

EVALUATION OF THE FINANCIAL RESOURCES OF SMALL AND MEDIUM ENTERPRISES IN HANOI

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Abstracts

According to Le (2016), capital plays a very important role for firms and is an indispensable element of every business process. If firms want to survive and develop, they must pay attention to the issues of creating, managing, and using capital effectively to bring in more profits. How will a firm optimize the structure of their capital or financial resources to ensure the highest efficiency? This article measures, analyzes, and compares respondents' assessments of the financial resources of small and medium-sized enterprises, studying a case in Hanoi. Results of analyzing 240 enterprise survey samples in Hanoi's main production and business sectors with qualitative and quantitative research methods show that the financial resources of small and medium-sized enterprises in Hanoi are quite high. There is a statistically significant difference in the financial resources of small and medium enterprises in Hanoi between these different academic levels. There is no statistically significant difference in the financial resources of small and medium enterprises in Hanoi between these different genders, ages, business operating times, and main business sectors.

Keywords: Financial resources, finance, small and medium enterprises (SMEs), economics, business administration

JEL codes: F65, M40, M41, M10

1. INTRODUCTION

The Hanoi People's Committee issued Decision No. 5742/QĐ-UBND on December 29, 2020, approving the project "Supporting SMEs in Hanoi City in the Period 2021-2025" with the target of striving to achieve the average new firm development speed of about 10% per year (about 30,000 firms per year); in the period 2021-2025, there will be an additional 150,000 newly established enterprises in the area, creating about 1.5 million new jobs. SMEs contribute more than 25% of total export turnover, more than 40% of total products in the area, and more than 30% of the city's budget.

By field of operation, in 2021: SMEs mainly operate in the service sector (90%); the number of enterprises operating in the construction industry sector accounts for 8.3%; the remaining enterprises operating in the field of agriculture account for the lowest proportion and are mainly micro-enterprises (1.7%) (Dinh, 2023).

According to Le (2016), capital plays a very important role for firms and is an indispensable element of every business process. If firms want to survive and develop, they must pay attention to the issues of creating, managing, and using capital effectively to bring in more profits. How will a firm optimize the structure of their capital or financial resources to ensure the highest efficiency?

Previous research (Owusu et al., 2019) has bemoaned the fact that SMEs lack the financial capital resources necessary to sustain their performance. According to data from the European Central Bank (ECB) (2015), there was comparatively little use of funding sources by SMEs to raise capital. The loan and equity investment ratios for SMEs in Austria, Germany, Belgium, and Ireland, respectively, are 0.2, 0.3, 0.6, and 2.6%. Very few SMEs have profited from these ratios (Moscalu et al., 2020).

The financial resources of enterprises play an important role in socio-economic development, such as: (i) Promoting growth quality: Financial resources support investment in industries and services, thereby promoting growth quality and economic structural transformation. At the same time, it facilitates the development of science and technology and improves production capacity. (ii) Invest in important areas: Financial resources can be invested heavily in the fields of health, education, and job creation, meeting the needs of society. Mobilizing significant financial resources could enable these sectors to develop.

We organize our study as follows: In the next section, we present the study-related literature. Next, the research methodology is presented, followed by results and discussions. Finally, we present the study's implications.

2. THEORETICAL BASIS AND LITERATURE REVIEW

2.1. The pecking order theory

The theory of pecking order in capital structure selection indicates an order of choice of capital sources for firms when there is asymmetric information between the firm and potential sponsors (Myers & Majluf, 1984). According to traditional pecking order theory, information asymmetry arises when executives have more information about investment opportunities than sponsors, leading to risks for external sponsors when investing capital in the company. As a result, donors may demand compensation for this unclear information, making the cost of external investment often expensive. Therefore, managers often use internal capital if possible. Only when internal capital is not enough to meet the capital needs of the firm will company administrators use external capital, in which case loan capital will be given priority before investment capital because debt will have little impact because of the problem of more asymmetric information.

2.2. Life cycle theory

Life cycle theory (Berger & Udell, 1998) mentions that financial needs and access to capital

change as firms gradually increase in size, gain more experience, and become more financially transparent. Small, micro, and newly established enterprises rely heavily on internal sources of funding, commercial credit capital, and "angel" investment capital. As firms gradually increase in size, capital funding will become more accessible from venture capital funds as well as banks and other financial institutions. Even if firms continue to grow in size, they can raise capital from the public through an initial public offering (IPO).

2.3. Literature review

According to Le (2016), financial resources for new investments for small and medium-sized enterprises include: (i) retained profits; (ii) bank loans; (iii) other sources (with interest rate); (iv) friends and family (no interest); (v) other sources (non-interest); (vi) issuance of new shares; and (vii) other financial means.

Commercial banks are one of the most important sources of external finance for SMEs. According to Berger and Udell (1998), commercial loans account for about 30% of the total external capital of newly established firms in the US. Robb and Robinson (2010) point out that about 40% of newly established US firms are funded by commercial loans.

"Angel" investors can be considered an important source of finance for newly established SMEs in the early stages of development. These are individuals with large capital resources, operating independently or in a group, investing their capital directly in an unlisted enterprise, and after investing, will usually stick with the enterprise, for example, with the role of consultant or executive board member (Mason & Harrison, 2008). The investment value of each deal is often small, but the number of newly established SMEs receiving angel investment is often large (Soderblom & Samuelsson, 2014).

There is ample evidence that the performance of SMEs is impacted by financial capital resources (Hossain, M. Yoshino, et al., 2021). For SMEs to expand, thrive, and innovate, financial resources are critical (Moscalu et al., 2020). The performance and expansion of SMEs are hindered by their lack of financial resources, which also keeps many innovative goods and services from reaching the market (Owusu et al., 2019).

According to sources, financial resources include: (i) internal financial resources, which are financial sources from internal factors of the business such as retained profits, asset sales, reductions, or controlling working capital. (ii) External financial sources: are capital sources arising from outside the enterprise, including all other financial sources except internal financial sources.

According to ownership and control, financial resources include (i) loan capital: financial resources obtained from external sources such as the public, commercial banks, etc. Enterprises will have to return the capital borrowed through asset liquidation. (ii) Equity: This includes retained earnings, equity from individual shareholders, and convertible debt. This is a firm's financial resources obtained through company promotion or from the public through stock issuance.

Financial resources are financial capabilities that subjects in society can exploit and use to achieve certain purposes. In terms of content, financial resources are understood as the

expression of the value of all social material wealth over a certain period of time. In terms of form, financial resources can be tangible or intangible.

Financial resources contribute to creating important monetary funds to promote the country's socio-economic development.

3. METHODOLOGY

Scale design

In this study, we approach previous studies on financial resources, qualitative research results, and expert interviews to come up with official scales of financial resources of SMEs suitable to the conditions in Hanoi City with five indicators (component attributes).

Sampling and data collection methods

Based on the sample size requirements of exploratory factor analysis (EFA), the sample size for this study was determined according to the formula of 5 samples for 1 observed variable (Hair et al., 2010). According to Tabachnick&Fidell (1989), experience shows that sample sizes of 300 are good, 500 are very good, and 1,000 are excellent. This study has a total of 5 observed variables; the minimum sample size must be $5 \times 5 = 25$. This study plans to take 300 samples to increase representativeness. However, only 240 samples met the requirements and were included in the analysis (see table 1).

The sampling method was carried out using the stratified random technique. After determining the list of small and medium-sized enterprises in Hanoi that needed to collect data, the authors sent survey forms to the enterprises via email, Zalo, and sent letters directly by post and directly to the survey firms.

Data analysis techniques

The collected data will be carefully checked before being imported into the software, then cleaned and edited. Data analysis is performed in the following order: Descriptive statistics to generalize data; an independent T-test; and ANOVA analysis. Data analysis techniques were performed using SPSS and Excel software.

Table 1. Respondents by ages, participated in training, business operating time and main business sectors

	Frequency	Percent	Cumulative Percent
Ages			
35 years old or less	129	53.8	53.8
36 years old or older	111	46.3	100.0
Academic level			
Bachelor or higher	206	85.8	85.8
College or intermediate level	34	14.2	100.0
Business operating times			
2 years or less	63	26.3	26.3

From 2 to 5 years	90	37.5	63.8
5 years or higher	87	36.3	100.0
Main business sectors			
Electronics and Telecommunication	41	17.1	17.1
Fashion	33	13.8	30.8
Real estate and the furniture	50	20.8	51.7
Food	39	16.3	67.9
Tourism	32	13.3	81.3
Other areas	45	18.8	100.0
Total	240	100.0	

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 53.8%, while the remaining 36 to 50 years old are 111 people, accounting for 46.3%. Among the respondents, 85.8% of the participants have a qualified bachelor or higher, and 14.2% of the participants have a qualified college or intermediate level. Of these, 63 are working for SMEs with less than 2 years of operation, accounting for 26.3%; 90 are working for SMEs with operating time from 2 to 5 years, accounting for 37.5%; and the rest are working for SMEs with an operating period of 2 years or more, accounting for 36.3%. Respondents working for SMEs doing business in electronics and telecommunications accounted for 17.1%; fashion accounted for 13.8%; real estate and interior decoration account for 20.8%; food accounts for 16.3%; tourism accounts for 13.3%; and the remaining are other fields, accounting for 18.8%.

4. RESULTS

Descriptive Statistics

Table 2 indicates that the respondents agree with the variable of the financial resources of small and medium enterprises in Hanoi, where five attributes were quite high. All four attributes were rated at an average of 4.29 or higher.

Table 2. Descriptive analysis of attributes

Code	N	Mini	Max	Mean	Std. Deviation	Skewness		Kurtosis	
						Statistic	Std. Error	Statistic	Std. Error
The financial resources of SMEs in Hanoi (FR)									
FR1	240	1	5	4.29	0.758	-1.116	0.157	2.011	0.313
FR2	240	2	5	4.38	0.749	-0.979	0.157	0.287	0.313
FR3	240	2	5	4.33	0.740	-0.862	0.157	0.192	0.313
FR4	240	2	5	4.30	0.766	-0.795	0.157	-0.128	0.313
FR5	240	2	5	4.33	0.716	-0.847	0.157	0.409	0.313
Valid N	240			4.32					

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

Independent T-test: Genders

A comparison of the results of the evaluation of the differences in the financial resources of small and medium enterprises in Hanoi with participants of different genders (males and females) can be seen in Table 3. According to the results shown in Table 3, sig Levene's test is 0.942, which is more than 0.05. The variance between males and females is not different. Moreover, the sig value t-test is 0.757, which is more than 0.05, which means that there is no statistically significant difference in the financial resources of small and medium enterprises in Hanoi between these different genders (Hoang & Chu, 2008; Hair et al., 2009; Hair et al., 2014).

Table 3. Differences in the financial resources of small and medium enterprises in Hanoi with participants of different genders- Independent Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	T	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
FR	Equal variances assumed	0.005	0.942	0.309	238	0.757	0.02697	0.08723	-0.14487	0.19882
	Equal variances not assumed			0.303	144.653	0.762	0.02697	0.08898	-0.14891	0.20285

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

Independent T-test: Ages

A comparison of the results of the evaluation of the differences in the financial resources of small and medium enterprises in Hanoi with participants of different ages (35 years or less and 36 years or older) can be seen in Table 4. According to the results shown in Table 4, sig Levene's test is 0.838, which is more than 0.05. The variance between 35 years of age or less and 36 years of age or older is not different. Moreover, the sig value t-test is 0.424, which is more than 0.05, which means that there is no statistically significant difference in the financial resources of small and medium enterprises in Hanoi between these different ages (Hoang & Chu, 2008; Hair et al., 2009; Hair et al., 2014).

Table 4. Differences in the financial resources of small and medium enterprises in Hanoi with participants of different ages- Independent Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	T	Df	Sig. (2-tail ed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
FR	Equal variances assumed	0.042	0.838	0.801	238	0.424	0.06554	0.08185	-0.09571	0.22678
	Equal variances not assumed			0.805	236.409	0.422	0.06554	0.08143	-0.09488	0.22595

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 financial resources of 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 5. According to the results shown in Table 5, sig Levene's test is 0.676, 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 0.026, which is less than 0.05, which means that there is a statistically significant difference in the financial resources of small and medium enterprises in Hanoi between these different academic levels (Hoang & Chu, 2008; Hair et al., 2009; Hair et al., 2014).

Table 5. Differences in the financial resources of 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 Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper

						ed)			Lower	Upper
FR	Equal variances assumed	0.175	0.676	2.244	238	0.026	0.26019	0.11597	0.03173	0.48865
	Equal variances not assumed			2.584	50.659	0.013	0.26019	0.10071	0.05798	0.46240

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

ANOVA – businessoperatingtimes

An ANOVA test was needed to make a comparison of the results of the evaluation of the differences in the financial resources of small and medium enterprises in Hanoi between the three subjects, including participants who worked for SMEs with a business operating time of 2 years or less, participants who worked for SMEs with a business operating time of 2 years to 5 years, and participants who worked for SMEs with a business operating time of 5 years or higher. Table 6 shows that the sig Levene statistic of 0.243 is larger than 0.05, which means that the hypothesis of homogeneity of variance among the variable value groups (different business operating times) has not been violated. Table 7 shows that sig. is 0.839, which is larger than 0.05, which indicates that there is not a statistically significant difference in the financial resources of small and medium enterprises in Hanoi between the mentioned three groups of business operating time (Hoang & Chu, 2008; Hair et al., 2009; Hair et al., 2014).

Table 6. Test of Homogeneity of Variances

Descriptions	Levene Statistic	df1	df2	Sig.
FR				
Based on Mean	1.421	2	237	0.243
Based on Median	0.842	2	237	0.432
Based on Median and with adjusted df	0.842	2	216.172	0.432
Based on trimmed mean	0.887	2	237	0.413

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

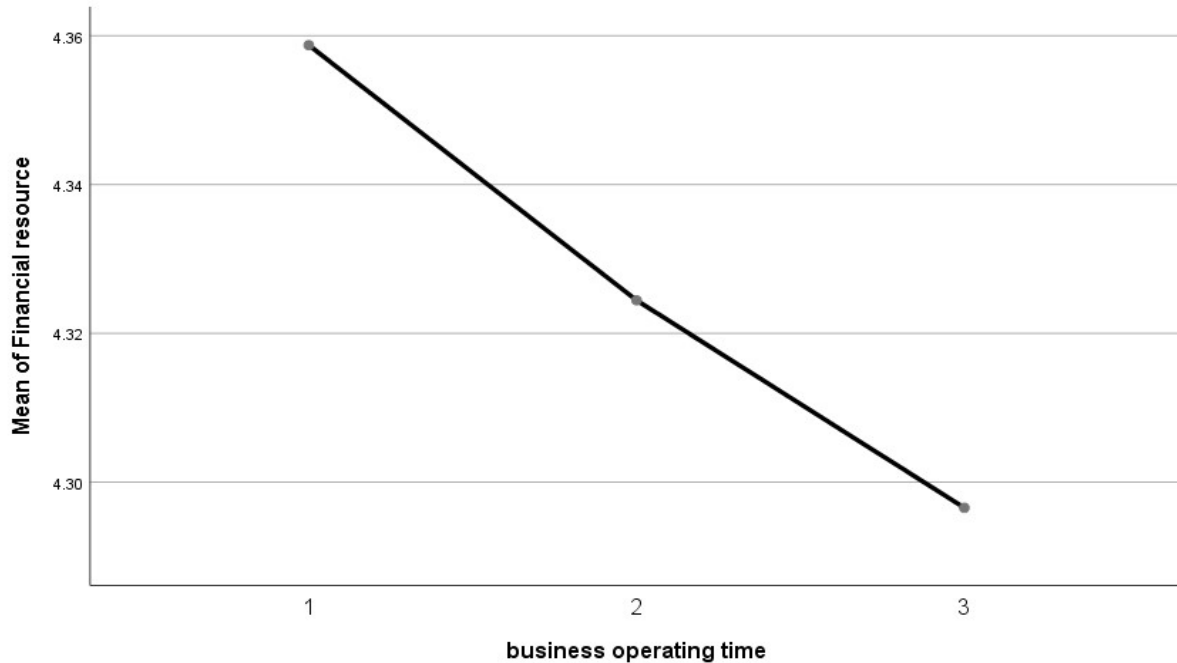
Table 7. ANOVA

FR					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	0.141	2	0.071	0.176	0.839
Within Groups	95.248	237	0.402		
Total	95.389	239			

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

The relationship between the financial resources of small and medium enterprises in Hanoi - business operating time

Next, the line graph shows the relationship between the financial resources of small and medium enterprises in Hanoi and each respondent's business operating times (Figure 1). Figure 1 shows that this line tends to go down for participants who worked for SMEs with a business operating time of 2 years or less, participants who worked for SMEs with a business operating time of 2 years to 5 years, and participants who worked for SMEs with a business operating time of 5 years or higher.



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

Figure 1: The line graph shows the relationship between the financial resources of small and medium enterprises in Hanoi and each respondent's business operating time.

ANOVA – main business sectors

An ANOVA test was needed to make a comparison of the results of the evaluation of the differences in the financial resources of small and medium enterprises in Hanoi between the six subjects, including participants who worked for SMEs with an electronics and telecommunication business sector, participants who worked for SMEs with a fashion business sector, participants who worked for SMEs with a real estate and furniture business sector, participants who worked for SMEs with a food business sector, participants who worked for SMEs with a tourism business sector, and participants who worked for SMEs with other areas. Table 8 shows that the sig Levene statistic of 0.013 is smaller than 0.05, which means that the hypothesis of homogeneity of variance among the variable value groups (different main business sectors) has been violated. Table 9 shows that sig. is 0.555, which is larger than 0.05, which indicates that there is not a statistically significant difference in the financial resources of small

and medium enterprises in Hanoi between the mentioned six groups of main business sectors (Hoang & Chu, 2008; Hair et al., 2009; Hair et al., 2014).

Table 8. Test of Homogeneity of Variances

Descriptions	Levene Statistic	df1	df2	Sig.
FR				
Based on Mean	2.958	5	234	0.013
Based on Median	1.710	5	234	0.133
Based on Median and with adjusted df	1.710	5	182.947	0.134
Based on trimmed mean	2.487	5	234	0.032

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

Table 9. Robust Tests of Equality of Means

FR

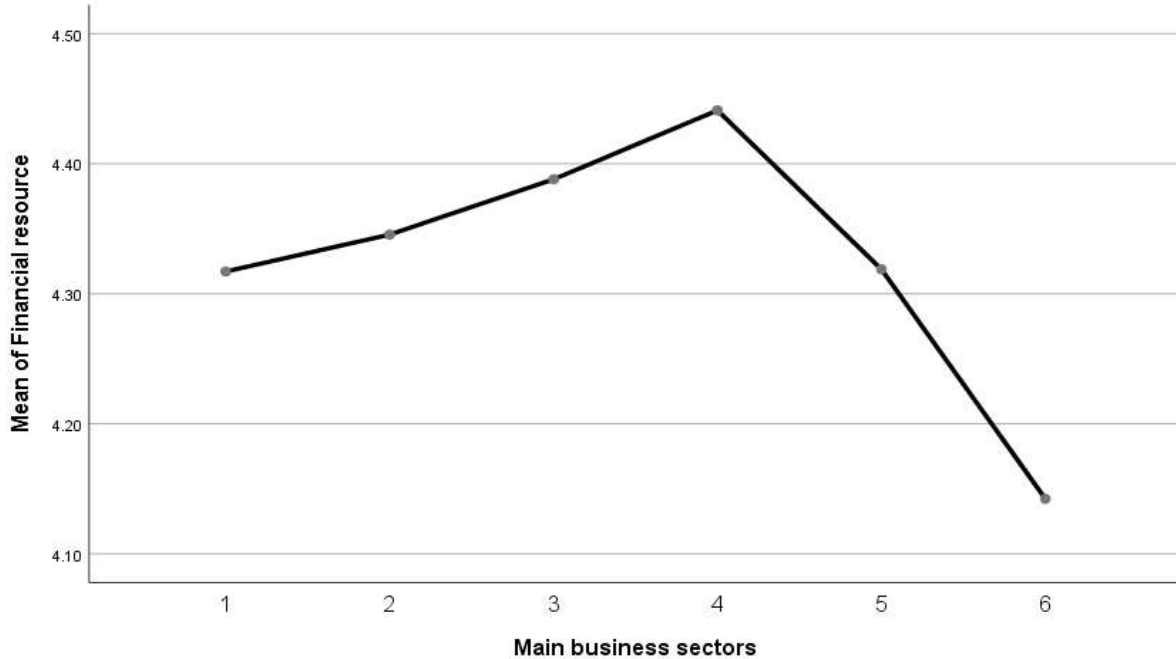
	Statistic ^a	df1	df2	Sig.
Welch	0.795	5	106.209	0.555

a. Asymptotically F distributed.

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

The relationship between the financial resources of small and medium enterprises in Hanoi - main business sectors

Next, the line graph shows the relationship between the financial resources of small and medium enterprises in Hanoi and each respondent's main business sectors (Figure 2). Figure 2 shows that this line tends to slope up for participants who worked for SMEs with an electronics and telecommunications business sector, a fashion business sector, a real estate and furniture business sector, and for participants who worked for SMEs with a food business sector. Figure 2 shows that this line tends to go down for participants who worked for SMEs in the tourism business sector and for participants who worked for SMEs in other areas.



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

Figure 2: The line graph shows the relationship between the financial resources of small and medium enterprises in Hanoi and each respondent's main business sectors.

5. DISCUSSION AND IMPLICATIONS

Financial resources play an important role in improving the quality of life, ensuring sustainable market growth, and contributing to the comprehensive development of the community.

According to Dinh (2023), one of the difficulties for SMEs in Hanoi is production and business premises. This is a common problem that all SMEs in the country face, especially for firms operating in urban areas and large, densely populated cities like Hanoi. Many SMEs have to use their homes as business locations or rental locations. This will make it difficult for businesses to expand their scale. Policies on production and business premises for Hanoi's SMEs have not yet been thoroughly resolved and are requiring great efforts from the city government to create conditions for development into a dynamic business center. 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 are relatively difficult for Hanoi SMEs today.

Through expert interviews, experts concluded from the reality of SMEs that increasing the use of external financial resources helps SMEs achieve greater efficiency. Therefore, SMEs should better mobilize external resources to promote efficiency and ensure the sustainable development of their firms.

SMEs should improve their business performance, because good business performance contributes to increasing their ability to accumulate capital.

SMEs should improve their financial capacity, because if they have poor financial capacity, they will limit their ability to access and attract external capital, thereby making it difficult for firms

to make financial decisions in general and build capital by structuring financial resources in particular.

SMEs should strengthen their ability to receive local support policies. Firms need to establish a legal document research department, improve management capacity, and build a high-quality team. Document information must be transparent for people to easily access credit relationships and receive support policies. Proactively learning about support policies suitable for each industry and field is essential. It will promptly resolve firms' questions and have specific directions to resolve difficulties and problems in receiving support policies.

SMEs should promote investment in market research, trade promotion, and branding activities. Firms need to form and build a marketing department with highly qualified staff with experience in market investigation and forecasting on that basis to help firm owners plan business strategies and marketing strategies in an effective way. Focus on building a brand to attract external resources such as capital, technology, and human resources, as well as make it easier to attract partners and expand markets.

The Hanoi People's Committee should improve land markets, labor markets, capital and technology markets, and promote supporting industries. Promote support and connect firms with banks and credit institutions, helping firms access preferential loans (Dinh, 2023).

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