



## RESEARCH ARTICLE

## Financial Resources and Business Performance of Small and Medium Enterprises

Tran Huy Hung<sup>1</sup>, Pham Hoang Anh<sup>2\*</sup>, Pham Van Dang<sup>3</sup><sup>1</sup> University of Labour and Social Affairs, Vietnam<sup>2,3</sup> Hanoi University of Business and Technology, Vietnam**ARTICLE INFO**

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**\*Corresponding Author:**

hoanganhdhp@gmail.com

**ABSTRACT**

In terms of scale, among the SMEs operating in Thai Binh province, SMEs in the non-state sector account for the largest proportion. This shows that SMEs in the non-state sector contribute an important part to Thai Binh province's economy. This may represent the development and performance enhancement of firms in this area. This study evaluates, analyzes, and measures the influence of financial resources on the business performance of small and medium enterprises in Thai Binh province to propose some recommendations to help small and medium enterprises in Thai Binh province improve business performance and expand scale. A survey was conducted with the participation of 360 employees of SMEs in Thai Binh province, including the board of directors, accounting department and sales department. Analytical methods such as descriptive statistics, the Cronbach alpha coefficient, EFA analysis, and correlation analysis are used to test and measure the scales. Research results show that financial resources have a positive influence on the business performance of small and medium enterprises in Thai Binh province. This research uses the contents of the financial resources of firms and the business performance of firms based on prior studies in the realm of firms. Within the context of digital technology, these variables are useful solutions for SMEs.

**INTRODUCTION**

Small and medium-sized enterprises (SMEs) are especially crucial to advancing each nation's socioeconomic development. By utilizing local resources and potential, SMEs not only provide a significant amount of commodities for society and numerous jobs for workers, but they also give a portion of the population a reliable source of income.

According to earlier research, SMEs lack the financial capital resources necessary to sustain their performance (Owusu et al., 2019). According to data from the European Central Bank (ECB) (2015), SMEs rarely raised money through financial channels. The corresponding loan and equity investment ratios for SMEs in Austria, Germany, Belgium, and Ireland are 0.2, 0.3, 0.6, and 2.6%, respectively. Many SMEs have not benefited from these ratios (Moscalu et al., 2020).

Examples of how firms' financial resources are essential to socioeconomic growth include the following: (i) Promoting growth quality: Financial resources enable investment in sectors and services, which promotes growth quality and the restructuring of the economy. It also fosters the development of science and technology and expands manufacturing capacity. (ii) Make strategic investments: Significant financial resources can be devoted to the provision of employment,

healthcare, and education in order to meet societal expectations. If significant financial resources are raised, these sectors might expand.

The COVID-19 pandemic and economic integration will present challenges and barriers for SMEs in Thai Binh province. This means that companies themselves must constantly innovate, develop, and expand. One of these topics is improving corporate performance, which is also a popular subject for research both domestically and abroad.

Some small and medium-sized enterprises have had poor commercial performance, and some have even had financial losses in recent years, according to field observations and real data. Small and medium-sized businesses' inadequate and constrained financial resources are among the causes. Thus, this study is important from a theoretical and experimental standpoint.

## **THEORETICAL BASIS AND LITERATURE REVIEW**

### **Financial resources (FR)**

Retained profits, bank loans, other sources (with interest rate), friends and family (no interest), other sources (non-interest), issuing new shares, and other financial means are among the financial resources for new investments for small and medium-sized businesses, according to Le (2016).

The financial resources of SMEs include (i) firms that have advantages in accessing the capital market; (ii) firms that have the ability to meet loan conditions (loan documents, collateral, business plan, etc.); and (iii) firms that always have enough capital to meet production and business needs and innovate technology to improve product and service quality, according to research by Tan (2019) on SMEs in Da Nang and Dang et al. (2022) on factors affecting the development of SMEs.

In addition to incorporating the three component attributes of an enterprise's financial resources from the research findings of Dang et al. (2022), Tan (2019), and expert interviews, Do (2023) also mentions the financial resources of SMEs in Thanh Hoa province. Two additional component attributes of an enterprise's financial resources are (i) the enterprise's ability to use capital in business effectively and (ii) the enterprise always pays its debts in full and on time.

The following components make up an organization's financial resource structure, per Hoang et al. (2024): (i) The funds utilized to sustain and expand the commercial and production operations of the enterprise are known as enterprise capital. Liabilities to stakeholders and equity from shareholders are included in this. (ii) All business funds: This includes cash, bank deposits, and assets that behave similarly to money, like stocks, cheques, and other comparable assets. Businesses use this company capital to pay accounts payable and cover their everyday expenses. (iii) Other financial resources include assets that can be converted into cash quickly, such as easily sold assets or profitable investments. These are flexible resources that firms can take advantage of to meet their financial and investment needs. The authors conclude that financial resources of SMEs in Hanoi include 5 components: FR1, FR2, FR3, FR4, and FR5.

### **Business performance**

According to Lin and Kuo (2007), business performance is a measure of how successfully an organization achieves its objectives. New or improved attempts to attain growth and profitability lead to business performance, which is the total accomplishments of the company (Gunday et al., 2011).

Different disciplines, including strategy, finance, operations, human resources, and marketing, have rather different perspectives on how well a business is performing (FrancoSantos et al., 2007). In business performance, "outputs" are frequently the focus, but it can also be assessed using the Balanced Scorecard (BSC) or other multifaceted organizational strategy components.

Companies can measure long-term, steady success and develop effective strategies by using both financial and non-financial criteria (Avci et al., 2011).

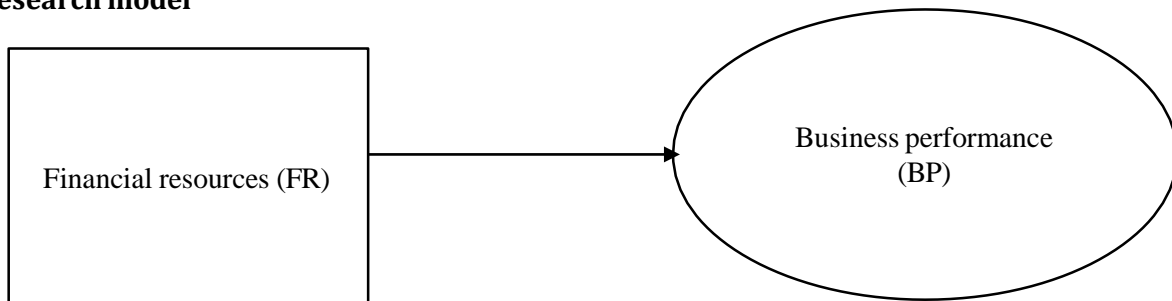
According to Al-Ansari et al. (2013), financial or non-financial indicators are used to convey the kinds of indicators that are frequently used in research to gauge an organization's business success, such as market share, profit, revenue growth, and customer satisfaction.

Because different business industries and profit-making strategies differ, it is challenging to gauge business performance (Nasip et al., 2017).

According to Yaskun et al. (2023), a competitive edge will improve MSMEs' business performance by boosting sales, earnings, and client base.

## METHODOLOGY

### Research model



**Figure 1: Research model**

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

Business performance (BP): Includes 5 observed variables (BP1, BP2, BP3, BP4 and BP5) inherited from the research results of Huong et al. (2023).

### Methods of sample selection, data collection, and processing

The study assessed and measured financial resources, business performance, and the effect of financial resources on business performance of SMEs in Thai Binh province using both qualitative and quantitative research methodologies.

The survey subjects in the study were employees working in the financial accounting department, sales department, and board of directors of small and medium-sized enterprises in Thai Binh province. EFA analysis requires a sample size that is at least five times the number of observed variables (Hair et al., 1998). Tabachnick & Fidell (2007) state that the minimal sample size for multivariate regression must satisfy the formula  $n \geq 50 + 8p$ , where  $p$  is the number of independent variables. One independent variable and one dependent variable are part of the suggested study paradigm. Ten observed variables make up the independent and dependent variables' measurement scale. The aforementioned computation indicates that 58 samples are required for the survey. The author team surveys 120 small and medium-sized enterprises in the province of Thai Binh directly and online. The survey method should be convenient and non-probability during the time frame of March 1, 2024, to May 1, 2024.

The collected data will be carefully checked before being imported into the software, then cleaned and edited. Finally, 245 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, EFA analyzing and correlation analysis. Data analysis techniques were performed using SPSS software.

## Research hypothesis

Using random sampling, Widodo (2023) employed verification techniques on a sample of 200 respondents. Lisrel was used to evaluate the data using structural equation models (SEM). The findings indicate that knowledge management and entrepreneurial orientation significantly impact SMEs' business performance and competitive advantage, and that the relationship between these two factors and SMEs' business performance in West Java can act as a mediator of competitive advantage.

H1: The business performance of SMEs is positively impacted by financial resources.

## RESULTS

### Descriptive Statistics

Table 1 indicates that the respondents agree with the independent variables (the financial resources) and dependent variables (business performance) of small and medium enterprises in Thai Binh province, where respectively five attributes and five attributes were average. All nine attributes were rated at an average of 2.845 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 Thai Binh province (FR)									
FR1	245	1.0	5.0	3.090	.8871	.391	.156	-.155	.310
FR2	245	1.0	5.0	3.155	.8827	-.381	.156	.061	.310
FR3	245	1.0	5.0	3.371	.9942	-.573	.156	-.057	.310
FR4	245	1.0	5.0	2.845	.8592	-.126	.156	.231	.310
FR5	245	1.0	5.0	3.327	.9956	-.592	.156	-.031	.310
Valid N (listwise)	245			3.158					
The business performance of SMEs in Thai Binh province (BP)									
BP1	245	1.0	5.0	3.539	.9074	-.249	.156	.151	.310
BP2	245	1.0	5.0	3.580	.9182	-.637	.156	.665	.310
BP3	245	1.0	5.0	3.400	.8843	-.482	.156	.353	.310
BP4	245	1.0	5.0	3.473	.8709	-.368	.156	.162	.310
BP5	245	1.0	5.0	3.327	.8960	-.450	.156	.198	.310
Valid N (listwise)	245			3.464					

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 (>0.8). All observed variables on the scales have an item-total correlation greater than 0.3 (see table 2). 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**

<b>FR</b>				
Cronbach's Alpha	N of Items			
.866	5			
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
FR1	12.698	9.900	.585	.862
FR2	12.633	9.889	.592	.861
FR3	12.416	8.351	.803	.807
FR4	12.943	9.710	.655	.846
FR5	12.461	8.299	.813	.804
<b>BP</b>				
Cronbach's Alpha	N of Items			
.890	5			
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
BP1	13.780	9.295	.686	.876
BP2	13.739	8.940	.753	.861
BP3	13.918	8.961	.788	.853
BP4	13.845	9.410	.701	.873
BP5	13.992	9.147	.731	.866

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

Next, tables 3, 4, and 5 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, respectively, is 0.847 and 0.880, greater than 0.5 (>0.5); the extracted variance, respectively, is 65.262% and 69.493% (>50%), which means that these 5 and 5 observed variables explain 65.262% and 69.493% 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 five components of the business performance of small and medium enterprises in Thai Binh province (Hoang & Chu, 2008; Hair et al., 2014).

**Table 3: KMO and Bartlett's Test**

<b>FR</b>		<b>KMO and Bartlett's Test</b>	
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.847	
Bartlett's Test of Sphericity	Approx. Chi-Square	607.956	
	Df	10	

	Sig.	.000
BP	KMO and Bartlett's Test	
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.880
Bartlett's Test of Sphericity	Approx. Chi-Square	650.017
	Df	10
	Sig.	.000

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

**Table 4: Total Variance Explained**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
FR						
1	3.263	65.262	65.262	3.263	65.262	65.262
2	.621	12.417	77.680			
3	.513	10.259	87.939			
4	.417	8.337	96.276			
5	.186	3.724	100.000			
BP						
1	3.475	69.493	69.493	3.475	69.493	69.493
2	.450	9.004	78.497			
3	.428	8.559	87.056			
4	.383	7.651	94.707			
5	.265	5.293	100.000			

Extraction Method: Principal Component Analysis.

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

**Table 5: Component Matrix<sup>a</sup>**

FR	Component
	1
FR5	.897
FR3	.891
FR4	.782
FR2	.729
FR1	.722
BP	Component
	1
BP3	.874
BP2	.850
BP5	.833
BP4	.810
BP1	.798

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

### Correlation Analysis

The results of the correlation matrix are indicated in Table 6. The correlation coefficients of financial resources with the business performance of small and medium enterprises in Thai Binh province are greater than 0, reflecting a positive relationship. In addition, the values of sig. are less than 0.05, which means that there is a linear relationship between these independent variables and the dependent variable. (Hair, Black, Babin, & Anderson, 2009).

**Table 6: Correlations**

		<b>Business performance</b>	<b>Financial resources</b>
Business performance	Pearson Correlation	1	0.325**
	Sig. (2-tailed)		0.000
	N	245	245
Financial resources	Pearson Correlation	0.325**	1
	Sig. (2-tailed)	0.000	
	N	245	245

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

Thus, there is basis to conclude about the influence of financial resources on the business performance of SMEs in Thai Binh province. Future research should expand on independent variables that affect SMEs' business performance 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.

## **DISCUSSION AND IMPLICATIONS**

Financial resources are crucial for raising living standards, guaranteeing steady market expansion, and advancing the community's overall development.

Given the severe impacts of the COVID-19 epidemic, SMEs in Thai Binh Province need to become more innovative in order to change the way they do business and produce new products. Utilizing network knowledge and adapting to the environment with a market-focused approach can improve business performance. Furthermore, given the consequences of globalization and regional economic integration, a company's competitiveness and ability to adjust to shifting consumer preferences are greatly influenced by its ability to identify and respond to market developments. By carefully analyzing the components of dynamic capabilities, firms can particularly redefine their competitiveness.

Thai Binh province's small and medium-sized enterprises (SMEs) should improve their financial capacity because a lack of it will limit their ability to attract outside funding and make it more difficult for them to make financial decisions in general and to generate capital through the specific structuring of financial resources.

SMEs should increase their ability to access regional aid initiatives. It is imperative that businesses establish a legal research department, improve their managerial skills, and hire top talent. Document information must be clear so that consumers may easily access credit connections and acquire help policies. Learning about support policies that are suitable for each sector and domain is essential. It will offer prompt responses to business concerns as well as comprehensive guidance on how to resolve problems with obtaining support policies.

Funding for market research, trade show promotion, and branding should be encouraged by SMEs. Companies must set up and staff a marketing department with highly qualified individuals with experience in market research and forecasting in order to help business leaders create business plans and marketing strategies. Focus on building a brand to attract external resources like as capital, technology, and labor, as well as to make partner acquisition and market expansion easier.

Experts that conducted expert interviews came to the conclusion that SMEs in Thai Binh province are more efficient when they use more external financial resources. To increase productivity and guarantee the long-term growth of their businesses, SMEs should thus more effectively deploy outside resources.

SMEs should increase their financial capacity because a lack of it will restrict their ability to obtain and draw in outside funding, which will make it more difficult for businesses to make financial decisions in general and to raise capital through the specific structuring of financial resources.

Thai Binh province's small and medium-sized enterprises should implement training policies and provide management leaders with training on innovation, product innovation, and processes in order to increase their capacity. techniques for creating a vision and company plans that are founded on leadership techniques: talking to staff members, sharing information, and giving them credit for their accomplishments.

In order to create human resources with innovation capacity—that is, the knowledge and abilities to practice innovation—SMEs in Thai Binh province should create human resource management policies and innovation plans that incorporate product innovation. Provide training to staff members to increase their capacity for innovation.

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