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FINANCIAL RESOURCES AND THE COMPETITIVENESS OF SMALL AND MEDIUM ENTERPRISES

[1]Nguyen Van Thu
[1]University of Labour and Social Affairs, Vietnam
[2*]Nguyen Hong Son
[2*]Corresponding Author, PhD candidate, Hanoi University of Business and Technology, Vietnam
[3]Nguyen Thi Minh Ngoc
[3]Thuong Mai University, Vietnam

Abstracts

According to Porter (1990), competitiveness is the capacity of an organization to generate, preserve, apply, and generate new competitive advantages in order to produce goods that are more productive and of higher quality than those of its rivals, increase its market share, provide high wages for its workers, and foster the organization's long-term growth. The research aims to examine the relationship between financial resources and the competitiveness of SMEs in Phu Tho province. A survey with 250 employees in SMEs in Phu Tho province was conducted. A total of 185 respondents with full information were used for data entry and analysis. Through quantity methodology, we used Cronbach's alpha, EFA, and correlation analysis to determine the relationship between financial resources and dependent variables, such as competitiveness. The results showed that financial resources had positive relationships with the competitiveness of SMEs in Phu Tho province. From the findings, this study suggests several recommendations to improve the competitiveness of SMEs in Phu Tho province, such as: supporting SMEs to access international markets; supporting human resource development or investment support; improving their financial capacity; strengthening their ability to receive local support policies; SMEs promoting investment in market research, trade promotion, and branding activities. The results are considered a useful reference for SMEs in Phu Tho province.

Keywords: competitiveness, financial resources, business administration, small and medium enterprises (SMEs), economics,
JEL codes: M10**,** F65, M40

1. INTRODUCTION

Previous studies have lamented the fact that SMEs do not have the financial capital resources required to maintain their performance (Owusu et al., 2019). Data from the European Central Bank

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(ECB) (2015) indicates that SMEs used financial channels to raise cash very infrequently. For SMEs in Austria, Germany, Belgium, and Ireland, the corresponding loan and equity investment ratios are 0.2, 0.3, 0.6, and 2.6%. These ratios have not helped many SMEs (Moscalu et al., 2020).

The following are some examples of how the financial resources of businesses are crucial to socioeconomic development: (i) Encouraging growth quality: Investment in industries and services is facilitated by financial resources, which in turn encourages growth quality and the transformation of the economy's structure. In addition, it increases manufacturing capacity and promotes the advancement of science and technology. (ii) Invest in key areas: To address societal demands, significant financial resources can be allocated to the provision of jobs, health, and education. These sectors may grow if large financial resources were raised.

Competitiveness is the ability to create, maintain, use, and create new competitive advantages for an enterprise to create products with higher productivity and quality than competitors and gain a larger a larger market share, as well as create high income for employees and sustainable development for the organization (Porter, 1990).

SMEs in the province of Phu Tho will face obstacles and hurdles due to the COVID-19 pandemic and economic integration. This necessitates that businesses themselves innovate, improve, and grow continuously. Increasing a company's competitiveness is one of such contents, and it's also a hot topic for both local and international study.

Currently, in Phu Tho province, the number of small and medium-sized enterprises accounts for about 96% of the total number of enterprises in the area. Small and medium-sized enterprises (SMEs) are currently playing an important role in creating many jobs for workers, increasing economic scale, and contributing largely to local budgets (Diep et al.., 2021).

The process of economic integration not only brings benefits to SMEs but also creates great challenges such as increasingly fierce competition, rapid and unpredictable changes in the business environment, and pressure. Competition is increasingly fierce in both domestic and foreign markets, creating many challenges for Vietnamese SMEs. Phu Tho Province's SMEs are not out of the general trend of SMEs in Vietnam. With Phu Tho Province ranked 27th out of 63 provinces and cities with 62.55 points, up 2 places compared to 2016, the province is gradually creating a good business environment to support firms, including SMEs, to develop. Sustainable development enhances the competitiveness of firms (Association of Small and Medium Enterprises of Phu Tho Province, 2021). However, the business performance of some small and medium-sized enterprises has been low, and some have some have even lost money in recent years. One of the reasons is the weak competitiveness of small and medium-sized enterprises and their limited financial resources. Therefore, this research has both theoretical and experimental significance.

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2. THEORETICAL BASIS AND LITERATURE REVIEW

Financial resources (FR)

As per Le's (2016) findings, small and medium-sized businesses can obtain financial resources for new investments from various sources such as retained profits, bank loans, other sources (with interest rate), friends and family (no interest), other sources (non-interest), issuing of new shares, and other financial means.

An important source of funding for recently founded SMEs in their early phases of development might be regarded as "angel" investors. These are highly capital-rich individuals who work alone or in groups, investing directly in unlisted businesses. Following their investment, they typically remain involved in the business, perhaps in an advisory or executive board capacity (Mason & Harrison, 2008). Each angel investment agreement typically has a small investment amount, but a high number of recently founded SMEs typically receive funding (Soderblom & Samuelsson, 2014).

Financial capital resources have been shown to have an effect on the performance of SMEs (Hossain, M. Yoshinoo, et al., 2021). Financial resources are essential for SMEs to grow, prosper, and innovate (Moscalu et al., 2020). Lack of funding limits SMEs' ability to operate and grow, and it also prevents many innovative products and services from entering the market (Owusu et al., 2019).

Financial resources are assets that members of society can take advantage of and apply to further their goals. Financial resources are defined as the statement of the total value of material riches in society over a specific time period. Financial resources come in two forms: tangible and immaterial.

Financial resources play a significant role in generating finances that support the socio-economic growth of the nation.

Competitiveness

Narver & Slater (1990) defined market-oriented competitiveness in terms of the market-oriented approach model, which consists of three primary components: (i) competitor orientation, which requires businesses to have a thorough understanding of the short- and long-term competitiveness as well as the strategies of current and potential competitors in order to create superior value in comparison to them; (ii) customer orientation, which is focused on customer needs and how to help customers understand your business; (iii) cross-functional coordination, which is based on the efficient use of enterprise resources to create superior value for target customers.

One of the variables used to compare businesses in the same industry is competitiveness. It is strongly related to competitive advantage, which is the primary factor that determines a firm's

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performance (Bredrup, 1995). Numerous studies pinpoint the origins of competitiveness or competitive advantage and show how they positively impact an organization's ability to do business (Hill & Deeds, 1996; Mauri & Michaels, 1998; Porter, 1991).

According to Prahalad & Hamel (2006), resources are the primary area of competition in the majority of industries, particularly for similar businesses in the same market.

Porter (1990) states that the components of the diamond model, which measures a nation's or industry's competitiveness, are (i) production factors; (ii) demand circumstances; and (iii) industries. supporting and associated industries, state, opportunity, competitive environment, strategy, and structure (iv–vi).

Porter (1990) states that two factors are used to assess competitiveness: market share and profit. Market share and profit are the objectives of production and business, and they indicate a company's standing in the market relative to its rivals. The criteria put out by Dupeyras & MacCallum (2013) were revenue per client and labor productivity.

3. METHODOLOGY

3.1. Research hypothesis

The financial capacity of an enterprise is the ability to ensure financial resources for the enterprise's operations to achieve the goals set by the enterprise. Studies have shown the impact of financial capacity on competitiveness through scale, access to capital, and business strategy. Enterprises with good financial capacity will have a strong impact on business competitiveness and vice versa (Ahmedova, 2015; Kabanda & Brown, 2017; Pham, 2017). From there, we build the following hypothesis:

H: Financial resources have a positive influence on a SMEs competitiveness.

3.2. Research model

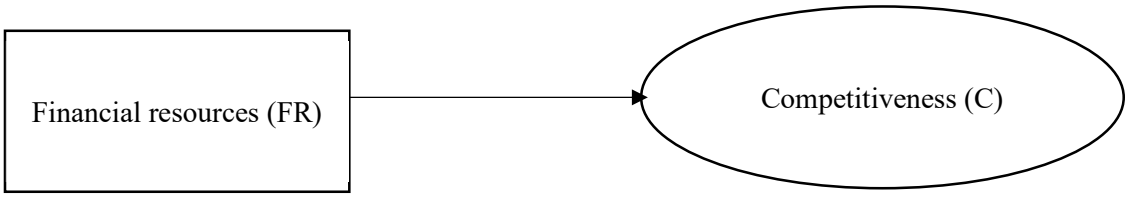

Figure 1: Research model

Financial resources (FR): Includes 5 observed variables (FR1, FR2, FR3, FR4, FR5) inherited from the research results of Trang et al. (2024).

Competitiveness (C): Includes 4 observed variables (C1, C2, C3, and C4) inherited from the research results of Nguyen et al. (2023).

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3.3. Methods of sample selection, data collection, and processing

The research was conducted using qualitative research methods and quantitative methods to evaluate and measure competitiveness, financial resources, and the impact of financial resources on the competitiveness of SMEs in Phu Tho province.

The survey subjects in the study were employees working in small and medium-sized enterprises in Phu Tho province. According to Hair et al. (1998), the sample size for EFA analysis is at least 5 times the number of observed variables. In multivariate regression, according to Tabachnick & Fidell (2007), the minimum sample size must meet the formula n >= 50 + 8p (p is the number of independent variables). The proposed research model includes one independent variable and one dependent variable. The measurement scale of the independent and dependent variables includes nine observed variables. According to the above formula, the minimum number of samples needed to be surveyed is 58. The author team collects and conducts direct surveys. and online surveys of 100 small and medium enterprises in Phu Tho province. Use a convenient, non-probability survey method for the period from January 1, 2024, to February 15, 2024.

The collected data will be carefully checked before being imported into the software, then cleaned and edited. Finally, 185 survey questionnaires were included in the analysis. Data analysis is performed in the following order: Descriptive statistics to generalize data; analyzing the reliability of the scale through the Cronbach Alpha coefficient and correlation analysis. Data analysis techniques were performed using SPSS software.

4. RESULTS

Descriptive Statistics

Table 1 indicates that the respondents agree with the independent variables (the financial resources) and dependent variables (competitiveness) of small and medium enterprises in Phu Tho province, where respectively five attributes and four attributes were quite high. All nine attributes were rated at an average of 4.22 or higher.

Table 1. 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 Phu Tho province (FR)									
FR1	185	2	5	4.26	0.692	-0.504	0.179	-0.419	0.355
FR2	185	2	5	4.34	0.721	-0.704	0.179	-0.440	0.355
FR3	185	2	5	4.30	0.717	-0.600	0.179	-0.519	0.355
FR4	185	2	5	4.28	0.742	-0.586	0.179	-0.686	0.355
FR5	185	2	5	4.30	0.678	-0.552	0.179	-0.292	0.355

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Valid N (listwise)	185			**4.30**					
The competitiveness of SMEs in Phu Tho province (C)									
C1	185	2	5	4.30	0.719	-0.613	0.179	-0.517	0.355
C2	185	2	5	4.25	0.709	-0.491	0.179	-0.550	0.355
C3	185	2	5	4.22	0.729	-0.455	0.179	-0.706	0.355
C4	185	2	5	4.25	0.672	-0.459	0.179	-0.299	0.355
Valid N (listwise)	185			**4.26**					

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

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 (>0.7). 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 2. Results of Cronbach's alpha testing of attributes and item-total statistics

FR				
Cronbach's Alpha	N of Items			
.872	5			
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
FR1	17.22	5.551	0.708	0.842
FR2	17.14	5.567	0.662	0.853
FR3	17.18	5.455	0.707	0.842
FR4	17.20	5.324	0.719	0.839
FR5	17.18	5.640	0.695	0.846
C				
Cronbach's Alpha	N of Items			
.826	4			
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
C1	12.72	3.114	0.645	0.784
C2	12.78	3.163	0.634	0.788
C3	12.81	3.049	0.661	0.776
C4	12.77	3.209	0.667	0.775

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

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

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The results of Bartlett's test examining the hypothesis of correlation between observed variables show that the KMO index, respectively, is 0.862 and 0.784, greater than 0.5 (>0.5); the extracted variance, respectively, is 66.165% and 65.790% (>50%), which means that these 5 and 4 observed variables explain 66.165% and 65.790% 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 five components of the financial resources and four components of the competitiveness of small and medium enterprises in Phu Tho province (Hoang & Chu, 2008; Hair et al., 2014).

Table 4: KMO and Bartlett's Test

FR	**KMO and Bartlett's Test**	
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.862
Bartlett's Test of Sphericity	Approx. Chi-Square	420.568
	Df	10
	Sig.	.000
C	**KMO and Bartlett's Test**	
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.784
Bartlett's Test of Sphericity	Approx. Chi-Square	260.873
	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 %
FR						
1	3.308	66.165	66.165	3.308	66.165	66.165
2	0.549	10.990	77.155			
3	0.439	8.772	85.927			
4	0.365	7.300	93.228			
5	0.339	6.772	100.000			
C						
1	2.632	65.790	65.790	2.632	65.790	65.790
2	0.548	13.702	79.492			
3	0.466	11.644	91.136			
4	0.355	8.864	100.000			

Extraction Method: Principal Component Analysis.

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

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Table 6: Component Matrix[a]

	Component
FR	1
FR4	0.828
FR1	0.822
FR3	0.821
FR5	0.811
FR2	0.784
C	Component
	1
C4	0,822
C3	0,817
C1	0,806
C2	0,799

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

Correlation Analysis

The results of the correlation matrix are indicated in Table 7. The correlation coefficients of financial resources with the competitiveness of small and medium enterprises in Phu Tho province are greater than 0, reflecting a positive relationship. In addition, the values of sig. are more than 0.05, which means that all variables are not interrelated (Hair, Black, Babin, & Anderson, 2009).

Table 7: Correlations

		Competitiveness	Financial resources
Competitiveness	Pearson Correlation	1	0.116
	Sig. (2-tailed)		0.115
	N	185	185
Financial resources	Pearson Correlation	0.116	1
	Sig. (2-tailed)	0.115	
	N	185	185

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

Thus, there is no basis to conclude about the influence of financial resources on the competitiveness of SMEs in Phu Tho province. Future research should expand on independent variables that affect SMEs' competitiveness in addition to financial resources. In addition, future studies should also expand the sample size and spatial scope to increase the reliability of the research results.

5. DISCUSSION AND IMPLICATIONS

Phu Tho is a province in the Northern Midlands and Mountains region with great potential and particularly important significance in the socio-economic, national defense, security, and foreign

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affairs of the country. In the development process of Phu Tho province, firms in general and SMEs in particular play an important role as the main nucleus of the economy. In Phu Tho province, the position of SMEs is increasingly important, the most basic of which is creating jobs, increasing income for workers, and thereby contributing to the implementation of national goals on sustainable development, contributing part of the economic restructuring towards effective dynamism (Diep et al., 2021).

In light of the COVID-19 pandemic's devastating effects, SMEs in Phu Tho Province must increase their ability for innovation in order to transform their business practices and create new goods. Enhancing business performance can be achieved by utilizing network knowledge and adjusting to the environment with a focus on the market. Furthermore, in light of the effects of regional economic integration and globalization, a firm's competitiveness and ability to adapt to changing consumer preferences depend heavily on its capacity to recognize and adapt to market developments. Businesses can specifically reshape their competitiveness by closely examining the elements of dynamic capabilities. This allows them to develop plans and programs to foster the growth of dynamic capabilities, which gives them a competitive edge and enhances business performance.

For Phu Tho province, SMEs development policies should focus on factors that increase competitiveness through supporting SMEs to access international markets, support human resource development, or support investment. Product research and development should be conducted by SMEs because it can be related to competitiveness for the entire industry and have a positive impact on improving the performance of SMEs.

Small and medium-sized enterprises (SMEs) ought to enhance their financial capability, as inadequate financial capacity will restrict their ability to draw in outside funding and make it more challenging for businesses to make financial decisions overall and to create capital through the structuring of financial resources specifically.

SMEs should improve their capacity to get regional assistance programs. Companies must create a department dedicated to researching legal documents, enhance their managerial capabilities, and assemble a top-notch staff. For people to simply access credit connections and obtain support policies, document information must be clear. It's crucial to proactively educate yourself on support policies appropriate for every sector and domain. It will provide timely answers to concerns from businesses and detailed instructions for resolving issues with getting support policies.

SMEs ought to encourage funding for branding, trade show promotion, and market research. In order to assist business leaders in effectively planning business strategies and marketing strategies, companies must establish and staff a marketing department with highly skilled personnel with experience in market research and forecasting. Concentrate on developing a brand to draw in

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outside resources like money, technology, and labor, as well as to facilitate partner recruitment and market expansion.

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