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A Study of Start-up

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Abstract

Start-up is an important variable in the economic development of countries called entrepreneurship capital, in addition to the three traditional variables of physical capital, human capital, and knowledge (Audretsch, 2009). Increased entrepreneurship promotes economic growth, contributes to technological change, and creates many jobs. Governments of both developed and developing countries have devoted many support policies and efforts to promote entrepreneurship among young people, especially among students, encouraging them not to work for hire but to create their own jobs, increasing the number of businesses for economic development (Fayolle & Liñán, 2014) ^[9]. Startups have become one of the factors that help diversify economic

activities and promote economic growth. In the period of international economic integration, the whole society is implementing digital transformation, and entrepreneurship is still one of the topics that localities in the country and researchers are interested in. Especially starting a business for young people. The goal of this study is to discuss start-ups for young people in Vietnam. The research uses qualitative research methods with synthesis and comparison techniques to analyze and discuss start-ups. Thereby, the study proposes a number of implications for promoting start-up activities for young people, thereby contributing to solving problems and developing the economy in the context of digital transformation.

Keywords: Start-Up, Employment, Business Performance, Human Resources, Economics

JEL Codes: F66, J01, O15

1. Introduction

In the period of international economic integration, the whole society is implementing digital transformation, and entrepreneurship is still one of the topics that localities in the country and researchers are interested in. Especially starting a business for young people.

Although still facing difficulties, the startup market in Vietnam still ranks among the top 3 thriving startup markets in Southeast Asia, along with Indonesia and Singapore (Cento Ventures & ESP Capital, 2019) ^[7], proving that the Vietnamese startup movement is still full of development potential.

Startups have become one of the factors that help diversify economic activities and promote economic growth.

According to Mr. Tu Minh Hieu, Deputy Head of Innovation Startup Department (National Agency for Technology Entrepreneurship and Commercialization Development - NATEC), Vietnam has and is having mechanisms, policies, and activities to support startups and innovation.

The potential for Vietnam to become a promised land for creative startups is based on perfecting the policy framework and focusing on building factors that promote startup activities. However, in that exciting wave of startups, not everyone succeeds (Tri Tuc, 2013).

To conduct this research, we use qualitative research methods. The fake group collected previous research, including articles published in domestic and international magazines and legal documents related to the research topic, to discuss vocational training for workers.

2. Literature review

2.1 Background theory of start-ups

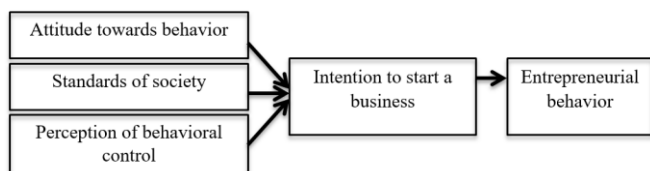
Theory of Reasoned Action (TRA)

The Theory of Reasoned Action (TRA) (Fishbein & Ajzen, 1975)^[10] asserts that each individual's intention is based on two main factors: attitude toward performing the behavior and subjective norms.

Ajzen & Fishbein (1980)^[3]; Bandura (1989)^[5] studied entrepreneurial intention, originating from social psychology to analyze general behavior, and wanted to clarify the process from attitudes and beliefs to effective actions.

The Theory of Planning Behaviour (TPB)

The Theory of Planning Behavior (TPB) posits that human behavior is the result of their intention to perform the behavior and their ability to control it. The model proposes three factors that impact entrepreneurial intention: social norms, attitudes toward behavior, and perceived ability to control behavior (see Fig 1).



Sources: Ajzen, 1991^[2]

Fig 1: The Theory of Planning Behaviour (TPB)

After that, many research models on entrepreneurial intention were published to complete and more fully explain the factors affecting entrepreneurship. Shapero and Sokol's (1982)^[18] entrepreneurship model proposes three factors that affect entrepreneurial intention: perception of feasibility, action tendency, and perception of desire. Krueger and Brazeal's (1994)^[14] entrepreneurial potential model, developed from Shapero and Sokol's (1982)^[18] entrepreneurial event model, posits that an individual has a desire to start a business and a sense of feasibility. In a startup competition, there will be startup potential; in a transformation event, the startup potential will motivate individuals to intend to start a business.

Entrepreneurial event theory

Entrepreneurial event theory by Shapero & Sokol (1982)^[18] explains the direct connection between cognition and entrepreneurial behavior. According to Shapero & Sokol (1982)^[18], the majority of individuals' "startup events" originate from situational factors. These contextual factors include negative displacements such as immigration, job loss, divorce, etc.; intermediate factors (between things) such as leaving the military, graduating from school, or leaving prison; and positive changes (potential displacements) such as meeting business partners, discovering opportunities and potential customers, getting an investment, etc. However, from the time contextual factors appear that give rise to an intention until the actual establishment of a business, there are two groups of intermediate factors involved in the decision of a potential entrepreneur: desirability and feasibility. Both of these factors depend on each individual's perceptions and come from their cultural, social, and economic environment. In other words, each individual must perceive entrepreneurial

behavior as desirable and feasible before they can make the decision to actually start a business.

2.2 Start-up and role of start-up

Start-ups are a driving force for economic development, associated with many newly established businesses, along with new jobs being created and income and people's lives getting better and better (Drucker, 1985; Gorman *et al.*, 1997)^[8, 11]. Start-ups are defined as the creation of a new business (Peng, 2000)^[17].

A start-up is starting or creating a new business (Begley & Tan, 2001)^[6]. A start-up helps improve innovation capacity and competitiveness and contributes to economic growth in many countries (Thurik & Wennekers, 2004)^[19].

Start-up is an important variable in the economic development of countries called entrepreneurship capital, in addition to the three traditional variables of physical capital, human capital, and knowledge (Audretsch, 2009).

Start-up is associated with economic development and wealth creation, introducing new products, solutions, and services to consumers and manufacturers, and is meaningful work for those who enjoy power, a challenge, and an opportunity to promote creativity (Lim *et al.*, 2010)^[15].

Increased entrepreneurship promotes economic growth, contributes to technological change, and creates many jobs. Governments of both developed and developing countries have devoted many support policies and efforts to promote entrepreneurship among young people, especially among students, encouraging them not to work for hire but to create their own jobs, increasing the number of businesses for economic development (Fayolle & Liñán, 2014)^[9].

According to Kabir and colleagues (2017)^[13], entrepreneurship is an individual's career choice between working as an employee or creating their own job, or entrepreneurship is a career choice for those who are not afraid of the risk of starting their own business.

3. Discussion and implications

According to data from the national database on firm registration, by the end of 2021, the country had 857,551 operating businesses, an increase of 5.7% compared to the same period in 2020 and an increase of 16.7% compared to the average period of 2017–2020 (General Statistics Office, 2022)^[12].

Recognizing the importance of entrepreneurship, Vietnam has applied startup policies and provided corresponding institutional support to develop the economy. Policies on support and investment for startups are issued in conjunction with the implementation of policies to encourage startups, such as: Project "Supporting the national innovation startup ecosystem until 2025" (called abbreviated as Project 844) signed on May 18, 2016, stipulates in detail the subjects of support: individuals, groups of individuals with startup projects, businesses, and organizations providing services, facilities,... perfect institutions, fully develop supportive policies for startups; Law on Support for Small and Medium Enterprises, issued by the National Assembly on June 12, 2017; Decree 39/2018/ND-CP; Small and Medium Enterprise Development Fund (Decision 601/QD-TTg and Decree 39/2019/ND-CP); Credit guarantee fund for small and medium enterprises (Decree 34/2018/ND-CP); Decision No. 1665/QD-TTg dated October 30, 2017 of the Prime Minister issued on approving the Project "Supporting students to start a business until 2025"; Directive No.

09/CT-TTg on creating conditions for innovative startups dated February 18, 2020; coordinate with the Ho Chi Minh Communist Youth Union Central Committee to submit to the Prime Minister for promulgation Decision No. 897/QD-TTg approving the program "Supporting young people to start a business" for the period 2022–2030. That is an important legal framework for developing support policies for firms, especially startups, in Vietnam.

In recent years, the government has always focused on inspection and examination of the activities of start-up businesses and start-up support activities. A number of legal documents with high legal value in this field have been issued in turn, from the 1990 Inspection Ordinance, Decree No. 61/1998/ND-CP on inspection and examination of businesses, to the Law on Inspection in 2004, and most recently the Law on Inspection in 2010, along with a system of documents guiding the Law (Nguyen, 2019) ^[16].

According to CentoVentures and ESP Capital (2019), Vietnam has a generation of entrepreneurs who are increasingly younger in age, full of confidence and enthusiasm to create jobs for themselves and many others. According to the report of the Center for Supporting Youth Entrepreneurship-SYS Vietnam (SYS Vietnam, 2020), of the 284 start-ups in 2020, 30% belonged to the agricultural sector, followed by startups in the fields of technology, information, and communications, which account for 17%, the wholesale, retail, and manufacturing industries for 13%, and the remaining 27% of businesses are for other industries: tourism. (10%), logistics (7%), education (3%), and other professions (7%). However, 73% of those start-ups have less than 10 employees.

According to Tri Tuc (2023) ^[20], Vietnam is one of the countries with the strongest wave of entrepreneurship and innovation. Since 2000, the number of start-up businesses has continuously increased sharply. The report "The picture of creative startups in Vietnam 2019" by the Australian Trade and Investment Agency (Austrade) said that Vietnam is currently ranked 3rd in Southeast Asia in terms of the number of startups. Accordingly, the startup ecosystem in Vietnam has developed through three stages: The first wave (2000–2006), the second wave (2007–2014), and the third wave (2015–present). In particular, in the third wave alone, the number of Vietnamese startups grew strongly. If in 2012 the number of start-up firms was only 400, then by 2018 there were more than 4,000. Due to the impact of the pandemic, the number of firms in 2022 will remain somewhere near 4,000.

According to statistics from the National Center for Innovative Startup Support, Vietnam's startup ecosystem in 2022 has had new developments, as shown by many positive figures. Vietnam is currently ranked 54th in the global startup ecosystem. Estimates show that the country currently has about 3,800 startups operating.

The increasing amount of foreign investment capital pouring into Vietnamese technology startups helps open up opportunities while also posing challenges, forcing the startups themselves to operate better to meet expectations commensurate with the amount of capital spent by the investors.

Capital support for startup models is limited; connection and support activities of commercial banks are not really effective due to high interest rates and short loan periods; Young startups still lack experience and knowledge in operations, financial management, taxes, etc. The activities

of connecting startup ideas and models with investors and credit institutions have not met their needs, and innovative startups have not received adequate attention.

Mostly, startup capital comes from personal accumulation and receiving informal support from friends, family, or insiders (Alden, 2011) ^[1].

Localities should promote the potential of local culture to help young people start businesses in their own homelands. At the same time, promote the role of the province's startup ecosystem in supporting youth startups, such as the startup advisory network, provincial startup business incubators, research institutes, and development facilities. Science and technology and promoting the role of the Provincial Steering Committee for Enterprise Development, Innovation, and Collective Economy.

Localities should raise awareness, skills, and experience for young people to help young people have an understanding and perspective on the importance of entrepreneurship through provincial professional schools, training organizations, information through governments at all levels, and a network of startup advisors.

Enhance the influence and operational efficiency of the enterprise development fund and credit guarantee fund in localities. Create favorable conditions for implementing key trade promotion programs. Innovate and simplify loan procedures, ensure loan safety and compliance with legal regulations, implement reasonable interest rates, and encourage diversification of banking products and services to increase firms' access to capital.

To promote entrepreneurship, localities, organizations, and state management agencies should make efforts to improve entrepreneurship capacity and the ability to discover opportunities for each individual through training. Training courses need to equip learners with the necessary entrepreneurial knowledge and skills and the ability to evaluate and detect business opportunities in the market. In particular, training courses should be aimed at young people and those with a high tendency to start a business at the age of 25–34 years old.

Schools and youth social and political organizations should encourage students and young people to choose entrepreneurship as a good career choice. Media agencies should actively report on startups and business success stories.

As representatives of firms, associations, and professional social organizations, they should organize training courses for members or exchange activities to transfer experiences between members. Organize field visits and surveys according to the course program, paying attention to quality and content, and innovating training and fostering methods to suit the actual needs of firms, such as: selling skills, sales, leadership style, applied informatics, strategy building, production and business plans, loan project planning, legal consulting and internal control, accounting professional training, and techniques in manufacturing and business sectors.

4. Conclusions

In the past period, the government has coordinated with ministries, departments, and branches to carry out propaganda and education for those with startup ideas, especially young people, including youth union members and students. University students and after graduation recognize the role and importance of entrepreneurship,

innovation, creativity, and self-employment; local, national, and world entrepreneurship education programs; state start-up support policies; incubators, startup spaces, and start-up support funds at home and abroad through educational activities; video clips, images, and publications; and through documents and media.

Through the use of qualitative research methods, this study has reviewed domestic and international research works on entrepreneurship and discussed entrepreneurship in the context of Vietnam's economic integration with the Vietnamese economy internationally and how the whole society implements digital transformation.

This research has certain contributions to make in perfecting the theoretical framework of entrepreneurship. In addition, this study is also one of the most valuable reference documents for groups interested in startups, young people, and students.

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