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Factors Affecting Business Performance of Small and Medium-Sized Enterprises in Ho Chi Minh City, Viet Nam

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Abstract: ***Collecting primary data from 150 small and medium - sized enterprises in Ho Chi Minh City, using the multivariate regression method, the study found 06 factors affecting business performance of enterprises in the area, including: Enterprise characteristics, owner characteristics , labor, corporate finance, infrastructure, and corporate policy. Based on the research results, the authors propose solutions to improve the business efficiency of small and medium enterprises in Ho Chi Minh City, Viet Nam.***

Keywords: Enterprises, small and medium-sized enterprises, labor, corporate finance, infrastructure, corporate policy

1. Introduction

Ho Chi Minh City is one of the two largest cities in Vietnam, and is also one of the most important economic, political, cultural and educational centers of the country. Ho Chi Minh City plays a leading role in Vietnam's economy. In particular, developing small and medium - sized enterprises is a matter of special concern. Because the development of Ho Chi Minh City in particular and the country in general depends heavily on the development of businesses. Especially, in the early stage of developing a market economy, small and medium-sized enterprises are extremely important. In many emerging market countries, the small and medium-sized enterprise sector is one of the major forces that promote economic development and job creation. This is especially true for Vietnam, where the SME sector accounts for 98% of economic activity, contributes more than 50% of GDP and employs about 69% of the labor force, which is the employer weak and increase income for workers, help mobilize social resources for development investment, poverty alleviation, ... By the end of 2016, the country had about 517.9 thousand enterprises, of which actually operating is 505.1 thousand, small and medium enterprises account for 98.1%. In Ho Chi Minh City alone, there are 171, 582 operating enterprises and over 160, 000 small and medium-sized enterprises accounting for 95.1% (Ho Chi Minh City Socio-Economic Situation Report, Ho Chi Minh City Statistical Office). Although small and medium-sized businesses are not small in number, most businesses still face difficulties in branding, products, management skills, small-scale, low capital access, and lack of the link between businesses in the area. It is these factors that directly affect the business performance of small and medium-sized businesses. Based on the above practical situation, this study identifies the factors that affect business performance of small and medium-sized enterprises, thereby proposing some solutions to help small and medium-sized enterprises in the area Ho Chi Minh City operates more efficiently.

2. Review related studies

Nguyen Duc Trong (2010), factors affecting the business performance of SME in the Mekong Delta region, surveyed 60 SME in 6 provinces in the region. The author uses descriptive statistical method, relative comparative analysis, absolute and multivariate regression analysis. Factors included in the research model are: Qualifications, experience, firm size, type of enterprise, average number of employees in the enterprise, capital.

Nguyen Quoc Nghi and Mai Van Nam (2011), factors affecting the production and business efficiency of small and medium-sized enterprises in Can Tho City have proposed a research model including 5 independent variables: Support policies, characteristics of business owners, business characteristics, social relationships, revenue growth rate.

Vo Thanh Danh, Ong Quoc Cuong and Tran Ba Quang (2013), "Analysis of factors affecting the development of small and medium-sized enterprises' economy in Hau Giang province", the topic was sampled at all 7 districts in Hau Giang province. Based on secondary data on SME at the time of the survey, a proportional random sampling method was used to ensure that 177 SMEs were randomly selected for the survey. The thesis assesses the situation of internal and external factors in order to find strengths, weaknesses, opportunities and threats, thereby proposing solutions that contribute to improving the competitive advantage for the SME economy, it helps SME grow. Internal components are defined as labor productivity, efficiency, innovation and value. External factors include condition, technology, support system, policy.

Nguyen Minh Tan, Vo Thanh Danh and Tang Thi Ngan (2015), factors affecting the business performance of SME in Bac Lieu province conducted a survey with a sample size of 113 SMEs in the area, using methods of descriptive statistical analysis, multivariate linear regression analysis to identify and analyze the factors affecting the business performance of SME in Bac Lieu province. The research is: Gender, education level, experience, social relationship,

type, field, size, age of business, revenue growth rate, support policies.

Ho Chi Minh City Statistical Office (2018), the status of small and medium enterprise development in Ho Chi Minh City in the period of 2011-2016, the author uses quantitative and qualitative combined qualitative research methods based on big data of small and medium-sized enterprises using SPSS 20. Sources of data from results Enterprise surveys and financial statements for the years 2012-2017 (2011-2016 performance results) with 750, 846 observations. The research results have confirmed the position of SME in the national economy with dynamic, flexible characteristics but also vulnerable to market changes. This business segment has had a strong development, accounting for 95.1% of the total number of enterprises in the city, which is an important driving force in creating jobs and helping to mobilize social resources for investment develop, contribute to hunger eradication and poverty reduction in localities as well as contribute positively to the city's development. On the other hand, this result also shows that Ho Chi Minh City has a large concentration of large enterprises, playing a huge role in the country's economic development when the proportion of large enterprises accounts for 4.9% while the country only accounts for 1.9%.

3. Research methods

The author uses a combination of qualitative and quantitative research methods to clarify the research problem.

Qualitative method: overview of previous studies related to identifying factors affecting the business performance of small and medium-sized enterprises, which is the basis for surveying, analysis and discussion, the research results.

Quantitative method: the author collected data through the survey, using SPSS 22.0 software to assess the reliability of Cronbach 'Alpha scale, analyze EFA discovery factor, build linear regression model calculating to assess the influence of factors on business performance of small and medium-sized enterprises in Ho Chi Minh City.

The scale of observed variables is developed based on the original scale of previous studies. The model has 7 research concepts with 32 observed variables presented in Table 1.

Table 1: Scales of concepts in the model and origin of scales

No.	Content	Symbol
I	**Business Characteristics**	**DDDN**
1	The operation of small and medium-sized enterprises is direct	DDDN1
2	Small and medium-sized businesses with dynamic and flexible features	DDDN2
3	Small and medium-sized enterprises are subject to fierce competition of large companies and corporations	DDDN3
4	The system of production organization and management in small and medium-sized enterprises compact flexible	DDDN4
5	The access to information and marketing of small and medium enterprises is very limited.	DDDN5
II	**Business Owner Characteristics**	**CDN**
6	The management capacity of business owners directly affects the business performance of small and medium-sized businesses in Ho Chi Minh City.	CDN1
7	The higher the level of small and medium business owners, the more proportional to the business performance.	CDN2
8	Business strategy of the business owner plays a very important role in making the business operation highly efficient	CDN3
9	The relationship between the employee and the owner of a small and medium-sized enterprise is close	CDN4
III	**Labor Characteristics**	**LD**
10	Small and medium-sized enterprises employ more limited labor than large enterprises	LD1
11	Small and medium-sized enterprises govern their work results more closely	LD2
11	Small and medium-sized enterprises have a much lower rate of investment in labor than large enterprises	LD3
12	Small and medium-sized businesses with high job creation efficiency	LD4
13	Labor productivity of small and medium-sized enterprises is much lower than that of large enterprises	LD5
IV	**Business Finance**	**TCDN**
15	Small and medium-sized enterprises need little initial investment	TCDN1
16	Small and medium-sized enterprises recover capital fast	TCDN2
17	Small and medium-sized businesses strictly control operating costs that bring high profits	TCDN3
18	Lack of capital to produce and expand production is one of the biggest difficulties for small and medium-sized enterprises	TCDN4
19	Small and medium-sized enterprises have difficulty accessing credit of the banking system	TCDN5
V	**Infrastructure**	**CSHT**
20	Infrastructure is really necessary for the business efficiency of small and medium-sized enterprises in Ho Chi Minh city.	CSHT1
21	The synchronous development infrastructure system helps small and medium-sized enterprises achieve high efficiency	CSHT2
22	Information infrastructure is one of the factors directly affecting the performance of small and medium-sized enterprises	CSHT3
23	Infrastructure should be reviewed and assessed annually to serve production and business	CSHT4
24	Infrastructure needs to be renovated and upgraded regularly to improve efficiency	CSHT5
VI	**Business Policy**	**CSDN**
25	Setting up small and medium-sized enterprise policies is necessary	CSDN1
26	The tighter the corporate policy is, the more effective the business is	CSDN2
27	The more synchronized the policies of the business, the more effective the business result will be	CSDN3
28	The training and human resource development policies for small and medium-sized enterprises play an important role in high business performance	CSDN4

No.	Content	Symbol
29	Policies of small and medium enterprises need to be constantly improved to increase business efficiency	CSDN5
VII	**Business efficiency of SME in the area**	HQKD
30	Small and medium-sized enterprises contribute significantly to the economic growth in Ho Chi Minh city.	HQKD1
31	Small and medium-sized enterprises handle a large number of workplaces for workers	HQKD2
32	Small and medium-sized enterprises the place to train start-ups to bring profound changes to the economy.	HQKD3

4. Research hypothesis

From the above research results, the author has inherited and identified the factors affecting the business performance of small and medium-sized enterprises in Ho Chi Minh City and formulated the following hypothesis:

H1 (+): Characteristics of businesses with the same direction on the business performance of small and medium-sized enterprises in Ho Chi Minh City.

H2 (+): Business owners have a positive impact on the business performance of small and medium-sized enterprises in Ho Chi Minh City.

H3 (+): Labor has a positive impact on business performance of small and medium enterprises in Ho Chi Minh City.

H4 (+): Corporate finance has a positive impact on the business performance of small and medium-sized enterprises in Ho Chi Minh City.

H5 (+): Infrastructure has a positive impact on the business performance of small and medium-sized enterprises in Ho Chi Minh City.

H6 (+): Business policy has a positive impact on business performance of small and medium-sized enterprises in Ho Chi Minh City.

5. Research model

After theoretical overview, review related studies, by qualitative research methods with quantitative research methods, research hypotheses. The author proposes research model as follows:

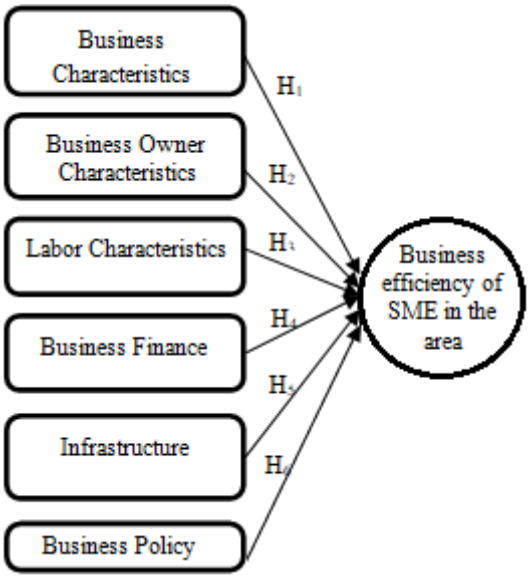

Figure 1: Research models

6. Research results

6.1. Statistical analysis of samples by characteristics and variables

In terms of gender, a total of 150 subjects participated in the survey, of which 86 male were 57.3% and 64 were female respectively 42.7%. In terms of age, the number of people from the age of 30 to 40 participated in the survey the most with 60 people accounting for 40.0%, followed by the age from 40 to 50 with 50 people accounting for 33.3%, aged 25 to 30 with 31 people accounting for 20.7%, the number of people over 50 years of age taking part in the survey is the lowest with 9 people accounting for 9.0%. Regarding education level, the intermediate level with 18 people accounts for 12%, the college level with 26 people accounts for 17.3%, the university level 62% with 93 people, at least the postgraduate level only 13 people accounted for 8.7%. Regarding seniority, the survey sample has 40 people accounting for 26.7% working less than 3 years, 57 people working with seniority from 3 to 5 years accounted for 38%, 34 people working with seniority from 5 to 7 years accounted for rate of 22.7%, over 7 years there are 19 people accounting for 12.7%.

6.2. Cronbach's Alpha test results

Table 2: Confidence test results by Cronbach's Alpha coefficient

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Business Characteristics: .826				
DDDN1	11.19	7.097	.726	.745
DDDN2	11.58	7.735	.565	.821
DDDN4	11.57	8.219	.591	.806
DDDN5	11.15	7.097	.732	.742
Business Owner Characteristics: .931				
CDN1	10.82	9.328	.840	.910
CDN2	10.99	9.751	.815	.918
CDN3	10.90	9.394	.826	.914
CDN4	10.86	9.160	.873	.899
Labor Characteristics: .777				
LD1	9.25	6.657	.595	.722
LD2	9.17	6.990	.612	.706
LD3	8.99	8.201	.578	.727
LD4	9.17	8.386	.570	.733
Business Finance: .873				
TCDN1	16.37	6.301	.766	.830
TCDN2	16.57	6.878	.617	.865
TCDN3	16.43	6.368	.617	.868
TCDN4	16.44	6.154	.725	.839
TCDN5	16.46	6.183	.790	.824
Infrastructure: .952				
CSHT1	7.73	4.025	.909	.922
CSHT2	7.83	4.086	.875	.947
CSHT3	7.80	4.027	.912	.920
Business Policy: .700				
CSDN1	7.03	1.871	.477	.661
CSDN2	6.81	1.808	.556	.559
CSDN3	6.75	1.909	.520	.605
Business efficiency of SME in the area: .899				
HQKD1	7.15	4.222	.796	.858
HQKD2	7.33	4.475	.781	.871
HQKD3	7.24	4.135	.822	.835

Source: Results of data processing from the author's survey, 2020

The results of Cronbach's Alpha coefficients used to evaluate the reliability of the scale show that all observed variables meet the requirements because there is a total correlation coefficient greater than 0.3 and all these scales, all have a Cronbach's Alpha reliability coefficient greater than 0.6 (Nunnally and Bernstein, 1994). This shows that the variables in the scale are quite closely linked and a good scale for the business performance factor of small and medium-sized enterprises in Ho Chi Minh City. Therefore, all observed variables are included in the EFA analysis.

At the same time, after measuring the reliability of the factors through Cronbach's Alpha coefficient, the results showed that from the initial 32 observed variables, after performing the scale verification using Cronbach's Alpha coefficient, there were 26 variables will be included in the next EFA analysis. Specifically, (1) Enterprise characteristics exclude 01 variable (DDDN3); (2) Labor Characteristics exclude 01 variable (LD5); (3) Infrastructure exclude 02 variables (CSHT4, CSHT 5); (4) Business Policy exclude 02 variables (CSDN4, CSDN5).

6.3. Results of the Exploratory Factor Analysis (EFA)

6.3.1. EFA analysis for the independent factor

Scale of factors affecting business performance of small and medium-sized enterprises in Ho Chi Minh City was included in the EFA factor analysis with the following results:

Table 3: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.725
Bartlett's Test of Sphericity	Approx. Chi-Square	2009.019
	df	253
	Sig.	.000

Bartlett's test results show that the variables in the population are correlated (sig = 0.000 <0.05). At the same time, the KMO coefficient = 0.725 is greater than 0.5 (> 0.5), proving that factor analysis to group variables together is appropriate and the data are suitable for factor analysis.

Table 4: Results of EFA factor analysis

Observed variables	1	2	3	4	5	6
CDN4	.929					
CDN1	.904					
CDN3	.898					
CDN2	.895					
TCDN5		.895				
TCDN1		.866				
TCDN4		.817				
TCDN2		.758				
TCDN3		.731				
CSHT1			.958			
CSHT3			.957			
CSHT2			.929			
DDDN1				.873		
DDDN5				.853		
DDDN4				.744		
DDDN2				.729		
LD2					.808	
LD3					.767	
LD1					.755	
LD4					.751	
CSDN2						.815
CSDN3						.780
CSDN1						.764
Eigenvalue: 1.802						
Total variance extracted: 72.519						

Source: Results of data processing from the author's survey, 2020

From the results of table 4, we see that the Eigenvalue value is 1, 802> 1 and the total variance extracted is 72, 519%> 50% is satisfactory. With the Principal components extraction method and the Varimax rotation, there are 6 factors extracted from the observed variable. This proves to us that the 6 extracted factors show the ability to explain 72, 519% of the change of the dependent variable in the overall sample.

6.3.2. EFA analysis for the dependent factor

Table 5: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.749
Bartlett's Test of Sphericity	Approx. Chi-Square	272.641
	df	3
	Sig.	.000

Source: Results of data processing from the author's survey, 2020

Bartlett's test results show that the variables in the population are correlated (sig = 0.000 <0.05). At the same time, the KMO coefficient = 0.749 is greater than 0.5 (> 0.5), proving that factor analysis to group variables together is appropriate and the data are suitable for factor analysis.

Table 6: Component Matrix[a]

	Component
	1
HQKD3	.924
HQKD1	.910
HQKD2	.902

Source: Results of data processing from the author's survey, 2020

From the analysis tables, the results in Table 6 show that the dependent variable of the model is measured by 1 factor with 3 observed variables. The EFA analysis grouped the observed variables of the business performance scale into one factor.

6.4. Analysis of correlation between variables

Before performing regression analysis, we consider the linear correlation between the independent and dependent variables as well as between the independent variables. Based on the results of analyzing the correlation between the independent variables to consider and identify the signs of multi-collinear phenomena in the regression model.

A correlation coefficient of less than 0.85 indicates that a discriminatory value is likely to exist between the two variables (John and BENet-Martinez, 2000). Table 7 summarizes the Pearson statistical correlation between variables. All absolute correlation coefficients between fluctuating variables do not exceed the 0.85 condition factor. That proves that the discriminatory value has been achieved. In other words, the scales in this study measured different research concepts.

Table 7: Correlations

		HQDN	DDDN	CDN	LD	TCDN	CSHT	CSDN
HQDN	Pearson Correlation	1	-.114	.991**	-.011	-.009	.049	.069
	Sig. (2-tailed)		.166	.000	.889	.912	.550	.401
	N	150	150	150	150	150	150	150
DDDN	Pearson Correlation	-.114	1	-.112	.196*	-.002	-.145	-.014
	Sig. (2-tailed)	.166		.173	.016	.981	.077	.863
	N	150	150	150	150	150	150	150
CDN	Pearson Correlation	.991**	-.112	1	-.017	-.012	.037	.071
	Sig. (2-tailed)	.000	.173		.839	.887	.654	.389
	N	150	150	150	150	150	150	150
LD	Pearson Correlation	-.011	.196*	-.017	1	.070	.082	-.004
	Sig. (2-tailed)	.889	.016	.839		.395	.321	.957
	N	150	150	150	150	150	150	150
TCDN	Pearson Correlation	-.009	-.002	-.012	.070	1	.011	.119
	Sig. (2-tailed)	.912	.981	.887	.395		.894	.147
	N	150	150	150	150	150	150	150
CSHT	Pearson Correlation	.049	-.145	.037	.082	.011	1	-.039
	Sig. (2-tailed)	.550	.077	.654	.321	.894		.637
	N	150	150	150	150	150	150	150
CSDN	Pearson Correlation	.069	-.014	.071	-.004	.119	-.039	1
	Sig. (2-tailed)	.401	.863	.389	.957	.147	.637	
	N	150	150	150	150	150	150	150

Source: Results of data processing from the author's survey, 2020

6.5. Linear regression analysis

To evaluate the suitability of the regression model, the author bases on the determination coefficient R2. The R2 coefficient indicates the rate (%) variation of the dependent variable (Y) explained by the independent variable (Xi) in the model. R2 values range from 0 to 1: When R2 = 0 we conclude that dependent variables and independent variables are not related to each other, When R2 = 1 we conclude that the regression line fits perfectly.

To analyze the impact of these factors on the business performance of small and medium-sized enterprises in Ho Chi Minh City. The author uses a linear regression method with 6 factors as independent variables and 1 dependent variable as business performance. Regression performance results are presented in Table 8

Table 8: Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.991[a]	0.982	0.981	0.13893
a. Predictors: (Constant), CSDN, LD, CDN, CSHT, TCDN, DDDN				
b. Dependent Variable: HQDN				

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.

		B	Std. Error	Beta		
1	(Constant)	0.032	0.127		-0.252	0.801
	DDDN	0.002	0.013	2	-0.164	0.87
	CDN	0.988	0.011	0.99	86.965	0
	LD	0.005	0.013	0.004	0.372	0.711
	TCDN	0.003	0.018	0.002	0.186	0.853
	CSHT	0.012	0.012	0.012	1.047	0.297
	CSDN	0.001	0.018	1	-0.069	0.945
a. Dependent Variable: HQDN						

Based on the above results, we have the following regression equation:

Y = 0.002X1 + 0.988X2 + 0.005X3 + 0.003X4 + 0.012X5 + 0.001X6 + 0.032

Trong đó:

Y: Business efficiency (HQKD)

X1: Business Characteristics (DDDN)

X2: Business Owner Characteristics (CDN)

X3: Labor Characteristics (LD)

X4: Business Finance (TCDN)

X5: Infrastructure (CSHT)

X6: Business Policy (CSDN)

The linear regression results show that there are 6 factors measuring business performance of small and medium-sized enterprises in Ho Chi Minh City and the six proposed factors have an impact on the business performance of small and medium enterprises in Ho Chi Minh City.

7. Conclusion

The purpose of the study is to explore factors affecting business performance of small and medium-sized businesses in Ho Chi Minh City. The collection of samples by the convenient selection method, the number of valid surveys included in the analysis is 150. The results of scale verification and EFA analysis show that the scales are reliable and usable. Therefore, in terms of research methods, the research contributes to building a scale of factors affecting business performance of small and medium-sized enterprises in Ho Chi Minh City. Regarding the research results of the project, it shows that the factors of business characteristics, characteristics of business owners, employees, corporate finance, infrastructure and corporate policies all have a positive impact on efficiency business results of small and medium enterprises in Ho Chi Minh City. The results of the study will propose some solutions to help small and medium-sized enterprises in Ho Chi Minh City business operations more efficiently as follows:

About the characteristics of small and medium-sized enterprises: The management of the production and management organization system as well as the work of small and medium-sized enterprises is an important factor to achieve high business efficiency. Businesses must learn about the market, update changes from the market to respond flexibly, make a difference from their products to build a better brand. Businesses must cooperate with trade chains, cooperate with strong brands to promote brand value, thereby reducing investment costs and initial resources. Enterprises need to have good cooperation with research experts to get more appropriate support policies from research results. Enterprises need to strictly control operating costs, carefully manage revenue and expenditure stages in order to lower production costs, improve competitiveness in the market, bring high profits, help businesses operate effectively and well developed.

Labor for small and medium-sized enterprises: each business needs activities to engage its staff. The results of the research once again confirm that when businesses are always paying close attention and at the same time have appropriate policies, especially the policies to improve their employees' plans, create a model with assigning work in the model in a rational and more appropriate way with the reality in enterprises will increase the attachment leading to improving work efficiency. To do this, it is necessary to select personnel according to each position in accordance with ethics, expertise, regulations and determine the appropriate number of employees to save costs. Reasonable organization of the personnel structure with clear assignment and assignment to ensure thorough information, processing, analysis and provision of information for the administration of the administrator.

Regarding business finance: Lack of capital to produce and expand production is one of the biggest difficulties for small and medium enterprises. The capital market for small and medium-sized enterprises is mainly the informal financial market. Business owners often borrow money from relatives, friends and lenders for interest. Most small and medium-sized enterprises, especially small and medium-sized non-state enterprises, cannot access the official credit source, the credit system of the banking system. Enterprises should request that the State should have more open regulations to have equality in borrowing policies. At the same time, small and medium enterprises need to have clear business plans and the ability to meet the requirements of banks on procedures such as project planning, mortgage.

Infrastructure: The development of infrastructure and application of information technology play an important role in improving the business efficiency of small and medium-sized enterprises. Infrastructure development, deployment and application of information technology platforms will help improve the efficiency of enterprise information resources management, thereby improving technical efficiency and promoting business and production activities of small and medium-sized enterprises in the area. Therefore, small and medium-sized businesses need to focus on infrastructure development.

Regarding business policies: Enterprises need to pay attention to the needs and desires of their employees. Enterprises need to have appropriate policies, create jobs with adequate salaries, create confidence and peace of mind for employees to stick more with the business. At the same time, businesses need to have fair and non-discriminatory regimes and regulations so that employees really work for the common interests and goals of the business. In addition, businesses should apply ISO 45001, an international standard for occupational health and safety management that will bring many benefits to businesses.

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