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Solving Capital Needs for Small and Medium Enterprises in Vietnam

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Abstract

For developing economies like Vietnam, the small and medium-sized enterprise sector is an important component of economic development and widespread hunger eradication and poverty reduction, a key and sustainable factor sustainably create jobs and income for workers outside the state sector.

Small and medium-sized enterprises currently account for 97% of the total number of businesses in our country's economy. In recent years, the small and medium-sized enterprise sector has been affirming its role as an important driving force for local economic development. The development of small and medium-sized enterprises has

created jobs and improved people's lives, ensuring social security, contributing increasingly to the socio-economic development of localities in particular and the country in general.

Most of these businesses have huge capital needs. Many startups are in dire need of "energy" for the stage of establishing business platforms.

The article deeply analyzes the difficulties of capital shortage of small and medium-sized enterprises in Vietnam and proposes some solutions to solve the capital shortage situation for this group of enterprises in the coming time.

Keywords: Small and Medium Enterprises, Economy, Lack of Capital

1. Introduction

The small and medium-sized enterprise sector mainly belongs to the non-state economic sector, including 5 types of enterprises: Private enterprises, private limited liability companies, partnerships, and joint stock companies with state capital. State and joint stock companies do not have state capital. Small and medium-sized enterprises are considered one of the four growth engines and also the "pillars" of the economy. This area is also said to be a driving force in promoting competition and the business environment because it is a responsive, dynamic and ready to innovate area compared to larger businesses and has developed stably. These firms can transform the structure of an economy through innovation, providing intermediate inputs and services, allowing for greater specialization in production. In the global value chain, small and medium-sized enterprises can take advantage of niche markets that large enterprises ignore. They can also join hands with other small enterprises in the chain to re-specialize and deploy production. more productive and more efficient consumption.

Every year, small and medium-sized enterprises contribute about 40% of GDP, pay 30% to the state budget, contribute 33% of industrial output value, 30% of export value and attract nearly 60% of workers. dynamic. The number of small and medium-sized enterprises in Vietnam is growing rapidly. Small and medium-sized enterprises have attracted a significant amount of capital from the population into production and business, contributing to the socio-economic development process of our country. However, currently, small and medium-sized enterprises are having difficulty mobilizing capital to serve production and business activities.

2. Theoretical basis for capital sources of small and medium-sized enterprises

According to Article 4 of the Law on Support for Small and Medium Enterprises^[2]:

1. Small and medium-sized enterprises include micro-enterprises, small enterprises and medium-sized enterprises, with an average annual number of employees participating in social insurance of no more than 200 people and meeting one of the following two criteria:

- a) Total capital does not exceed 100 billion VND;
- b) Total revenue of the preceding year must not exceed 300 billion VND.

2. Micro enterprises, small enterprises and medium enterprises are identified according to the fields of agriculture, forestry and fisheries; Industry and construction; Trade and services.

Article 5 of Decree 80/2021/ND-CP dated August 26, 2021 of the Government ^[1] also stipulates in detail the criteria to identify small and medium-sized enterprises in the fields of agriculture, forestry and fisheries; Industry and construction; trade and services, accordingly:

a) Micro enterprises in the fields of agriculture, forestry and fisheries; The industrial and construction sectors employ no more than 10 employees participating in social insurance on average each year and the total revenue of the year is not more than 3 billion VND or the total capital of the year is not more than 3 billion VND.

Micro-enterprises in the field of commerce and services employ workers participating in social insurance with an average of no more than 10 people per year and total revenue of the year not exceeding 10 billion VND or total capital of the year not exceeding 3 billion VND. billions dong.

b) Small businesses in the fields of agriculture, forestry and fisheries; The industry and construction sector employs an average of no more than 100 employees participating in social insurance per year and the total revenue of the year is not more than 50 billion VND or the total capital of the year is not more than 20 billion VND, but not must be a micro-enterprise as prescribed in Clause 1, Article 5 of Decree 80/2021/ND-CP.

Small businesses in the field of commerce and services employing workers participating in social insurance have an average of no more than 50 people per year and total revenue of the year is not more than 100 billion VND or total capital of the year is not more than 50 billion VND VND, but not a micro enterprise as prescribed in Clause 1, Article 5 of Decree 80/2021/ND-CP.

c) Medium enterprises in the fields of agriculture, forestry and fisheries; The industry and construction sector employs an average of no more than 200 employees participating in social insurance per year and the total revenue of the year is not more than 200 billion VND or the total capital of the year is not more than 100 billion VND, but not must be a micro enterprise or small enterprise according to the provisions of Clause 1 and Clause 2, Article 5 of Decree 80/2021/ND-CP.

Medium-sized enterprises in the field of commerce and services employ workers participating in social insurance with an average of no more than 100 people per year and total revenue of the year not exceeding 300 billion VND or total capital of the year not exceeding 100 billion VND VND, but are not micro enterprises or small enterprises as prescribed in Clauses 1 and 2, Article 5 of Decree 80/2021/ND-CP.

3. Research methods

The article uses qualitative research methods including two basic methods: data collection, synthesis and analysis and evaluation. Based on the synthesis of data related to the capital situation of small and medium-sized enterprises in Vietnam, the article offers some solutions to mobilize capital for this group of businesses in the near future.

4. Current status of capital resources of small and medium-sized enterprises in Vietnam

Currently, many small and medium-sized enterprises in Vietnam have low competitiveness due to lack of capital, so they are slow to invest in technological innovation. Detail:

Firstly, although small and medium-sized enterprises account for a large number, with limited labor force and capital resources, these enterprises are also limited in production and business activities, having to cut labor. Faced with the possibility of narrowing the scale of production and business in some product areas, continuing to operate moderately, even having to close, dissolve bankruptcy and stop operating due to lack of orders and a tendency to sell Again, losing the brand.

Second, small and medium-sized enterprises mainly rely on their own capital to conduct production and business activities.

Currently, many small and medium-sized businesses have to mobilize capital from family, friends, and relatives to conduct production and business.

Third, small and medium-sized enterprises have difficulty accessing bank loans

Small and medium-sized enterprises face many difficulties in accessing short-term, medium-term and long-term capital from banks as well as other credit institutions, and guaranteed loans are often not available to them. this group of businesses. The main cause of this situation is the business itself because its equity is very low, there are few mortgaged assets, no guarantors; Unable to establish a production and business plan that is convincing enough. Many businesses want to borrow capital but their financial "health" is weak; Loan conditions have not been met; The feasibility of the project, business efficiency and profitability have not been proven... therefore, banks are very cautious when lending capital to avoid bad debt. Besides, management skills are limited, financial reports are not reliable enough for lenders...

On the other hand, because most loans are short-term with high interest rates, even if small and medium-sized enterprises are allowed to borrow, it is still difficult to find medium and long-term capital.

In addition, there are currently not enough legal regulations to ensure that small and medium-sized enterprises have regular access to the ability to borrow capital from external financial institutions widely and widely. more stable. Many small and medium-sized enterprises still cannot afford to pay off their restructured and due debts. Depleted resources are one of the reasons why businesses have difficulty accessing loans to supplement working capital and invest in machinery and technology. Therefore, small and medium-sized enterprises that plan to expand production lack capital ^[3].

5. Solution

To solve the capital shortage for small and medium-sized enterprises in Vietnam, in the coming time it is necessary to focus on the following solutions:

Firstly, the solution from the State Bank:

- Focus on removing difficulties in accessing finance and credit for small and medium-sized enterprises. In addition to managing interest rates in the direction of

maintaining low interest rates and providing incentives to support businesses in accessing capital, the State Bank needs to direct credit institutions and commercial banks to proactively approach small businesses and not only to advise on effective lending for business projects, but also to expand loan types based on unsecured loans and business plans.

- Encourage commercial banks to apply corporate credit rating to expand unsecured loans to businesses with feasible projects and production and business plans, and restructure loans. previously high interest rates. The State Bank needs to have policies to encourage commercial banks to have a high proportion of outstanding credit loans to small and medium-sized enterprises.

- There should be specific regulations such as when increasing the credit growth limit for commercial banks, it is required to increase the lending rate to small and medium-sized enterprises to a specific level.

- It is necessary to introduce regulations on high unsecured loan rates based on the cash flow in and out of small and medium-sized enterprises.

Second, effectively deploy solutions to support small and medium-sized enterprises

Need to implement project-based financing; Hire-purchase loans to expand capital availability for small and medium-sized enterprises; guarantees, purchases on deferred payment, import of machinery, equipment and technology; contribute capital to joint ventures; develop the network, gradually modernize payment technology, bring products and services to small and medium-sized enterprises; Open and receive capital from international financial organizations to support small and medium-sized enterprises.

Third, solutions from commercial banks

- Flexible regulations for small and medium-sized enterprises to borrow small credit packages. Instead of providing high standards for collateral, business plans, and historical records, credit can be enhanced through a business plan.

Fourth, the Association of Small and Medium Enterprises needs to focus on direct support and promote effective implementation of the Law on Support for Small and Medium Enterprises on financial, market, and value chain policies, as well as solving problems. barriers, especially administrative procedure barriers.

Fifth, solutions from small and medium-sized enterprises:

Small and medium-sized enterprises need to be creative in finding and diversifying markets. Small and medium-sized enterprises should find opportunities to cooperate with large enterprises to take advantage of resources, experience as well as opportunities to improve capacity. competition, thereby increasing the ability to mobilize capital.

On the other hand, small and medium-sized enterprises themselves must also improve themselves, comply with legal regulations and proactively provide complete and truthful information to enhance their reputation with credit institutions; create conditions for credit institutions to control the cash flow and financial situation of businesses during the loan process.

6. Conclusion

Currently, the development of small and medium-sized enterprises has become an inevitable requirement in our country's strategy because the small and medium-sized

enterprise sector accounts for a large proportion and plays an important role in economic growth and stability. country society.

Capital is a prerequisite, a necessary and sufficient condition for a business to maintain operations and develop. To solve the capital shortage of small and medium-sized enterprises, it is necessary to carry out synchronous solutions from State management agencies, from commercial banks and from each small and medium-sized enterprise itself.

7. References

1. Government. Decree No. 80/2021/ND-CP dated August 26, 2021 of the Government: Detailed regulations and instructions for implementing a number of articles of the Law on Support for Small and Medium Enterprises, 2021.
2. National Assembly. Law No. 04/2017/QH14 dated June 12, 2017 regulating support for small and medium enterprises, 2017.
3. <https://vinasme.vn/>