

## **Factors Affecting Access to Finance By Small and Medium Enterprises In Vietnam**

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**ABSTRACT:** *The small and medium-sized enterprises (SMEs) play an important role for economic growth in Vietnam. Access to finance is necessary in order to initiate, operate, develop and facilitate growth conditions of all businesses. Therefore, this study aims to determine factors affecting access to finance of SMEs in Vietnam. The study adopted a survey research design that employed a stratified random sampling. The primary data was collected from 400 SMEs via structured questionnaires. The Cronbach's Alpha testing methods, the exploratory factor analysis (EFA), ANOVA analysis and multivariate linear regression analysis were used in this study. The study results indicate that there are six factors significantly affecting access to finance of SMEs in Vietnam including managerial experience, the owner-manager's financial literacy, business plan, financial management regulations, the owner-manager's education and business size.*

**Key words:** *Access to finance, small and medium-sized enterprises, Binh Duong Province*

### **I. INTRODUCTION**

According to Nguyen ThiHien (2017) and the statistics of Ministry of Planning and Investment, as of April 20, 2017, there are around 612,000 businesses operating in Vietnam, of which about 97% are SMEs, contributing around 45% of GDP, 31% of total budget revenue and employing more than 5 million workers. However, small and medium-sized enterprises usually have difficulties to access the bank capital. Currently, only about one third of SMEs (less than 36%) among the operating businesses have access to bank capital.

At present, Binh Duong province has the third largest number of operating enterprises in Vietnam, only after Ho Chi Minh City and Ha Noi. According to Binh Duong People's Committee (2017), Gross Regional Domestic Product (GRDP) in 2017 increased by about 9.5%, collected budget at around 1.74 billion USD; accumulated until 2017, Binh Duong Province has 30,100 domestic enterprises with a total registered capital of 10 billion USD, accounting for more than 90% of the total number of enterprises in the province. 97% of domestic enterprises are small and medium-sized enterprises. Domestic enterprises are employing more than 386,000 employees, accounting for 40% of the working population in the province. However, limited capital has a great impact on business performance, limiting their competitiveness in medium and long term.

There are a number of previous researches on access to finance of SMEs. Harvie et al. (2013) conducted a study on access to finance of SMEs in Asian countries. Adomako et al. (2015), Abrar-ul-hap et al. (2016) examined the impact of access to finance on the development of SMEs. BorjiandGashu (2015), Waari and Mwangi (2015), Osano and Languitone (2016), Mersha and Ayenew (2017) carried out a research on the determinants of access to finance of SMEs. In Vietnam, there are many studies on access to finance of SMEs such as VCCI and USAID (2016), UNU-WIDER and CIEM (2016). Nguyen ThiHien (2017) studied the status of access to finance and the difficulties and obstacles of SMEs in Vietnam when accessing to finance.

A review of previous studies on access to finance of SMEs shows that access to finance has an important role to play in the development of SMEs. Currently, there have been no studies on SMEs' access to finance in Binh Duong Province. In order to help SMEs in Binh Duong Province improve their access to finance, in this study, the authors focus on studying the factors affecting access to finance of SMEs in Binh Duong Province.

### **II. LITERATURE REVIEW**

#### **2.1. Definition of SMEs**

According to the OECD (2016), SMEs and entrepreneurs have been recognized around the world as an important source of the dynamic, creativity and flexibility in advanced industrialized nations as well as in emerging and developing economies. Panitchpakdi (2009), the General Secretary of the United Nations Conference on Trade and Development, defined SMEs as the source of employment, competitiveness, dynamic economy and innovation. Berisha and Pula (2015) argued that there is no single definition that is widely accepted for the SMEs, the current criteria have been revised and have been always in the process of evaluation.

At this time in Vietnam, SME definition has been set out in The Law on SME issued by 04/2017/QH14 decree dated July 14, 2017 of the National Assembly. Under this law, SMEs include micro enterprises, small and medium-sized enterprises, with an average of 200 employees participating in social insurance and satisfying one of the following criteria: the total capital does not exceed 4.3million USD or the total revenue of the preceding year shall not exceed 13million VND. The classification of SMEs in Binh Duong Province according to the criteria of turnover of Government Decree No. 39/2018/NĐ-CP dated March 11, 2018 presented in the table 1 shows that by the end of 2016, there are 13,573 SMEs operating in Binh Duong Province; according to turnover, micro – enterprises account for 78%, followed by small and medium enterprises at 19% and 3% respectively.

**Table 1: Classification of SMEs in Binh Duong Province according to turnover**

<b>Enterprises classification</b>	<b>Turnover criteria</b>	<b>Number of enterprises</b>	<b>Percentage</b>
<b>Micro enterprise</b>	Under 0.43 million USD	10,587	78%
<b>Small enterprise</b>	From 0.43million to 4.3million USD	2,579	19%
<b>Medium enterprise</b>	From over 4.3million to 13 million USD	407	3%
<b>Total</b>		13,573	100%

*Source: Enterprise Managerial Statistics of Binh Duong Taxation Department (2017)*

## **2.2. Factors affecting access to finance of SMEs**

### **2.2.1 Managerial Experience**

According to Zarook et al.(2013), managerial experience can be described as the time period that the manager of SMEs has served with similar capability and how well they handle their tasks and their responsibilities in these tasks. The management teams with high quality and clear track records will be able to help SMEs access finance more easily than those with poor track records. According to Isaga (2015), previous experiences from business management, which are demonstrated through the training of a number of skills required to recognize and act on business opportunities, will help enterprises have the ability to increase sales, property, capital and employment. According to Pellissier and Nenzhelele (2013), the entrepreneurs who have who have been doing business for many years will have sufficient skills and experiences to avoid problems impeding access to loans of SMEs and the effective use of debt will lead to the improvement of SMEs’ performances. According to VCCI (2017), effective corporate governance will increase the company’s access to finance, enabling stakeholders accurately evaluate the operation of enterprises.

### **2.2.2 The owner-manager’s financial literacy**

According to OECD, DFID and World Bank (2009), the financial literacy is critical to promoting access to finance by creating incentives and environments encouraging desired financial behaviors such as saving, budgeting or using credit wisely. Financial literacy can affect different loan and investment decisions Harrison (2016). Adomako and Danso (2014) argue that the financial literacy that manifests through the understanding of financial reporting and the understanding of financial ratios leads to better decision making process and the entrepreneurs can access finance easily. Financial literacy has a positive impact on SMEs’ ability to repay their loans(Mutegi et al.,2015). The majority of SMEs’ owners have not read the financial statements, most of them think that accounting jobs, tax reports only serve the main purpose of dealing with government agencies; therefore, it is extremely hard to access finance (VCCI, 2016).

### **2.2.3 Business plan**

Business plan involves setting up a company’s goals, in which strategy is outlined to achieve these goals (Zarook et al., 2013). A good business plan helps SMEs get financial sources from banks, donors or any other financial institutions. EgbunavàAgali (2013) argue that reasonable business plans can reduce the financial management failures, increase productivity and profitability for SMEs. Therefore, it is easier for them to access to finance. An effective business plan is one of the factors contributing to successful financial management, helping businesses access finance more easily (Najib and Baroto, 2016). The adoption of business plan has benefited SMEs in creating a fertile foundation to access finance with the formal lending financial institutions, if SMEs can meet the collateral security requirement in order to minimize the risk involved (Najib and Baroto, 2016).

### **2.2.4 Financial management regulations**

As stated by McMahon et al. (1993), asymmetric information was first introduced in the 1970s and has confirmed its place in the modern economy by the event in 2001 that George Akerlof, Michael Spence and Joseph Stiglitz, the scientists studying this theory, received Nobel Prize in economics. The theory presents three important problems that are adverse selection, moral hazard – the consequence of asymmetric information phenomenon, and signaling – the measures to limit this situation. In order to limit asymmetric information, the theory also indicates the signaling mechanism that is the party with much information can signal the one with less information honestly and reliably to overcome the information imbalance in the market. Solving the asymmetric information problems between the people inside and outside the business is suggested by signal theory. The term signaling refers to the use of real behavior to infer things you cannot observe directly or learn them in the other ways. Thus, the signaling involves the inferences related to the asymmetric information and actions will convey the information and eliminate asymmetric information. As pointed out by Jindrichovska (2013), the owner/managers themselves have a firm grasp of the principles of financial management and they are actively involved in applying them to their own situation. In Vietnam, Vietnamese enterprises are weak on the transparency in financial management that is one of the reasons limiting access to finance (VCCI, 2017).

**2.2.5 Characteristics of enterprises and enterprise owners**

In the research of Adomako et al.(2015), the factors such as company size, company age, industry, age of director, literacy, working experience and gender can explain the difference in company growth at the influential level of financing literacy on the relationship of financial access and growth of company. Osano and Languitone (2016) argue that the availability of collateral, the age of the business, industry, type of business, the age of the owner or manager, the religion of the owner or manager and the size of business determine its ability to access bank credit. Kira and He (2012) argue that the characteristics of the company such as location, industry, size, business information, age, merger and acquisition, and collateral assets affect access to finance of SMEs.

**2.2.6 Access to finance of SMEs**

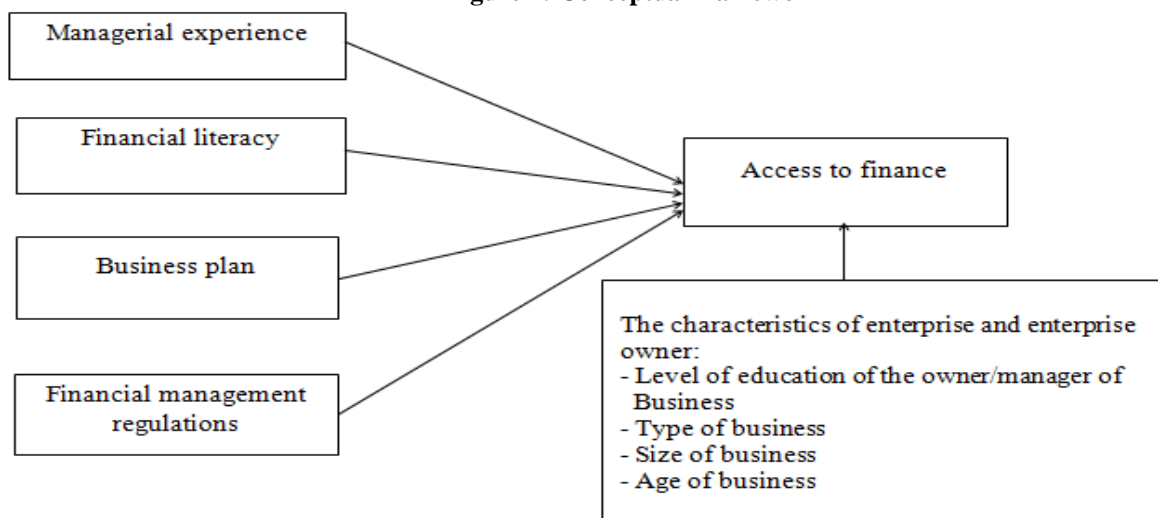
Borji and Gashu (2015) argue that the formal financial institutions cannot meet the credit needs of SMEs, because SMEs cannot meet the requirements such as business plans, managerial system, collateral assets and other accountability issues related to business risk management. Waari and Mwangi(2015) argue that asymmetric information, business risks and transaction costs affect access to finance of SMEs. The availability of collateral, the age of business, the industry, the type of business, the age of the owner or manager, the religion of the owner or manager and the size of business significantly determine the ability to access bank credit (Osano and Languitone, 2016). According to VCCI and USAID (2016), the disadvantages of Vietnamese SMEs in accessing finance are the lack of collateral, young businesses, insufficient managerial experience, small size and no involvement in production networks, ineffective business plan. According to UNU-WIDER and CIEM (2016), in 2015, only 25% of enterprises apply for official loans and 15% of them have difficulty in obtaining loans while larger enterprises have better access to credit.

**III. RESEARCH METHODOLOGY**

**3.1. Conceptual framework**

In this study, the authors develop a model of the factors that affect the SMEs’ access to finance, as shown in figure 1, through the literature review of domestic and foreign literature on access to finance of SMEs.

**Figure 1: Conceptual framework**



Source: synthesized by authors

The dependent variable, which is access to finance, and four quantitative independent variables (managerial experience, financial literacy of the owner, business plan and financial management regulations) are measured by likert scale, from value 1 for completely disagree feedback to value 5 for completely agree feedback. The characteristics of enterprise and enterprise owner include level of education of the owner/manager of business defined by three levels (secondary and college, university and postgraduate), type of business defined by three types (joint stock company (JSC), limited liability company (LLC), and private company), size of business measured by total assets, age of business measured by number of years of operation.

**3.2 Sampling and data collection method**

According to the data of enterprise management of Tax Department of Binh Duong Province, by the end of 2016, there are 13,573 SMEs in the Province (of which the total number of SMEs operating in three areas of Thu Dau Mot City, ThuanAn Town and Di An Town is 9,955, accounted for 73%). The authors conducted a survey of 600 SMEs in three areas (in which there are 196 SMEs in Thu Dau Mot City, 202 SMEs in ThuanAn Town, 202 SMEs in Di An Town) in the form of submitting to the Tax Departments for direct delivery to enterprises from July 2017 to December 2017. The survey results of 400 respondents (67%) are shown in Table 2.

**Table 2: The summary of the number of respondents to survey questionnaires by location and by type of business**

Type of business	Di An Town		Thuan An Town		Thu Dau Mot City		Total	Industry
	%	Number of enterprises	%	Number of enterprises	%	Number of enterprises		
<b>LLC</b>	88%	123	88%	114	89%	116	353	- Wholesale, retail; repair of car, motorcycles, motorbike, and other motor vehicles. - Manufacturing and processing industry - Agriculture – Forestry – Aquaculture - Architecture - Mining industry - Food service
<b>JSC</b>	6%	8	3%	4	4%	5	18	
<b>Private company</b>	6%	8	9%	12	7%	9	29	
<b>Total</b>	100%	140	100%	130	100%	130	400	

Source: Managerial enterprise statistics of Binh Duong Tax Department (2017)

**IV. RESEARCH RESULTS AND DISCUSSION**

To determine the factors affecting access to finance and the important of each factor to the access to finance, the authors use SPSS 2.0 software to support the implementation of reliable testing and statistical analysis of factors through the Cronbach’s Alpha reliability coefficient. Next, authors use the Exploratory Factor Analysis (EFA) to test the factors affecting access to finance. After that, authors use ANOVA analysis, linear regression analysis model.

**4.1 Reliability testing of the research instrument and descriptive statistical analysis**

*4.1.1 Statistical results of the characteristics of enterprises and enterprises owners answered the survey questionnaires*

The statistical results of the characteristics of SMEs in Table 3 show that, in 400 respondents, the majority of enterprises owners graduated from university (61%), and secondary and college (36%). The type of business is mainly LLC (88%). In terms of the size of business, it is mainly the enterprises with total assets of more than 43 thousand USD to 860 thousand USD (74%). In terms of the number of years of operation, the enterprises operating under 5 years account for 60%, and the figure for enterprises operating from 5 to 10 years is 28%.

**Table 3: Statistical results of the characteristics of the SMEs**

Level of education	Type of business	Size of business (asset)		Number of years of operation			
<b>Secondary, College</b>	142	JSC	18	Under 1 billion VND	56	Under 5 years	237
<b>University</b>	243	LLC	353	From 1 billion -20 billion VND	295	From 5 years to 10 years	112
<b>Postgraduate</b>	15	Private company	29	From 20 billion -100 billion VND	49	More than 10 years	51
<b>Total</b>	400	Total	400	Total	400	Total	400

Source: statistical results from survey data, 2017

**4.1.2 Testing of scale reliability**

The testing results of the scale in Table 4 indicate that 24 observation variables all have coefficient of correlation of total variables greater than 0.3, all the scale have the Cronbach's Alpha coefficient in the range of (0.8 to 0.9), indicating that the scales are significant.

**Table 4: The testing results of scale reliability**

Item code	Category	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Managerial experience; Cronbach's Alpha = 0.888			
<b>ME1</b>	You are officially trained in business management	0.763	0.853
<b>ME2</b>	You have the skills to run a business from past experience	0.759	0.856
<b>ME3</b>	Managerial experience in business has helped you to improve your skills to accept new business conditions and competitions	0.757	0.855
<b>ME4</b>	Managerial experience in company has helped you limit risks and know how to deal with the risks	0.746	0.860
Financial literacy; Cronbach's Alpha = 0.850			
<b>FL1</b>	You regularly review financial statements	0.744	0.786
<b>FL2</b>	You have the ability to perform financial analysis based on financial statements	0.584	0.852
<b>FL3</b>	You have the ability to make the tax return	0.722	0.796
<b>FL4</b>	You have the ability to make financial statements for businesses	0.713	0.801
Business plan; Cronbach's Alpha = 0.835			
<b>BP1</b>	Your enterprise does have a specific business plan implemented officially	0.555	0.818
<b>BP2</b>	Your enterprise does look at financial resources when planning	0.666	0.796
<b>BP3</b>	Your enterprise does consider the strength and weakness when planning	0.667	0.795
<b>BP4</b>	Your enterprise does find out the customers' demand when planning	0.617	0.806
<b>BP5</b>	Your enterprise does set out the future business goals	0.581	0.813
<b>BP6</b>	Your enterprise does have a budget for spending and pricing when planning	0.561	0.817
Financial management regulations; Cronbach's Alpha = 0.860			
<b>FMR1</b>	Your enterprise does have formal financial management regulations	0.731	0.819
<b>FMR2</b>	The financial management regulations in your enterprise detail the contents of financial management	0.729	0.819
<b>FMR3</b>	The financial management regulations in your enterprise are based on the regulations of the State	0.596	0.851
<b>FMR4</b>	Your enterprise regularly adjusts, adds the contents of financial management regulations timely	0.697	0.827
<b>FMR5</b>	Your enterprise disseminates the financial management regulations to all employees in the enterprise	0.652	0.840
Access to finance ; Cronbach's Alpha = 0.829			
<b>AF1</b>	Your enterprise is financially stable and does not need financial support	0.718	0.767
<b>AF2</b>	Your enterprise has enough collateral to receive credit from commercial banks	0.647	0.789
<b>AF3</b>	Your enterprise is satisfied with the maximum amount of loan of the banks	0.659	0.786
<b>AF4</b>	Access to finance is the major problem affecting the investment of enterprise	0.636	0.792
<b>AF5</b>	When you need the capital, you can easily mobilize more capital from the banks	0.474	0.835

**Source: Cronbach's Alpha test results from survey data, 2017**

**4.2 Exploratory Factor Analysis (EFA)**

When performing EFA, the test values are guaranteed:  $KMO: 0.5 < KMO = 0.899 < 1.0$ ; Bartlett’s test for the correlation of observed variables ( $Sig. = 0.000 < 0.05$ ) indicates that the variables are closely related. The total variance of 70.288% ( $> 50%$ ) is satisfactory and reveals that four groups of factors explain 70.228% variability of data. This means that the results of the EFA analysis are perfectly consistent. The results of factorial rotation matrix analysis in Table 5 show that there are four groups of factors informed, the number of observed variables is only 18 variables, decreased one observed variable BP1.

**Table 5: The results of factorial rotation matrix analysis**

Item code	Factor			
	F_BP	F_FMR	F_ME	F_FL
ME1			0.800	
ME2			0.771	
ME3			0.838	
ME4			0.805	
FL1				0.831
FL2				0.749
FL3				0.821
FL4				0.792
BP2	0.738			
BP3	0.862			
BP4	0.814			
BP5	0.822			
BP6	0.815			
FMR1		0.882		
FMR2		0.794		
FMR3		0.754		
FMR4		0.745		
FMR5		0.576		

**Source: Results of factorial rotation matrix analysis from survey data, 2017**

**4.3 Linear regression analysis and ANOVA analysis**

**4.3.1 Linear regression analysis**

The results of linear regression analysis in Table 6 show that the significant level of the model is very small ( $Sig = 0.000$ ) compared to the significant level of 5%; therefore, the regression model is established consistently. The adjusted  $R^2$  value = 0.429 revealing that 42.9% of the variation of access to finance is explained by the factors included in the model. Durbin – Watson Coefficient and VIF Coefficient of the model show that there is no autocorrelation and the phenomenon of multi-collinearity is negligible. Based on the statistical significance of each factor and the estimated results of the impact factor of each factor indicate that four variables are statistically significant ( $Sig < 5%$ ) and are strongly correlated with access to finance of SMEs. The managerial experience factor has the strongest impact on access to finance of SMEs in Binh Duong Province (Beta = 0.401), the second strongest impact factor is financial management regulation (Beta = 0.323), followed by the business plan factor (Beta = 0.304) and financial literacy (Beta = 0.279).

**Table 6: Results of linear regression analysis**

Category	Item Code	Coefficient B	Coefficient Beta	Coefficient Sig.	VIF
<b>Constant</b>		2.917		0.000	
<b>Managerial experience</b>	F_ME	0.286	0.401	0.000	1.000
<b>Financial literacy</b>	F_FL	0.199	0.279	0.000	1.000
<b>Business plan</b>	F_BP	0.217	0.304	0.000	1.000
<b>Financial management regulations</b>	F_FMR	0.231	0.323	0.000	1.000
<b>Adjusted coefficient R<sup>2</sup></b>					0.429
<b>Coefficient Durbin-Watson</b>					1.978
<b>Level of significant (Sig.F)</b>					0.000

Source: results of linear regression analysis from survey data, 2017

#### 4.3.2. One-way ANOVA analysis of differences between groups

##### 4.3.2.1 Variance test and average test

The summary of variance test and average test in Table 7 show that with a statistically significant level of 5%, groups of different education and groups of different business size have the impact on access to finance of SMEs (Sig = 0.000). However, groups of different type of business and groups of different age of business do not affect access to finance (average test coefficient of type of business is sig = 0.191 > 0.05, the average test coefficient of age of business is sig = 0.200 > 0.05).

**Table 7: Summary of variance test and average test**

Variable	Leneve variance test (sig)	Groups average test (sig)
<b>education</b>	0.000	0.000
<b>Type of business</b>	0.293	0.191
<b>Size of business</b>	0.002	0.000
<b>Age of business</b>	0.961	0.200

Source: Results of ANOVA analysis from survey data, 2017

##### 4.3.2.2 In-depth analysis of ANOVA

The results of in-depth ANOVA analysis of the owner's education factor in Table 8 show that with a statistically significant level of 5%, there are two education groups affecting to access to finance differently. Group of university will have better access to finance than group of secondary and college (sig = 0.003), and group of postgraduate accesses finance more easily than group of secondary and college (sig = 0.012).

**Table 8: In-depth ANOVA analysis for the education factor**

(I) education		Average difference (I-J)	Standard deviation	Sig.	Confidence interval 95%	
					Lower bound	Upper bound
<b>Secondary, College</b>	<b>University</b>	-0.26269	0.07808	0.003	-0.4504	-0.0749
	<b>Postgraduate</b>	-0.73759	0.22295	0.012	-1.3280	-0.1471
<b>University</b>	<b>Secondary, College</b>	0.26269	0.07808	0,003	0.0749	0.4504
	<b>Postgraduate</b>	-0.47490	0.21634	0.127	-1.0558	0.1060
<b>Postgraduate</b>	<b>Secondary, College</b>	0.73759	0.22295	0.012	0.1471	1.3280
	<b>University</b>	0.47490	0.21634	0.127	-0.1060	1.0558

Source: Results of in-depth ANOVA analysis from survey data, 2017

The results of in-depth ANOVA analysis of the size of business factor in Table 9 show that with a statistically significant level of 5%, there are two size groups affecting to access to finance differently. Group of enterprises with the capital from 20 billion to 100 billion VND has better access to finance than the one with the capital under 1 billion VND (sig = 0.000) and group of enterprises with the capital from 20 billion to 100 billion VND also accesses finance more easily than the one with the capital from 1 billion to 20 billion VND (sig = 0.000).

**Table 9: In-depth ANOVA analysis for size of business**

(I)	Size of business	Average difference (I-J)	Standard deviation	Sig.	Confidence interval 95%	
					Lower bound	Upper bound
<b>Under 1 billion VND</b>	From 1 billion to 20 billion VND	-0.09966	0.12456	0.811	-0.4049	0.2055
	From 20 billion to 100 billion VND	-0.67673	0.15112	0.000	-1.0438	-0.3097
<b>From 1 billion to 20 billion VND</b>	Under 1 billion VND	0.09966	0.12456	0.811	-0.2055	0.4049
	From 20 billion to 100 billion VND	-0.57707	0.10103	0.000	-0.8247	-0.3294
<b>From 20 billion to 100 billion VND</b>	Under 1 billion VND	0.67673	0.15112	0.000	0.3097	1.0438
	From 1 billion to 20 billion VND	0.57707	0.10103	0.000	0.3294	0.8247

**Source: Results of in-depth ANOVA analysis from survey data, 2017**

## V. CONCLUSION AND RECOMMENDATION

The results of the regression analysis show that the factors including managerial experience, financial literacy of the owner, business plan and financial management regulations directly have a significant impact on access to finance of SMEs. At the same time, the results of ANOVA analysis for the characteristics of enterprises and enterprises owners also show that the SMEs whose owner has higher education and SMEs with larger size have better access to finance. Different type of business and different group of business age do not affect access to finance of SMEs in Binh Duong Province. In order to improve the ability to access finance, SMEs need to ameliorate the factors affecting access to finance. The author recommends the following solutions

### **5.1. Solutions to improve SMEs' access to finance**

#### *Improve the financial literacy of business owners*

The business owners need to actively improve their financial literacy through the Internet, books or participating in training programs on knowledge of financial service and financial development of the companies to apply this knowledge to better financial management. The business owners should focus on improving financial literacy points as follows:

- The improvement on financial analysis ability will help business owners forecast the financial situations. Financial analysis skills that should be focused on are analysis of liquidity ratios, assets management ratios, debt management ratios, and profitability ratios.

- The improvement on the ability to calculate the cost of loans will help business owners identify appropriate funding sources, ensuring cost savings. Business owners should understand the interest rates, and cash flow valuation methods to determine the cost of interest.

- The improvement on the business planning will help businesses set up more appropriate budgets and control the financial situations. The skills that are needed in business planning are analyzing ability, cash flow forecasting, capital, revenue, expense and profit in one period.

- The improvement on the ability to make financial reports will help business owners more closely control the situation of assets, capital, revenue and expense, cash flow in business. Therefore, business owners should understand the meanings of the indicators in the financial statements.

#### *Improve the managerial ability of business owners*

The business owners that have a good sense of management skills will have better managerial performance in their businesses, including financial management. The management skills that need to improve are: financial management skill, marketing skill, business plan skill, production management skill, human resources management skill.

- The training on financial management skills such as financial analysis and setting up accounting information system, working capital management, investment management and capital mobilization will assist SMEs' owners in making better financial decisions.

- The training on business planning skill involves steps and content of business planning, ensuring that the business plans are feasible.

- The training on production management skill such as production planning, production process management ensures the most efficient production.

- The training on marketing skill such as market research and product development, product marketing strategies ensures that the products are sold as planned with the lowest costs.

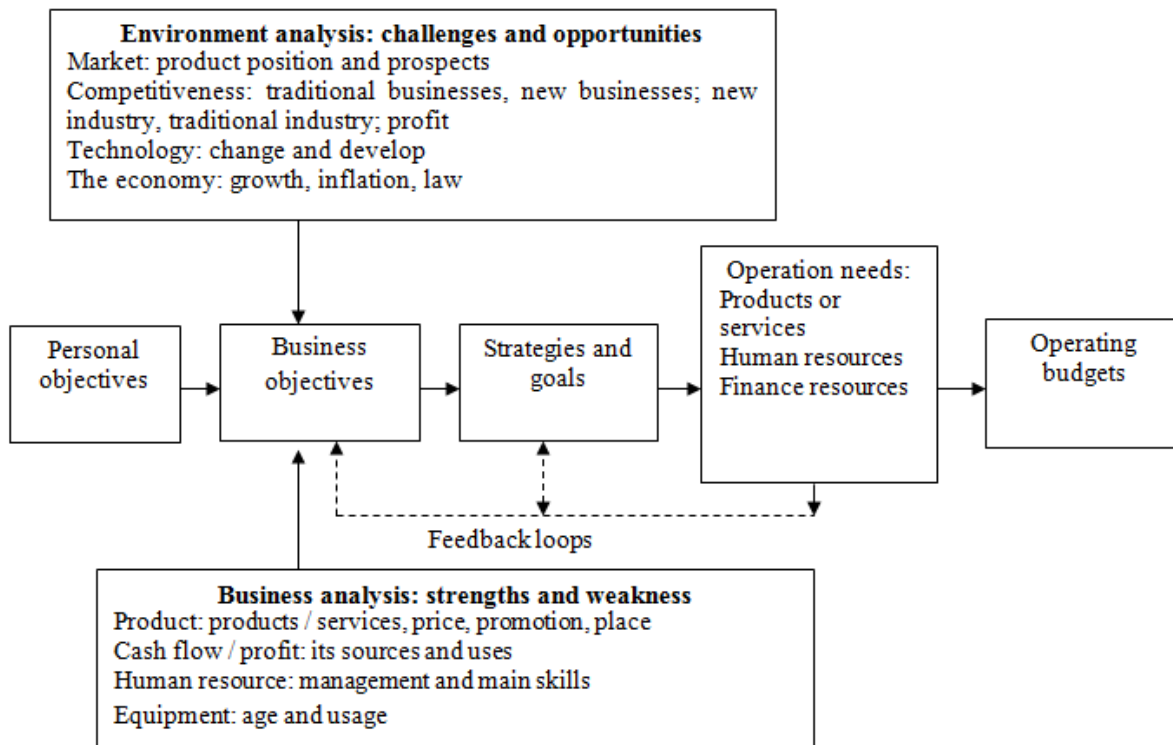


- The training on human resources management skill involves the establishment of organizational structure and recruitment activities of enterprises; an organizational structure needs to be streamlined but still control the operation of businesses and make the full use of the capacity of employees.

*Improve the quality of the business plan*

In today's rapidly changing environment, SMEs are vulnerable if the SMEs do not have a specific business plan to respond quickly to the changing market. Therefore, SMEs should note the following points when making business plan: planning must be based on the position of business, stemming from personal goals; analyzing the challenges and opportunities of environment, the strengths and weakness in business; businesses will set goals and business strategies for their enterprises; next is to identify the specific products and services, human and financial resources for their enterprises; the final stage is the construction of short-term and long-term budgets. This is the translation of the business plans and strategies into detailed estimations of profits, expenses, assets investment and cash requirements. Enterprises deal with how to create budgets and use them to monitor and control their operations. This whole process, include the inspection of business position, is demonstrated in Figure 2. At every stage of the planning process, it is entirely possible that business may have to change its business or strategic goals because some aspects of the plan can prove to be unworkable. They are displayed as feedback loops

**Figure 2: Business planning process**



***Establish effective financial management regulations***

In order to develop effective financial management regulations, SMEs should pay attention to the following points: financial management regulations must be based on the State regulations such as business law, accounting standards, tax laws related to enterprises, to ensure the financial management regulations strictly according to the State regulations; these regulations should fully reflect the contents of financial management such as regulations on cash management, inventory management, receivable management, fixed assets management, capital mobilization and the use of capital, accounting information system; before introducing these regulations into enterprises, it is recommended that experts in enterprise financial management should be consulted to help them in line with the reality of enterprises; the financial management regulations should also be disclosed to the internal and external stakeholders.

*Improve the credit conditions of commercial banks*

The majority of SMEs in Binh Duong Province lack financial records and collaterals required by commercial banks, thus affecting their access to finance. Therefore, the improvement in credit conditions will help those businesses access the finance more easily:

- Collaterals improvement: SMEs should complete the legal documents on ownership and determine the value of the assets accordance with the real situations in order to secure the collateral.

- Financial records improvement: SMEs should improve accounting records and financial statement followed Vietnamese accounting standards. They should also perform periodic audits to ensure financial transparency.

### 5.2. Recommendations and suggested policies for relevant organizations

The Government and Binh Duong People's Committee should also have specific policies and programs to support SMEs in Binh Duong Province to access timely funding sources with reasonable interest expenses, as well as regularly support training on management, business plan, financial literacy for the owners of SMEs, contributing to the financial management improvement of SMEs in Binh Duong Province. The commercial banks in Binh Duong Province should provide adjusted loans that are flexible and easy to understand in order to help SMEs have timely capital for their business operations at reasonable costs. The Financial Services and Development companies and SME Associations should strengthen SME supports in consulting and training on financial literacy and management skills and access the capital sources with reasonable costs.

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