



RESEARCH ARTICLE

## A Study of Support Policy for SMES in Ho Chi Minh City

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ARTICLE INFO	ABSTRACT
Received: Oct 12, 2024 Accepted: Dec 27, 2024	Small and medium enterprises (SMEs) always hold a very important position in the economy, with the majority in terms of quantity, accounting for approximately 97% of the total number of operating enterprises, contributing about 45% to the Gross Domestic Product (GDP), and more than 30% to the total State budget revenue (General Statistics Office, 2020). However, small and medium enterprises (SMEs) have limitations in terms of capital, revenue or labor. This article researches, discusses, and measures support policies for small and medium-sized enterprises (SMEs) in Ho Chi Minh City. The study uses survey data of the board of directors and sales managers of over 100 SMEs in Ho Chi Minh City combined with in-depth interview methods and the analysis tool SPSS software. We used descriptive statistics and analyzed the reliability of the scales through the Cronbach alpha coefficient, EFA analysis and ANOVA analysis. Research results show that support policies for small and medium-sized enterprises in Ho Chi Minh City are highly appreciated by respondents. There is not a statistically significant difference in the support policy for small and medium enterprises in Ho Chi Minh City between these different business operating times. From there, the study suggests recommendations for the Ho Chi Minh City People's Committee to improve the business performance of SMEs.
<b>Keywords</b>	
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### 1. INTRODUCTION

In the context of international integration, SMEs in Ho Chi Minh City often face tremendous competitive pressures from both inside and outside. Their competitors come not only from within the country but also from abroad, with much larger scale and resources, bringing many challenges to SMEs. On the path to expanding trade relations with international markets, the Vietnamese business system is increasingly focusing on promoting compliance with regulations on business ethics and social and environmental responsibility. They are also looking for solutions to address issues related to sustainable development.

According to the Ministry of Planning and Investment (2021), SMEs always hold a very important position in the economy, with the majority in terms of quantity, accounting for approximately 97% of the total number of operating enterprises, contributing about 45% to the Gross Domestic Product (GDP), and more than 30% to the total State budget revenue.

According to Pham (2023), the contribution of SMEs to Ho Chi Minh City's economic growth in the period 2011 - 2021 was at an average of 23.0%, maintained between 18.7 and 26.7%, contributing to creating about 60% of the workforce for Ho Chi Minh City. By the end of 2023, SMEs in Ho Chi Minh

City increased in both quantity and proportion with the figures of 560,000 and 99%, respectively (Tu Vien, 2024).

Ho Chi Minh City also pays great attention to the SME system; specifically, Ho Chi Minh City has allocated about 77% of its investment structure for SMEs out of a total of 300,000 billion VND (Truong, 2024).

## 2. LITERATURE REVIEW

Mai (2016) asserts that in the current environment, the government must assist small and medium-sized businesses in overcoming obstacles in order to promote sustainable development. Production facilities, access to finance sources, technical innovation, training of human resources, market accessibility, and—above all—establishing a business-friendly legal and regulatory environment are all issues that the state must address in order to better assist small and medium-sized businesses. Therefore, the state's options are to: keep improving the legal framework; establish a business-friendly environment for companies engaged in production and business operations; provide capital to small and medium-sized businesses by making it easier for them to obtain financial and credit services; actively assist small and medium-sized businesses with regard to land and production facilities; Encourage support for small and medium-sized businesses in terms of market and trade promotion; concentrate on helping small and medium-sized businesses with human resource training; and aggressively assist them in rapidly innovating technology.

According to Hiep (2024), on October 22, 2024, the People's Committee of Ho Chi Minh City issued a plan to implement support for small and medium enterprises in 2025. The plan to support small and medium enterprises in 2025 includes: Information support and consultation for small and medium enterprises: publish on the portal/website of the agency or unit information on plans, programs, and activities to support small and medium enterprises; information on markets, products, technology, creative startups, participation in industry linkages, value chains, and other information suitable to the needs of enterprises; strengthen information and propaganda work on the network of consultants and support for small and medium enterprises at the website <https://business.gov.vn/> of the Department of Enterprise Development (Ministry of Planning and Investment) to know the list of consultants with sufficient expertise and qualifications to provide consulting services to businesses or individuals in need of support.

According to Tu Vien (2024), in 2024, Ho Chi Minh City will continue to promote 5 policies to support small and medium enterprises, such as capital support solutions, production and business support, etc. The city will continue to implement effective solutions to remove difficulties, stimulate demand, and motivate this business sector such as promoting socialization, public-private partnership, encouraging investment, and improving the competitiveness of enterprises in the city by 2025; implementing solutions to improve the business environment, investment environment, and improve the provincial competitiveness index (PCI) of the city according to the annual plan in accordance with the actual situation; The City People's Committee has issued Decision No. 672/QĐ-UBND approving the Project to support the development of the innovative startup ecosystem in Ho Chi Minh City for the period 2021 - 2025. Ho Chi Minh City also pays special attention to solutions and policies to support small and medium enterprises. By December 31, 2023, the city has over 560,000 enterprises, more than 99% of which are small and medium enterprises. Ho Chi Minh City's GRDP in 2023 will increase by 5.81%, with significant contributions from enterprises.

According to Hiep (2024b), the Ho Chi Minh City People's Committee has just issued a plan to support small and medium-sized enterprises in digital transformation in Ho Chi Minh City until 2025. The plan aims to implement contents to support small and medium-sized enterprises in digital transformation to optimize operations, improve production and business efficiency, capacity and competitive advantage, contributing to the socio-economic development of the city. Ho Chi Minh City also supports consulting costs and digital transformation solutions for small and medium-sized enterprises in digital transformation according to Decree No. 80/2021/ND-CP dated August 26, 2021, of the Government detailing and guiding the implementation of a number of articles of the Law on Support for Small and Medium Enterprises. Departments, branches, sectors, and people's committees of districts, towns, and cities. Thu Duc, social and professional organizations in the city proactively base their needs on small and medium enterprises in the fields and areas under their

management, develop plans and propose needs and support funding, send them to the Department of Planning and Investment for synthesis, advise and submit them to the City People's Committee.

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

**Table 1: Observed variables: support policies for small and medium-sized enterprises in Ho Chi Minh city**

<b>The support policies (SP)</b>	
SP1	SMEs can simply and conveniently access Ho Chi Minh City's firm support policies.
SP2	Ho Chi Minh City's development assistance programs for SMEs are effective.
SP3	The system for managing governmental agencies in Ho Chi Minh City is transparent and easy to comprehend.
SP4	Policies that make it easier for SMEs to get loans are quite effective.

### 3. RESEARCH METHODS

We used mixed methods, both quantitative and qualitative, to evaluate and explain the differences in the support policy for SMEs in Ho Chi Minh City.

Using the qualitative approach first, we examined earlier research and interviewed the board of directors of SMEs in Ho Chi Minh City to assess and determine the support policy for SMEs. However, because their research was grounded in foreign experience, we attempt to offer an improved framework by combining their ideas, modifying the questions' observation factors, and applying it to the Ho Chi Minh City SMEs.

Then, we use quantitative components, including the use of questionnaires as inputs for the descriptive statistics, Cronbach's alpha analysis, exploratory factor analysis (EFA), and ANOVA analysis, to investigate the support policy for SMEs in Ho Chi Minh City.

Participants in surveys and interviews are part of the selective sampling process. The number of observation variables in which participants were engaged in their regular work in SMEs served as the basis for selection. As a result, all participants in our sample (100%) work as the board of directors and sales managers in SMEs in Ho Chi Minh City. The survey findings were more dependable because of the employees' knowledge and abilities (see table 2).

**Table 2: Respondents by genders, academic level, and business operating time**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
<b>Genders</b>			
Female	77	33.5	33.5
Male	153	66.5	100.0
<b>Academic level</b>			
Bachelor or higher	196	85.2	85.2
College or intermediate level	34	14.8	100.0
<b>Business operating time</b>			
Less than 5 years	61	26.5	26.5
5 to 15 years	86	37.4	63.9
15 years or higher	83	36.1	100.0
<b>Total</b>	<b>230</b>		

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

Information on the data collected is shown in Table 2. It shows that among them, males account for 66.5%, while females are 77 people, accounting for 33.5%. Among the respondents, 85.2% of the participants have a qualified bachelor's degree or higher, and 14.8% of the participants have a qualified college or intermediate level. Of these respondents, 26.5% have worked for SMEs with business operating time less than 5 years, 37.4% have worked for SMEs with business operating time 5 to 15 years, and 36.1% have worked for SMEs with business operating time 15 years or higher.

## 4. RESULTS

### Descriptive statistics

**Table 3: Descriptive statistics explaining the scales of support policy for SMEs in Ho Chi Minh City**

Code	N	Min	Max	Mean	Std. Deviation	Skewness		Kurtosis	
						Statistic	Std. Error	Statistic	Std. Error
CWMS1	230	1.0	5.0	3.591	.6854	-1.811	.160	4.177	.320
CWMS2	230	1.0	5.0	3.452	.7734	-.696	.160	1.553	.320
CWMS3	230	1.0	5.0	3.548	.7024	-1.468	.160	3.276	.320
CWMS4	230	1.0	5.0	3.635	.7456	-1.268	.160	3.018	.320
Valid N (listwise)	230			3.557					

Source: Author's synthesis and from SPSS software

The statistical results from Table 3 show that the survey subjects agree with the variable that the support policy for SMEs in Ho Chi Minh City includes 4 component attributes as above, which is average with an average value of 3.557 compared to the highest level of the 5-point Likerts scale. All 4 attributes are rated at an average level of 3.452 or higher.

### Cronbach's alpha

The scales were analyzed for reliability using 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 (> 0.9). 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 4. Results of Cronbach's alpha testing of attributes and item-total statistics**

Cronbach's Alpha	N of Items			
.947	4			
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
SP1	10.635	4.233	.925	.916
SP2	10.774	4.115	.828	.946
SP3	10.678	4.228	.897	.924
SP4	10.591	4.164	.851	.938

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

### Exploratory factor analysis (EFA)

Next, tables 5, 6, and 7 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 0.835, greater than 0.5 (>0.5); the extracted variance is 86.762% (>50%), which means that these 4 observed variables explain 86.762% 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 Ho Chi Minh City (Hoang & Chu, 2008; Hair et al., 2014).

**Table 5: KMO and Bartlett's test**

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.835
Bartlett's Test of Sphericity	Approx. Chi-Square	984.321

	Df	6
	Sig.	.000

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

**Table 6: Total variance explained**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.470	86.762	86.762	3.470	86.762	86.762
2	.246	6.161	92.923			
3	.211	5.267	98.190			
4	.072	1.810	100.000			

Extraction method: principal component analysis.

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

**Table 7: Component matrix<sup>a</sup>**

	Component
<b>SP</b>	<b>1</b>
SP1	.961
SP3	.946
SP4	.917
SP2	.901

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

### ANOVA – business operating times

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 Ho Chi Minh City between the three subjects, including participants who are working for SMEs with business operating times less than 5 years, from 5 to 15 years, and 15 years or higher. Table 8 shows that the sig Levene statistic of 0.884 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 9 shows that sig. is 0.738, 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 Ho Chi Minh City between the mentioned three groups of business operating times (Hoang & Chu, 2008; Hair et al., 2009; Hair et al., 2014).

**Table 8: Test of homogeneity of variances**

Levene Statistic	df1	df2	Sig.
.123	2	227	.884

Source: Prepared by the authors (2023) and SPSS software

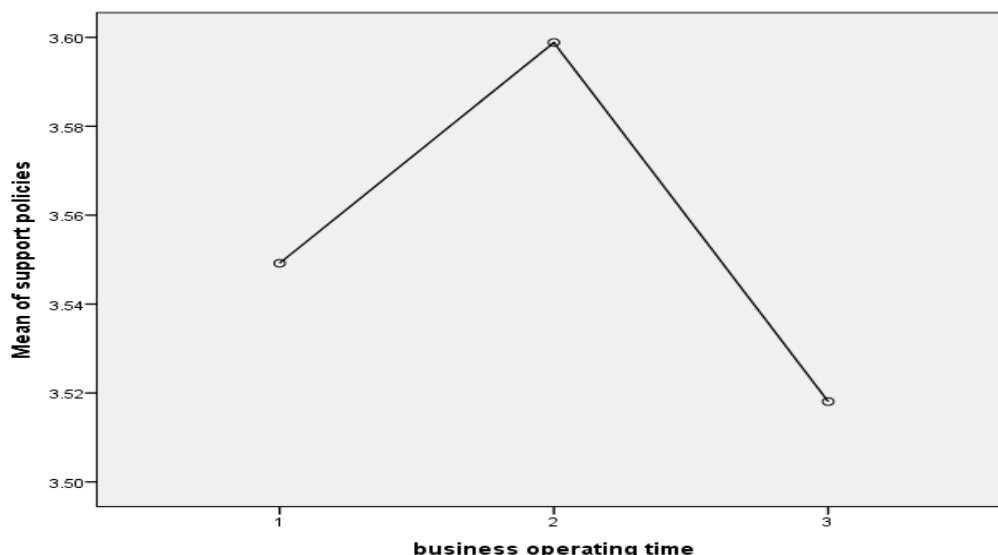
**Table 9: ANOVA**

SP	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	.280	2	.140	.305	.738
Within Groups	104.360	227	.460		
Total	104.640	229			

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

### The relationship between the support policy for small and medium enterprises in Ho Chi Minh city- business operating times

Next, the line graph shows the relationship between the support policy for small and medium enterprises in Ho Chi Minh City and each respondent's business operating times (Figure 1). Figure 1 shows that this line tends to slope up when the respondents have business operating times from 5 to 15 years but tends to go down 15 years or higher.



**Figure 1: The line graph shows the relationship between the support policy for small and medium enterprises in Ho Chi Minh City and each respondent's business operating times.**

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

## 5. DISCUSSION AND IMPLICATIONS

To encourage SMEs to engage in business and production, as well as in R&D and digital technologies, the government should offer a credit program with low or no interest rates. It assists SMEs in lessening their initial financial strain at that point.

It is recommended that the government implement preferential tax policies, such as tax exemptions or tax reductions, for investments and activities associated with digital transformation, priority industrial groups, and research and development. SMEs will ease financial strain at that point.

SMEs should get direct support from the Ho Chi Minh City People's Committee and financial institutions to carry out commercial, production, and digital transformation projects. This includes everything from buying manufacturing lines and equipment to setting up and managing the system.

To assist SMEs in gaining the abilities and information required to successfully execute production, business, and digital transformation, the Ho Chi Minh City People's Committee ought to offer a variety of training and assistance initiatives.

Departments, branches, sectors and localities proactively add content to support small and medium enterprises in the annual plans of agencies and units to organize implementation in a specific, effective manner and in accordance with the actual situation of the locality; strengthen unity and close coordination between levels and sectors to facilitate implementation, ensuring good performance of the task of supporting small and medium enterprises in Ho Chi Minh City (Hiep, 2024).

Entrepreneurs and businesses in Ho Chi Minh City need to promote the spirit of innovation, apply scientific and technological advances, and digital transformation in production and business activities; improve competitiveness; and be aware of complying with legal regulations in accessing, coordinating and effectively organizing the implementation of support resources (Hiep, 2024).

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