

SUPPORT POLICY FOR SMALL AND MEDIUM ENTERPRISES IN HANOI

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Abstract

Small and medium-sized enterprises in Hanoi play an important role in the socio-economic development of the capital and the whole country, such as contributing to hunger eradication and poverty reduction, creating many jobs for workers, making a major contribution to GDP growth and state budget revenue, mobilizing social capital sources for development investment, and contributing to promoting economic restructuring towards modernity and integrating with the world economy. This article researches, discusses, and measures support policies for small and medium-sized enterprises (SMEs) in Hanoi. The study uses survey data of the board of directors and sales managers of over 150 SMEs in Hanoi combined with in-depth interview methods and the analysis tool SPSS software. The research was conducted in the context of Vietnam's economy integrating with the world economy and SMEs implementing digital transformation. Research results show that support policies for small and medium-sized enterprises in Hanoi are highly appreciated by respondents. There is not a statistically significant difference in the support policy for small and medium enterprises in Hanoi between these different academic levels and professional seniorities. From there, the study suggests recommendations for the Hanoi People's Committee to improve the business performance of SMEs.

Keywords: support policies, small and medium enterprises (SMEs), economics, economic development, business administration

JEL codes: L21, M10, G38, H32

1. INTRODUCTION

Small and medium-sized enterprises in Hanoi play an important role in the socio-economic development of the capital and the whole country, such as contributing to hunger eradication and poverty reduction, creating many jobs for workers, making a major contribution to GDP growth and state budget revenue, mobilizing social capital sources for development investment, and contributing to promoting economic restructuring towards modernity and integrating with the world economy.

In Hanoi City, the total number of SMEs in 2022 will be about 351,000, accounting for 97.2% of the total number of operating enterprises. Of these, 29.6 thousand new firms were established

during the year, marking impressive growth of up to 23% over the same period last year. At the same time, there are also 9.8 thousand firms resuming operations, with a growth of 1.5% compared to 2021. However, it is noteworthy that the increase in the number of firms temporarily suspending operations has reached 38% compared to 2021, reaching about 16.4 thousand firms. Of these, 3.6 thousand firms were dissolved, an increase of 16% over the same period last year. In fact, although there is a significant increase in the number of newly established firms (up 23% compared to 2021), the number of dissolved and temporarily suspended firms increased faster at a rate of 38% (Dinh, 2023).

SMEs mainly operate in the service sector, accounting for a large proportion, up to 90%. There is a small portion, accounting for 8.3% of the total number of SMEs operating in the construction industry. The remaining agricultural sector accounts for the lowest proportion, and most of them are micro-SMEs, accounting for 1.7%. This shows the diversity of activities and scale of SMEs in Hanoi city, with services accounting for a large part (Nguyen et al., 2023).

For the above reasons, this research is necessary to carry out and has both theoretical and practical significance.

2. LITERATURE REVIEW

According to Mai (2016), in the current context, the state needs to support small and medium-sized enterprises to overcome difficulties and overcome challenges for sustainable development. Issues that the state needs to increase support for small and medium-sized enterprises are production grounds, access to capital sources, technological innovation, human resource training, market access, and, most importantly, creating a favorable legal and business environment. Accordingly, the solutions for the state are: continue to improve the legal framework; create a business environment for enterprises operating production and business activities; support small and medium-sized enterprises with capital through creating more favorable conditions for accessing financial and credit services; actively support small and medium-sized enterprises in terms of land and production premises; actively support small and medium-sized enterprises to quickly innovate technology; focus on supporting small and medium-sized enterprises in human resource training; promote support for small and medium-sized enterprises in terms of market and trade promotion. In Appendix 4, Resolution 04/2018/NQ-HDND issued regulations on policies to support newly established firms in Hanoi city. Specifically, in this resolution, the Hanoi People's Council has approved the exemption of firm establishment fees for individuals and newly established organizations with a scale of small and medium enterprises and transitional business households to establish a new firm.

On December 29, 2020, the People's Committee of Hanoi issued Decision No. 5742/QĐ-UBND approving the project "Supporting small and medium-sized enterprises in Hanoi city in the period 2021-2025." The project's tasks and support solutions include: reforming administrative procedures; supporting access to credit; providing tax and accounting support; providing support for production premises; providing technology support, incubator support, and technical facilities; supporting market expansion; providing information, consulting, and legal support; providing

consulting support for SMEs (consultant network); supporting human resource development for SMEs.

On April 26, 2022, the Hanoi People's Committee announced the implementation of a program to support digital signatures and electronic invoices for newly established firms in the area. According to this program, firms in Hanoi City newly established in 2022 will receive 100% support from the state budget for 1 year of digital signature usage fees and 500 electronic invoices from one of the members. belongs to the Joint Venture of Telecommunications Services Corporation, Military Industry, and Telecommunications Group, MISA Joint Stock Company, Bkav Joint Stock Company, and FPT Information System Company Limited (VNPT VINAPHONE, VIETTEL, MISA, BKAV, and FPT IS). These are reputable suppliers that have been selected by the firm support center based on strict criteria of reputation and product quality. On September 23, 2022, the Hanoi People's Committee issued Decision No. 3457/QĐ-UBND on approving the plan "Supporting digital transformation for small and medium-sized enterprises in the city, period 2021–2025". In particular, Hanoi plans to support digital transformation for 90,000 small and medium-sized enterprises with a support cost of up to 315.164 billion VND. Subjects of support are small and medium-sized enterprises identified in Article 5 of Decree 80/2021/ND-CP on August 26, 2021 of the Government; register your headquarters in Hanoi and need digital transformation support.

With many policies to encourage development, administrative reform, promote entrepreneurship movements, innovation, modernize technology, and develop human resources capable of participating in industry clusters and price chains globally, the small and medium-sized enterprise sector in Hanoi is developing strongly. However, to further promote the important role of small and medium-sized enterprises in the capital's economic development, it is necessary to continue implementing many synchronous solutions (Nguyen, 2022).

According to Dinh (2023), in Hanoi, policies to support firms in general and SMEs in particular have been effective, and domestic and foreign markets have prospered. Support mechanisms and policies of the state and Hanoi city governments have created conditions for firms in general and SMEs in particular to access resources to restore production and business after the impact of the COVID-19 pandemic.

According to Dinh (2023), Hanoi city has implemented capital support policies and programs such as credit guarantees and credit support, but only a small number of businesses can access short-term loans, while most are not able to access medium- and long-term loans. The Hanoi Association of Enterprises Producing Key Industrial Products (HAMI) said that currently businesses are facing difficulties with many policies such as land leases, taxes, tax incentives, and especially accessing capital loans at preferential interest rates. According to HAMI, lending procedures are still difficult, and many firms are still struggling to access this source of capital. Policies on production and business premises for Hanoi's SMEs have not yet been thoroughly resolved and are requiring great efforts from the Hanoi City government to create conditions for development into a business center dynamic. The large number of newly established SMEs increases the demand for land for industrial and commercial purposes to build factories, offices, retail locations, etc. However,

access to land at transparent prices and simple procedures is relatively difficult for Hanoi SMEs today.

Hanoi City is the first locality to deploy activities to support small and medium-sized enterprises through a national network of consultants. Support activities through the consultant network of the Hanoi Business Support Center are highly appreciated by the Department of Enterprise Development (Ministry of Planning and Investment), a highlight of the whole country (Khanh Phong, 2023). Accordingly, the number of small and medium-sized enterprises and the quality of consulting services have improved each year. Specifically, in 2021, from the first enterprise with support of 3 million VND to 2022, Hanoi will support 24 small and medium-sized enterprises with a total support of 390 million VND; in-depth consulting for 3 businesses with support of about 600 million VND. It is expected that in 2023, Hanoi will continue to support 40 small and medium-sized enterprises through a network of consultants, with a total support of 2 billion VND.

According to Vu Khue (2023), because the area is widely distributed throughout Hanoi City, capturing firm information is still manual and slow, so the work of reflecting problems to departments, industry, and the city is needed to remove difficulties for firms in a timely manner. In addition, although state policies and laws have been propagated and disseminated, some firms' awareness of the law is still limited, and compliance with regulations is not serious.

Inheriting the results of the above studies, we have identified a multi-pronged scale of support policies for small and medium-sized enterprises in Hanoi (see table 1).

Table 1: Observed variables: support policies for small and medium-sized enterprises in Hanoi

The support policies (SP)	
SP1	Hanoi's firm support policies are easily and conveniently accessible to SMEs.
SP2	The development assistance programs for SMEs in Hanoi are efficient.
SP3	Hanoi's governmental agency management system is open and understandable.
SP4	Policies that facilitate SMEs' access to credit are quite successful.

3. RESEARCH METHODS

Qualitative research was conducted by interviewing three development economists and three SMEs directors in Hanoi to supplement and calibrate the measurement scales. Qualitative interview questions focused on support policy for SMEs in Hanoi. The authors also listened to the interviewees' comments about the specific content of the scale and the words used in it. Qualitative research results help the authors develop measurement scales and build survey questionnaires.

The study uses quantitative methods to test scales based on data collected by survey questionnaires. Due to time and resource limitations, the authors used non-probability sampling and convenience sampling techniques. Data was collected directly and online via social networks with questionnaires designed on Google Forms. After about 2 months of surveying in 2023, 210 valid responses with full information and meeting quality requirements were included in the analysis (see table 2).

The scales are drawn from the research overview but are adjusted to suit the research context to ensure practicality and use a Likert scale with a rating scale from 1 to 5.

Table 2. Respondents by genders, academic level, and job position

	Frequency	Percent	Cumulative Percent
Academic level			
Bachelor or higher	176	83.8	83.8
College or intermediate level	34	16.2	100.0
Ages			
36 years old or older	113	53.8	53.8
35 years old or less	97	46.2	100.0
Professional seniority			
Less than 5 years	59	28.1	28.1
5 to 10 years	97	46.2	74.3
10 years or higher	54	25.7	100.0
Total	210		

Source: Prepared by the authors (2024) and SPSS software.

Information on the data collected is shown in Table 1. It shows that among them, the common age of respondents is 35 years old or less, accounting for 46.2%, while the remaining 36 to 50 years old are 113 people, accounting for 53.8%. Among the respondents, 83.8% of the participants have a qualified bachelor or higher, and 16.2% of the participants have a qualified college or intermediate level. Of these respondents, 28.1% have a professional seniority of less than 5 years, 46.2% have a professional seniority of 5 to 10 years, and 25.7% have a professional seniority of 10 years or higher.

4. RESULTS

Cronbach's Alpha

The scales were analyzed for reliability using the Cronbach's alpha tool. Observed variables with an item-total correlation less than 0.3 will be eliminated, and the standard for choosing the scale is when Cronbach's alpha is 0.6 or higher (Nunnally & Bernstein, 1994). According to research results, all scales have quite high Cronbach's alpha coefficients (>0.8). All observed variables on the scales have an item-total correlation greater than 0.3. Therefore, the scales all meet the requirements, thus qualifying for exploratory factor analysis (Hoang & Chu, 2008; Hair et al., 2009; Hair et al., 2014).

Table 3. Results of Cronbach's alpha testing of attributes and item-total statistics

Cronbach's Alpha	N of Items			
.858	4			
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
SP1	12.80	3.574	0.697	0.822
SP2	12.85	3.600	0.695	0.823

SP3	12.88	3.487	0.720	0.813
SP4	12.85	3.696	0.701	0.821

Source: Prepared by the authors (2024) and SPSS software.

Exploratory Factor Analysis (EFA)

Next, tables 4, 5, and 6 show that exploratory factor analysis (EFA) was conducted through component analysis and variance.

The results of Bartlett's test examining the hypothesis of correlation between observed variables show that the KMO index is 0.809, greater than 0.5 (>0.5); the extracted variance is 70.228% ($>50\%$), which means that these 4 observed variables explain 70.228% of the variation in the data; Bartlett's test is statistically significant (Sig. <0.05). Therefore, it can be concluded that the indicators in the study meet EFA analysis standards (Hoang & Chu, 2008; Hair et al., 2009; Hair et al., 2014).

These statistics demonstrate that research data analysis for factor discovery is appropriate. Through the quality assurance of the scale and the test of the EFA model, we have identified four components of the support policy for small and medium enterprises in Hanoi (Hoang & Chu, 2008; Hair et al., 2014).

Table 4: KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.809
Bartlett's Test of Sphericity	Approx. Chi-Square	367.349
	Df	6
	Sig.	.000

Source: Prepared by the authors (2024) and SPSS software.

Table 5: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.809	70.228	70.228	2.809	70.228	70.228
2	0.463	11.582	81.810			
3	0.411	10.284	92.094			
4	0.316	7.906	100.000			

Extraction Method: Principal Component Analysis.

Source: Prepared by the authors (2024) and SPSS software.

Table 6: Component Matrix^a

SP	Component
	1
SP3	0.849
SP4	0.836
SP1	0.834

SP2	0.833
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Source: Prepared by the authors (2024) and SPSS software.

Independent T-test: Academic levels

A comparison of the results of the evaluation of the differences in the support policy for small and medium enterprises in Hanoi with participants of different academic levels (bachelor or higher and college or intermediate level) can be seen in Table 7. According to the results shown in Table 7, sig Levene's test is 0.738, which is more than 0.05. The variance between a bachelor's, or higher level, and a college's, or intermediate level, is not different. Moreover, the sig value t-test is 0.105, which is larger than 0.05, which means that there is not a statistically significant difference in the support policy for small and medium enterprises in Hanoi between these different academic levels (Hoang & Chu, 2008; Hair et al., 2009; Hair et al., 2014).

Table 7. Differences in the support policy for small and medium enterprises in Hanoi with participants of different academic level - Independent Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	T	Df	Sig. (2-tail ed)	Mean Differe nce	Std. Error Differe nce	95% Confidence Interval of the Difference	
									Lower	Upper
PC	Equal variances assumed	0.112	0.738	-1.628	208	0.105	-0.18750	0.11515	-0.41452	0.03952
	Equal variances not assumed			-1.783	51.161	0.081	-0.18750	0.10516	-0.39861	0.02361

Source: Prepared by the authors (2024) and SPSS software.

ANOVA – professional seniority

An ANOVA test was needed to make a comparison of the results of the evaluation of the differences in the support policy for small and medium enterprises in Hanoi between the three subjects, including participants who have professional seniorities less than 5 years, from 5 to 10 years, and 10 years or higher. Table 8 shows that the sig Levene statistic of 0.671 is larger than 0.05, which means that the hypothesis of homogeneity of variance among the variable value groups (different professional seniority) has not been violated. Table 9 shows that sig. is 0.576, which is larger than 0.05, which indicates that there is not a statistically significant difference in the support policy for small and medium enterprises in Hanoi between the mentioned three groups of professional seniority (Hoang & Chu, 2008; Hair et al., 2009; Hair et al., 2014).

Table 8. Test of Homogeneity of Variances

Descriptions	Levene Statistic	df1	df2	Sig.
SP				
Based on Mean	0.400	2	207	0.671
Based on Median	0.276	2	207	0.759
Based on Median and with adjusted df	0.276	2	198.452	0.759
Based on trimmed mean	0.506	2	207	0.604

Source: Prepared by the authors (2024) and SPSS software.

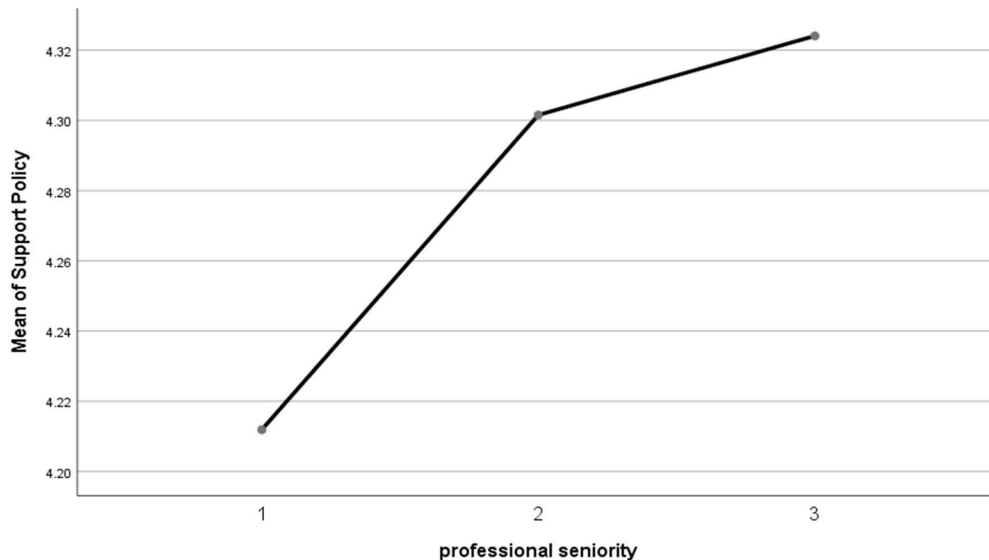
Table 9. ANOVA**SP**

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	0.423	2	0.211	0.553	0.576
Within Groups	79.173	207	0.382		
Total	79.596	209			

Source: Prepared by the authors (2024) and SPSS software.

The relationship between the support policy for small and medium enterprises in Hanoi - professional seniority

Next, the line graph shows the relationship between the support policy for small and medium enterprises in Hanoi and each respondent's professional seniority (Figure 1). Figure 1 shows that this line tends to slope up when the respondents have professional seniorities less than 5 years, from 5 to 10 years, and 10 years or higher.



Source: Prepared by the authors (2024) and SPSS software.

Figure 1: The line graph shows the relationship between the support policy for small and medium enterprises in Hanoi and each respondent's job position.

5. DISCUSSION AND IMPLICATIONS

The government should provide a loan program with low or no interest rates to support SMEs in investing in production and business, as well as in research and development and digital technology. At that time, it helps SMEs reduce their initial financial burden.

The government should establish preferential tax policies, such as tax exemptions or tax reductions for activities and investments related to research and development, digital transformation, and priority industry groups. At that time, SMEs will reduce financial pressure.

The Hanoi People's Committee should provide training and support programs to help SMEs master the skills and knowledge necessary to effectively carry out production, business, and digital transformation.

The Hanoi People's Committee and financial institutions should provide direct funding to SMEs to implement production, business, and digital transformation projects, from purchasing production lines and equipment to deploying and handling the system.

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