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Exploring Investment Cost and Return in Elderly Care Business Venture in Thailand

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ABSTRACT

Given present demographic trends, Thailand Elderly care business will continue to grow along with increasing longevity, shifts in morbidity, changing social, demographic and economic patterns in the family. This paper will explore the investment cost and return from venturing into Elderly care business, to determine whether it is worth investing from the economic point of view. Data were extracted from structured interviews among 50 entrepreneurs of Elderly Care Business Centers in Bangkok. We analyzed reported findings of the magnitude and statistical significance of the cost–return association through Payback Period (PB), Net Present Value (NP), Internal Rate of Returns (IRR), and Return on Asset (ROA), Return on Equity (ROE), Benefit Cost Ratio (B/C), Operating Profit Margin (OPM) and Net Profit Margin (NPM).

The results of the studies suggest the initial investment costs of 5,000,000 Baht, whereas the first year sale cost amounted to 6,508,331.88 Baht, and sale volume of 7,860,000 Baht. The Payback Period (PB) was 3 years and 4 months, with the findings of positive Net Present Value (NPV). Moreover, the Internal Rate of Returns (IRR), Return on Asset (ROA), Return on Equity (ROE), Benefit Cost Ratio, Operating Profit Margin (OPM), and Net Profit Margin (NPM) were 15%, 7.57%, 13.49%, 1.0778, 25.76%, and 16.39%, respectively.

Although, each of these methods has its advantages and drawbacks, and the exact value of the project can only be known after its completion, this study have shown the favorable return, investment possibility and values worth investing.

Keywords: *Cost; investment return; business venture; Elderly Care Center*

Problem Statement

Thailand is currently experiencing the surge of older population with 9.4 million people or 14.5% of total population 64.5 million are over 60 years old, which means that Thailand is in Ageing Society. To put things in perspective, this is a society in which the number of elderly over 60 years old per population of all age group living in the same area maintains equal or above 10 percent and 7 percent for population over 65 years old in similar condition. As of 2016, 11% of the Thai population (about 7.5 million people) are 65 years or older, compared to 5% in 1995. By 2040, it is projected that 17 million Thais will be 65 years or older – more than a quarter of the population. Thailand will then be a society with number of elderly over 60 years old per population of all age group living in the same area maintain equal or above 20 percent and similar situation with population over 65 years old. In other words, there is one elderly in every five people. As the number of elderly to the population keeps on increasing rapidly and continuously, the ever changing socio-economic is also influenced the demand on products and services for elderly. At the same time, this demographic shift will position Thailand as a provider of services to the growing elderly population across the region. Although the care of elderly in Thailand is mainly within the family, with an increasing elderly population as contrast to decreasing in number of work age, making children spend more time working and less time caring for the elderly. Moreover, trend is rising for more Thais elderly living alone due to less desire of having children. Nonetheless, changes that comes with modernization is leading to an increase in nursing homes and benefited from Ageing Society. The rapid increase in the proportion of the older population implies a sharp increase in the size of the elderly population (Table 1)

Table 1 Projected trends in selected demographic measures of the population aged 50+ years in Thailand.1980-2050

Year	Age			
	50+	60+	65+	70-79
1990	15.0	7.4	4.7	2.1
2000	18.0	9.4	6.1	2.7
2010	21.4	10.8	7.4	3.5
2020	28.8	15.2	10.1	4.4
2025	32.6	18.1	12.3	5.5
2050	41.4	29.6	23.0	10.8

The author is then interested in conducting the feasibility of investing in elderly care business prior to making commitment, starting with identifying the targeted group, positioning services, locating business location, forecasting investment and operation cost for refurbishing and procuring equipment, cost for providing service, public utility, and personnel cost, including monthly income. All these acquired information will be the basis for investment decision and the direction for successful business operation. More studies should focus on investment cost and return on elderly care business in Thailand.

Objectives

1. To study relevant data on investment budget for long-term elderly care business.
2. To analyze the cost and return from investing in long-term elderly care business.

Research Scope and Methodology

The research scope is specified as follows:

Step 1: Study budget details investment, income and operating cost on elderly care business.

1. Identify key informants comprised of 50 entrepreneurs of elderly care facilities selected through Purposive Sampling among 150 training participants in the elderly care business project not exceeding 5 million baht in Bangkok area , Business Development Department, Ministry of Commerce.

2. Research instruments consisted of questionnaires related to financial plan and interview on elderly care facilities as well as finding reliability in Data Triangulation, Investigator Triangulation, and Theory Triangulation.

3. Data were collected through the In-depth Interview among the business entrepreneurs of elderly care facilities to study absorbed cost and other operating expenses, including the business return.

4. Synthesis and analysis data were conducted with Patmatching by constructing summary from acquired data for making comparison with previous Theory and research and presented descriptive statement and tables.

Step 2: Prepare assumption on incomes, expenses, financial statements for Benefit-Cost Analysis by conducting the feasible study from research summary in step 1, coupling with the concepts and theories from literature review involving in the following areas:

1. Estimation of absorbed and investment cost.

2. Estimation of project return from analysis and calculation of Mean as data on expenses and incomes for preparation of the Financial Statements, and Cash Flow report. The acquired data were subjected Benefit-Cost analysis as the criteria to make investment decision. These factors are Payback Period, Benefit-Cost Ratio, Net Present Value and Internal Rate of Return. The author quoted the Minimum Retail Rate of many top Commercial Banks that has been applied with SME entrepreneurs and regular lenders of 7.5%.

Results:

Part 1: The findings from studying investment structure reveal that Majority of elderly care facilities engaged fundamental medical and nursing knowledge. Number of elderly care facilities located mainly in Bangkok area or big cities, starting from single homes, commercial buildings and the constructed building from Bank loan by the business owners themselves. Additionally, Bank loan was used for refurbishing and extending facilities, purchasing equipment and 5-10 beds for initial operation with the plan to acquire more beds when the customers demand increase.

The amount of initial investment varied depending on type of facilities and living areas, roughly 2-5 million baht, enabled to support 25-40 beds to support elderly. Total 50% of investment amount can be used for refurbishing facilities and system management such as electrical Installation, air-conditioning, and landscape architecture, whereas the other 30% can be spent on the medical and in-house equipment such as electrical and regular patient beds, wheelchair, Personal care equipment and other medical equipment. The remainder reserves for personnel expenses at various levels such as Doctors, Nurses, Physical Therapists, Occupational Therapists, Nurse aid, Accountant, Housekeeper, Security guard and Operating Money 4-6 months.

- Assumption on revenue from Short Stay and Long Stay 6,204,800 Baht /year
- Assumption on expenses consisted of salary and medical materials 5,278,000 Baht /year

Project Evaluation Measures.

NPV	1,065,089 baht
IRR	13%
Benefit Cost Ratio (B/C)	2.3104
Return on Assets (ROA)	10.26%
Return on Equity: (ROE)	12.62%
Net Profit Margin (NPM)	9.31%

Research Discussion

The findings from conducting the feasible study related to investment on elderly care facilities in Thailand among the entrepreneurs of elderly care facilities in which data derived from the in-depth interview. The acquired data were the basis to formulate assumption for absorbed cost, selling cost, estimated income from project in which to be used in the Ratio Analysis and the Internal Rate of return. It was found that the Net Present Value (NPV) at the year 20 equaled to 1,065,089 baht and the Internal Rate of Return (IRR) at year 20 equaled to 13%, with the Payback Period (PB) 7 years and the initial profitability ratio at year 20 equaled to 14.94% . Considering all available facts, this project meets the investment criteria due to positive NPV and higher IRR than other investment. Moreover, the required investment amount is not too high in contrast to the market demand because it is clearly seen that Thai social structure gradually transforming from Ageing Society to Aged Society. Currently, number of elderly in Thailand over 65 years old has reached 10% of total population or higher than 7 million people, and by the year 2040, Thai elderly will increase to 17 million people, much more than 1 out of 4 of the entire population in the country. Such trend would support the quick expansion of elderly care business, judging from increasing number of long-term elderly care facilities which in turn reflecting the number of disabled elderly and elderly in need of care services. Therefore, elderly care business is one of businesses worth investment.

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