to Hot spring not more than 10 kilometers and accepted to reveal the financial information. Anyway,this may lead to bias in data collection for the economic issue. The interview question which were; 1) Fixed costs and variable costs (per year) 2) The annual income of the business 3) Expenses before operation launching 4) Financial source.

Interviewing was conducted until the result was repeated and the conclusion could be made. The data analysis was content analysis from the in-depth interview and Pugh Matrix was a tool that evaluated options by selecting 4 criteria such as Net Present Value (NPV), Internal Rate of Return (IRR), Benefit-Cost Ratio ( B / C) Payback period criteria (PB), such as shop No. 1 NPV = 1,000 baht, shop No. 2 NPV = 2,000 baht, shop No. 3 NPV = 3,000 baht, Shop No. 4 NPV = 4,000 baht, shop No. 5 NPV = 5,000 baht. So, Shop No. 5 earn most and therefore received 5 points then+ 5 points (IRR point) + 4 points (B / C point) + 4 points (PB point). The total score is 18 and then divide by 4. So the average score is 4.5. It means that this shop has very high economic business return. The five spa business economic return were calculated mean score as per class interval formula with five range.

4.21–5.00 very high economic business return

3.41–4.20 high economic business return

2.61–3.40 medium economic business return

1.81–2.60 low economic business return

1.00–1.80 very low economic business return

$$= \frac{5-1}{5}$$

$$= 0.80$$

The eight food and beverage, eight accommodation, eight community based tourism business economic return were calculated mean score with eight range.

6.61–8.00 very high economic business return

5.21–6.60 high economic business return

3.81–5.20 medium economic business return

2.41–3.80 low economic business return

1.00–2.40 very low economic business return

$$= \frac{8-1}{5}$$

$$= 1.4$$

The six other business economic return were calculated mean score with six range.

5.01–6.00 very high economic business return

4.01–5.00 high economic business return

3.01–4.00 medium economic business return

2.01–3.00 low economic business return

1.00–2.00 very low economic business return

$$= \frac{6-1}{5}$$

$$= 1$$

## Results

The result of the economic return from the analysis of Net Present Value (NPV) Internal Rate of Return (IRR) Benefit–Cost Ratio (B / C) and Payback Time (PB) of each type of businesses showed as follows. It was found that the best economic return was Sankampang Massage Group. It implied that the size of business (small) and the hot spring type (co-managed hot spring) effecting the economic return.

**Table 1:** Five spa businesses around hot spring attractions

<b>name</b>	<b>NPV</b>	<b>IRR</b>	<b>B/C</b>	<b>PB</b>	<b>Score</b>
1. Sankampang Massage Group	7,898,431.49	1545	35.79	1 month	(20 pts) 5
2. spa business in Yangputor Hot Springs	122,914.35	36	1.61	2.7 years	(15 pts) 3.75
3. Chaeson Hot Spring Spa	273,917.46	25	1.17	3.8 years	(13 pts) 3.25
4. Yangputor Hot Spring local enterprise	-13,919.69	18	0.93	4.10 years	(8 pts) 2
5. Pong Kwao spa	-637,644.7	2	0.37	9.9 years	(4 pts) 1
Average	1,528,739.78	325	7.97	4.2 years	



**Table 2:** 8 Food and beverage businesses around Hot spring attraction It was found that the best economic return was Papaya salad shop, Sankampang Hotspring. It implied that the size of business (very small) and the hotspring type (co-managed hotspring) effecting the economic return.

name	NPV	IRR	B/C	PB	score
1. Papaya salad shop, Sankampang	1,059,573.64	2466	71.64	1 month	(32 pts) 8
2. Papaya salad shop of Yang putor	437,322.45	621	22.87	2 months	(26 pts) 6.5
3. Grilled chicken and grilled fish shop, at Yangputor	417,734.55	642	21.89	2 months	(25 pts) 6.25
4. Grilled pork shop business in Yangputor	339,125.70	545	17.96	3 months	(20 pts) 5
5. Kasetruenkum Business, located in Doi Saket	250,675.46	422	11.03	3 months	(16 pts) 4
6. Pangmakuaw, Pong Duet	255,585.30	425	11.22	3 months	(15 pts) 3.75
7. Stewed pork leg on rice business, Aueang Fah	700,691.65	108	4.11	1 year	(13 pts) 3.25
8. Head Porn, Doi Saket	191,964.54	306	7.4	4 months	(10 pts) 2.5
Average	456,584.16	692	21	3 months	

**Table 3:** 8 accommodation businesses around hot springs in the northern cluster, it was found that the best economic return was Runarun resort. It implied that the size of business (medium) and the hotspring type (private hotspring) effecting the economic return.

name	NPV	IRR	B/C	PB	score
1. Rung Arun resort, private hot spring	36,509,065.39	392	15.55	4 months	(32 pts) 8
2. Accommodation in Chae Son	9,176,998.72	156	6.53	8 months	(28 pts) 7
3. Sivawet Farmstay, Yangputor	1,833,948.72	85	3.58	1.2 years	(24 pts) 6
4. Dao Doi Farm Stay, Yangputor	1,196,769.13	64	2.73	1.5 years	(20 pts) 5
5. Nee shop, Yangputor	67,870.99	42	1.75	2 years	(12 pts) 3
6. Tong Homestay, Yangputor	497,461.97	38	1.7	2.6 years	(11 pts) 2.75
7. Tent, Yangputor	347,590.57	38	1.72	2.6 years	(11 pts) 2.75
8. Mon View Doi, Sankampaeng	323,784.16	38	1.66	2.5 years	(10 pts) 2.75
Average	6,244,186.20	107	4.4	1.6 years	

**Table 4:** 6 community-based tourism businesses around hot springs, it was found that the best economic return was On Tai tour, Sankampang. It implied that the size of business (very small) and the hot spring type (co-managed hot spring) effecting the economic return.

<b>name</b>	<b>NPV</b>	<b>IRR</b>	<b>B/C</b>	<b>PB</b>	<b>score</b>
1. Ontai tour, Sankampang	3,520,534.23	192	7.9	7 months	(21 pts) 5.25
2. Community tour enterprise in Yangputor	37,313	1800	75.63	1 months	(20 pts) 5
3. "Tum", Yangputor Hot Springs	1,806,418.19	111	4.61	11 months	(17 pts) 4.25
4. Pong Kwao Hot Springs	1,304,160.04	87	3.6	1.2 years	(13 pts) 3.25
5. Local guide at Fang	45,999.17	23	1.09	3.6 years	(9 pts) 2.25
6. Tong, Yangputor	86,482.95	14	0.83	4.7 years	(4 pts) 1
Average	1,104,656.94	371	15.61	1.8 years	

**Table 5:** 5 Other Businesses around hot springs in the upper northern cluster, it was found that the best economic return was Pangmakuaw Community. It implied that the size of business (small cooperative group) and the hot spring type (government managed hot spring) effecting the economic return.

<b>name</b>	<b>NPV</b>	<b>IRR</b>	<b>B/C</b>	<b>PB</b>	<b>score</b>
1. Pangmakuaw Community,Pong Duet	2,746,304.81	2316	92.54	1 month	(19 pts) 4.75
2. Private gemstone business in Thaweesin	7,333,550.38	896	34.33	2 months	(17 pts) 4.25
3. Gift shop business at Rung Arun	806,689.58	891	33.27	2 months	(13 pts) 3.25
4. Souvenir shop selling local cloth of Yang putor	61,575.19	278	10.47	5 months	(9 pts) 2.25
5. Sankampang Hot Springs shop	146,375.23	239	6.86	2 months	(8 pts) 2
Average	2,218,899.03	924	35.49	2.4 months	

The result revealed that the size of business and the hot spring type effecting the economic return differently. Besides, the type of business also effected the economic return. The analysis of NPV, IRR, B / C, PB showed that the other businesses were the most cost-effective since the economic return was the highest (4.75 scores), followed by a moderate level of food and beverage business (3.25 scores), as well as the accommodation business were also moderate. (3 scores). While the economic return of the community based tourism business was low. (2.5 scores) as well as the economic return of the spa business was low (2 scores).

## **Discussion and Conclusion**

In conclusion, the research results revealed the type of business affecting the economic return. For best economic return is the other business, food and beverage business, accommodation business, community based tourism, and spa business accordingly. For recommendation, If the other business has high or very high economic returns, their economic returns should be sustained. If food and beverage and accommodation business have a moderate economic return, it should be improved. If the community-based tourism business and spa business have a very low economic return, it should be corrected instantly.

Besides, the research results revealed the size of business affecting the economic return of the businesses around the Hot spring; The medium-sized business had the very high potential, the big business had the high potential, the small business and the very small business had the medium potential, so It suggested that the local entrepreneur should run the medium-sized or big business or gathered together in group as the business network in order to build a business network with customers, communities, government sectors to increase the competitiveness of the related tourism business (Reypens et al., 2016) and that can increase the scale of related tourism businesses around hot springs destinations appropriately for the better profitability and economic return.

Lepoutre and Heene, (2006) said that the very small business has low potential as of lack of time to pay attention to the sustainable outcome and did not have enough staff who had specialized knowledge, for example, the basic accounting and financial knowledge. It caused some businesses did not know the real cost and profit. Moreover, they did not know the payback period. As a result, there might be some mistake or unplanned incident affecting the low economic return of the businesses or closure of businesses. For a profitable and sustainable business, finance is like an important indicator. Therefore, the very small business should consider the cost control and income to generate better profit for business survival in the long term. That was the contradiction of Salia and Alda (2008) research said that the small-sized business could be profitable.

The result showed that the related tourism business around the Hot Spring which was run by the government, private sector or co-management was more profitable than the Hot Spring which was run by community. It was observed that if the Hot Spring was profitable, the nearby business was profitable. As well, Taplah et al., (2018) said that the hot spring source can increase the profitability of the businesses. The payback period of the business near Hot Spring could be at least 1 month as per this research. In contrast with the research of Salia and Alda (2008) that the first year of the business, the net profit was negative.

For further research, there should be the similar study in the other provincial cluster or the other type of tourism attraction for comparing the result of this study.

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