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Credit Support Policy Affecting the Development of the Small and Medium Enterprises Post-Covid-19 in Vietnam

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ABSTRACT

From 2020 until now, the Covid-19 pandemic has significantly impacted businesses in general and small and medium enterprises (SMEs) in Vietnam in particular. The successive waves of the Covid-19 epidemic with complicated developments have seriously affected all aspects of life, production, and business. Many businesses have weakened their reserves and even exhausted their finances to overcome the epidemic. To deal with the epidemic, the Government urgently implemented many fiscal and monetary policies. Thus, the paper's main objective is to study various factors affecting the development of Vietnam's small and medium enterprises. This article surveyed data from 550 managers working at small and medium enterprises and used structural equation modeling (SEM) and SPSS 20.0, Amos software. The paper finds five factors affecting small and medium enterprises development with a significance level of 0.01, and five hypotheses are accepted. The article's novelty is finding out the credit support policy factor that has the most substantial impact on the development of small and medium enterprises. Finally, the author proposed policy recommendations to support small and medium enterprises develop a safe, healthy, and sustainable post-Covid-19. Moreover, this article shows the actual situation of implementing a credit support policy to help Vietnamese businesses affected by the Covid-19 epidemic.

INTRODUCTION

Vietnam thanks to the timely, urgent, and drastic responses of the Government in the prevention and control of the Covid-19 pandemic, Vietnam is one of the few countries that maintains the dual goal of increasing economic growth while controlling the epidemic. In 2020, the Covid-19 pandemic caused public health, financial, and livelihood crises. Many major economies are now in a severe recession, from which the world economic order can be damaged, reformed on a large scale, and globalization will be adjusted. The pandemic makes it possible for the world to enter a period of competition, prevention, and vigilance among nations. Accordingly, economic growth will reach 2.91% in 2020, expected to recover in 2021 to 6.8%, and maintain 6.5% in the following years. However, the Covid-19 pandemic has also caused severe impacts on the operations of domestic enterprises, especially SMEs, as these enterprises are often vulnerable due to poor liquidity buffers and the ability to limited access to credit.

In Vietnam, about 97% of enterprises are SMEs (of which micro-enterprises account for about 65% of SMEs, and the SME sector contributes about 50% of GDP, 33% of state budget revenue, and 45% of investment capital is realized in the whole society. In particular, SMEs are heavily involved in affected sectors, such as restaurants, hotels, and arts and entertainment. Therefore, these enterprises' liquidity risk and solvency increase, putting SMEs' employment and debt at risk. Specifically, up to 65% of private and 62% of small and medium enterprises said their revenue in 2020 will be sharply reduced compared to 2019. Among business groups, the object is more negatively affected. Both are new enterprises operating under 3 years and micro and small-scale enterprises, i.e., SMEs.

Most businesses said that the epidemic had affected access to customers, cash flow, and affected labor issues of enterprises. Their revenue in 2020 decreased sharply compared to 2019. Among the groups most negatively affected are new businesses operating for less than 3 years, micro-enterprises, and small, mainly SMEs. Therefore, the paper's main objective is to study various factors affecting Vietnam's small and medium enterprise development and proposed policy recommendations to develop a safe, healthy, and sustainable for all enterprises in Vietnam post-Covid-19.

1. LITERATURE EMPIRICAL REVIEW

1.1 The small and medium enterprise development (SMED)

Development is moving from low to high, from not good to perfect in all aspects. That movement process takes place gradually and by leaps and bounds, leading to the birth of the new to replace the old. Besides, every country in the world is different. Usually, the explanation is based on the content of the classification of enterprise size, which is different in each country (Akin-Adetoro & Kabanda, 2021; Bomani et al., 2018). The indicator of the size of the variety of enterprises is also other. The criteria of socio-economic development level, so there are regulations to suit the level of development.

Along with the explosion in the number, SMEs have made an essential contribution to the restructuring of industries by creating jobs, attracting laborers from the agricultural sector, participating in investment in niche markets, and promoting business development. On average, each year, the SME sector attracts the most workers, with million employees, accounting for more than 60.0 % of the total employment of the entire enterprise sector in the economy (Berisha & Pula, 2015; Aiello et al., 2020). Thus, enterprise development is considered a new business management model. The term "model" is used intentionally because sustainable enterprise development replaces the traditional growth and profit maximization model with a growth model that harmonizes the goal of increasing growth, profitability, and social purposes, as well as environmental protection (Alam & Adeyinka, 2021; Barasa et al., 2016). Therefore, many organizations and researchers have conducted studies to provide guidance and a set of criteria to assess the development of enterprises.

1.2 Land finance policy (LFP)

Reduce land rental costs in each field that the State encourages or mobilizes SMEs to participate in development (Bodlaj et al., 2018; Chege & Wang, 2020). Land finance policies for enterprises, in general, and in particular, are regulations allowing SMEs to access land resources to serve production and business. Depending on each country, land finance policies for SMEs have a broad and narrow scope, but these policies often focus on supporting SMEs to concentrate land for production and business and support SMEs. Regarding financial policies to support SMEs in leasing agricultural land and transferring land use rights, the State creates favorable conditions to support enterprises in general and SMEs, in particular, to lease land to be proactive in production and cultivation on the ground for a certain period specified in the lease contract signed by the parties (Apanasovich et al., 2016; Abdu & Jibir, 2018). Land rent can be paid on a seasonal basis, annually, or for the entire lease period or other agreements. This policy not only supports SMEs to lease land to implement production and business plans but also ensures that farmers benefit from the land lease without facing risks. Thus, the author gave hypothesis H1 below:

Hypothesis H1: Land finance policy affects Vietnam's small and medium enterprise development.

1.3 Tax and fee policy (TFP)

Tax and fee policies for SMEs include tax policies, fees on corporate income, added value, personal income, particular consumption, etc. for SMEs. In addition, the content of this policy also includes general tax and fee policies for SMEs in the country. These are essential legal bases to help SMEs operate in the production and business process (Ahn et al., 2014; Camisón & Villar-López, 2014). In other countries, there are also regulations on an exemption, reduction, extension, and extension of taxes and fees for SMEs in each difficult period of the economy, helping SMEs take advantage of the capital cycle and save money, Reduce costs, and increase profits. The exemption, reduction, extension, and extension of taxes and fees are to create conditions to help SMEs overcome difficulties due to objective causes of income reduction or to implement several socio-economic policies, encourage SMEs in particular and taxpayers, in general, to be active (Jachi & Muchongwe, 2019; Latip et al., 2021). The exemption, reduction, extension, and extension of taxes and fees do not happen often, so it is usually regulated by many specific taxes. Thus, the author gave hypothesis H2 below.

Hypothesis H2: Tax and fee policy affects Vietnam's small and medium enterprise development.

1.4 The credit support policy (CSP)

From a macro perspective, credit support policy is a collection of financial-credit support mechanisms, policies, and measures to influence the supporters and beneficiaries of support. From a micro perspective (SME), funding sources to support SMEs include (1) Credit capital with support and guarantee from the State; (2) Capital support from the state budget; (3) Capital support from tax exemption, reduction, fees, charges, land rent, land use levy and other amounts payable to the state budget following the law; (4) Lawful capital from domestic and foreign organizations and individuals (Mabenge et al., 2020; Kaur & Kaur, 2021). Supported capital from the state budget for SMEs includes state budget sources that support SMEs through participation in programs initiated by the State, such as trade promotion programs, development programs, etc. This support can be through direct budget funding or indirectly through other State programs, for example, loan interest rate support (Dvouletý & Orel, 2019). Thus, the author gave hypothesis H3 the following:

Hypothesis H3: The credit support policy (affects Vietnam's small and medium enterprise development.

1.5 Political, economic, and legal factors (PEL)

For businesses, the primary economic influence includes factors such as bank interest rates, the stage of the economic cycle, the balance of payments, and financial and monetary policies. Because these factors are relatively broad, it is necessary to select to identify the specific impacts that most directly affect the business of the enterprise (Damoah, 2020; Gherghina et al., 2020). In addition, in the context of the epidemic and the decline of the economy, economic factors in the province will also strongly affect agricultural enterprises' production and business results. Political and legal aspects have a significant influence on the production and business activities of enterprises, including the system of views, the Government's policies, the current legal system, the government diplomacy, political developments in the country, in the region, and around the world (Bara, 2016; Addae-Korankye & Aryee, 2021; Aizstrauta et al., 2015). Enterprises must comply with regulations on labor hire, tax, lending, safety, pricing, advertising where the factory is located, and environmental protection in the new context. Vietnam joins agreements In the new generation of free trade agreements (FTAs), political and legal factors also substantially impact Vietnamese businesses. Thus, the author proposes the final hypothesis H4 as follows:

Hypothesis H4: Political, economic, and legal factors affect Vietnam's small and medium enterprise development.

1.6 Science and technology policy (STP)

Science and technology policy is a system of viewpoints, goals, guiding principles, development orientations, institutions, and measures to promote the acquisition, development, and use of science and technology and science and technology supporting branches to realize socio-economic development goals and at the same time develop national science and technology capacity in each period (Bayarçelik et al., 2014; Chen et al., 2017). Technology policy is one of the proactive factors, containing many opportunities and threats for businesses. The explosion of new technology makes existing technology obsolete and creates pressure on firms to innovate technology to enhance competitiveness (López-Fernández et al., 2021; Sun & Mamman, 2021). The stresses and threats from the technological environment can be the introduction of new technologies that give rise to and strengthen the competitive advantages of substitute products, threatening the traditional products of the existing industry. However, to meet the needs and trends, agricultural enterprises in the province need to apply high technology to the hi-tech sector. Thus, the author gave hypotheses H5 following:

Hypothesis H5: Science and technology policy affecting Vietnam's small and medium enterprise development.

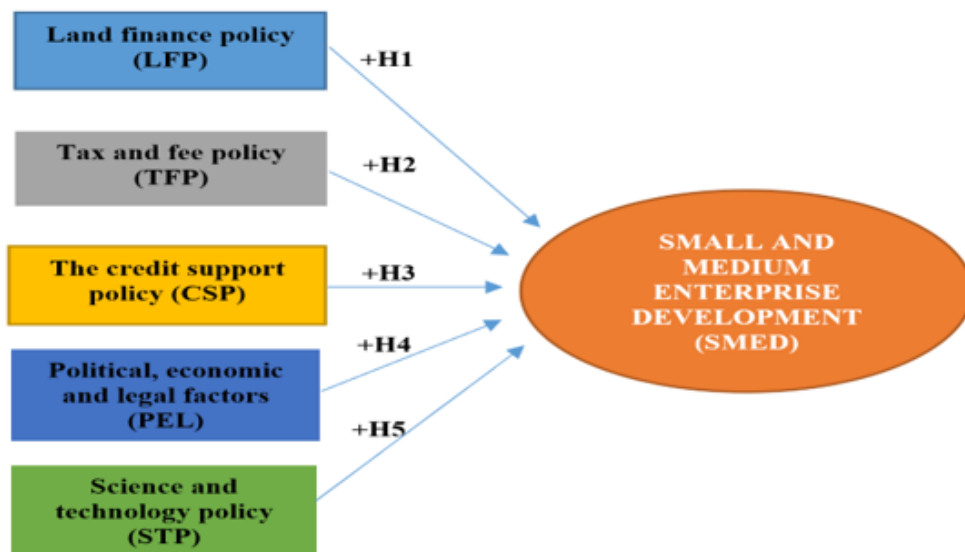


Figure 1. A research model for various factors affecting SMEs development in Vietnam

Source: The author proposed

2. METHODOLOGY AND DATA

The article used research methods, including qualitative, quantitative, and synthetic methods. In addition, the paper also uses inductive and deductive methods; Statistical, comparative, survey methods, etc. The analytical method used in the study helps to divide the problem system, such as the credit policy system for SMEs, into minor problems and individual policies for the author to analyze and evaluate. From exploring particular issues, the article also uses a synthesis method to summarize the analyzed comments from experts (Hair et al., 2021). The steps are detailed according to the research process below.

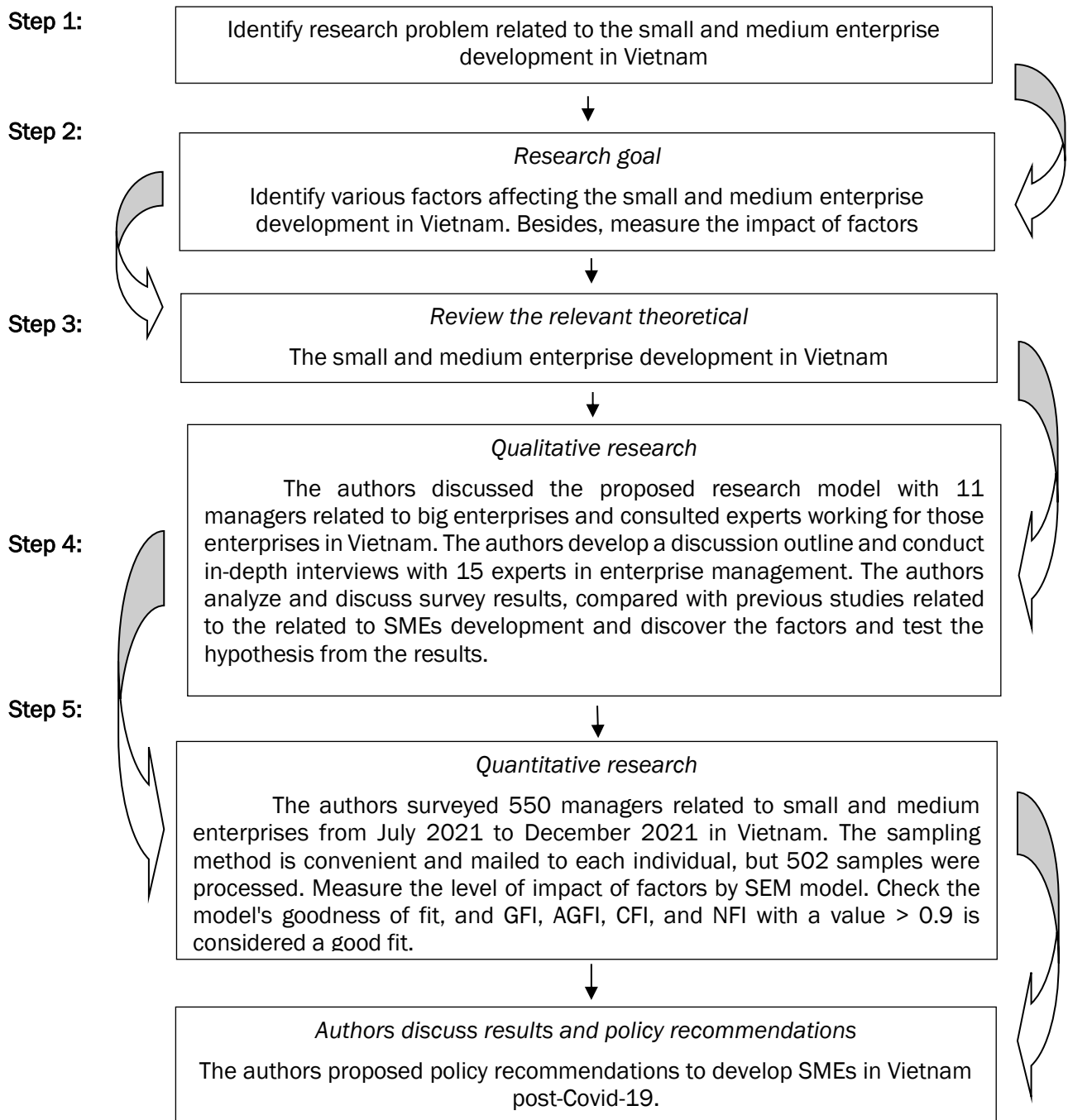


Figure 2. A research process for various factors affecting SMEs development in Vietnam

Source: The author proposed

Step 1: Identify the research problem related to Vietnam's small and medium enterprise development. This research process aims to systematize and combine the results of previous studies, clarifying the fundamental theoretical issues about the factors related to the development of SMEs.

Step 2: Research goal - identify factors affecting Vietnam's small and medium enterprise development. Besides, measure the impact of elements. The author designed all questions in part of the questionnaire arranged on a scale of 1 to 5 (5-point Likert scale), showing the increasing level of agreement of the respondents to the issue of the author's business interview. The specific meanings are as follows: (1) disagree entirely. (2) Disagree. (3) Normal. (4) Agree. (5) agree entirely (Hair et al., 2021).

Step 3: Qualitative research - the author discussed the proposed research model with 11 managers related to big enterprises and consulted experts working for those enterprises in Vietnam. The author develops a discussion outline and conducts in-depth interviews with 15 experts in enterprise management. The author analyzes and discusses survey results, compared with previous studies related to SME development, discovers the factors, and tests the hypothesis from the results.

Step 4: Quantitative research - the author surveyed 550 managers related to small and medium enterprises from July 2021 to December 2021 in Vietnam. The subjects are mid-level managers and above in charge of investing in SMEs in Vietnam. The sampling method is convenient and mailed to each individual, but 502 samples were processed. Measure the level of impact of factors by SEM model. Collected data with a sample size of at least five models on an observed variable. In this study, the total number of observed variables is 23, so based on the technique, the minimum number of enterprises needed to achieve this study is $23 \times 5 = 115$ (Hair et al., 2021). Check the model's goodness of fit, and GFI, AGFI, CFI, and NFI with a value > 0.9 is considered a good fit. After that, the data was collected to evaluate the scale's reliability, such as Cronbach's Alpha and exploratory factor analysis (EFA), to shorten the observed variable in the factor.

Step 5: The author discusses results and policy recommendations from examining the fit of factors with market data. The author proposed policy recommendations to develop SMEs in Vietnam post-Covid-19. Finally, confirmatory factor analysis (CFA) and linear structural modeling (SEM) were conducted to consider the measurement model's satisfactory ability and to see if the measurement model is acceptable. The research steps are detailed in the procedure mentioned in figure 2 above.

3. EMPIRICAL RESULTS

3.1 Analysis for the situations of the development of small and medium enterprises in Vietnam

The development of small and medium enterprises determining an essential role in economic growth over the years. Vietnam has had many policies to support its development. The guidelines promulgated and implemented have basically followed the actual requirements in the short-term, short-term and strategic nature. Specifically, to promote and improve the efficiency of SME operations, the Government has issued many preferential policies on tax and credit for enterprises in general, especially for SMEs. Create capital sources, production, and business premises; provide market information and trade promotion; improve corporate governance capacity. Provide vocational training for employees, primarily establishing the SME support fund.

Among the types of production and business in our country, at present, SMEs have pervasive power in all areas of socio-economic life. On that basis, SMEs have developed enormously, accounting for a large proportion of the total number of enterprises. Vietnam currently has more than 800,000 enterprises. SMEs account for 98% and contribute up to 45% of GDP. This sector also contributes over 31% of the total state budget revenue. Besides, SMEs attract more than 5 million workers. SMEs have been exploiting local resources in most regions and localities. Currently, SMEs employ about half of the non-agricultural production workforce, with 49% in the country, and some provinces have engaged the vast majority of the non-agricultural production workforce. In addition to labor, SMEs also use the financial resources of local people and raw materials in the region for production and business activities.

Everyday science and technology according to market principles. Economic groups and enterprises in the private sector mainly focus on some fields, such as services, real estate, industries, and professions, with quick capital recovery. Besides, the linkage of private enterprises in Vietnam is still weak, especially since there are few linkages between small and more significant enterprises. The links in the corporation model are still relatively simple, and other soft associations have not yet been implemented through agreements, cooperation in using brands, services, research and innovation results, and applications.

3.2 Analysis of descriptive statistics and Cronbach's alpha for various factors affecting SMEs development in Vietnam

Table 1. Testing descriptive statistics and Cronbach's alpha for the SMEs development

Code	Items	Cronbach's alpha	Mean	Std. Deviation
Land finance policy (LFP)		0.965	-	-
LFP1	Reduce land rental costs for businesses	0.949	3.0339	0.99943
LFP2	transparent land planning, public policy	0.963	3.0299	1.00751
LFP3	Cost of accessing land	0.956	3.0757	0.97588
LFP4	Land Procedures are complicated, difficult to access	0.948	3.0618	1.01199
The tax and fee policy (TFP)		0.840	-	-
TFP1	Tax and fee exemption is done through tax incentives	0.784	3.3904	0.85644
TFP2	Tax and fee reduction means that the State allows taxpayers to reduce an amount	0.791	3.5020	0.95141
TFP3	Extension or extension of taxes and fees	0.835	3.2849	0.96471
TFP4	The exemption, reduction, extension, and extension of taxes and fees aims to create conditions to help SMEs overcome difficulties	0.780	3.3645	0.87124
The credit support policy (CSP)		0.953	-	-
CSP1	Credit capital supported and guaranteed by the State	0.946	3.0518	0.98760
CSP2	Funding support from the state budget	0.953	3.0418	1.02086
CSP3	Capital support from tax exemption, reduction, fees, charges, land rent, land use levy, and other payables	0.929	3.1255	0.96557
CSP4	Legitimate capital from domestic and foreign organizations and individuals and priority interest	0.923	3.1195	0.97762
Political, economic, and legal factors (PEL)		0.941	-	-
PEL1	bank interest rates, stage of the economic cycle, GDP growth	0.914	3.0139	0.99990
PEL2	Stable inflation and political stability create a favorable environment for enterprises	0.929	2.9781	1.01953
PEL3	Balance of payments, financial and monetary policies	0.929	3.0857	0.97403
PEL4	In a politically stable society, entrepreneurs are guaranteed the security of their investment	0.919	3.0100	1.04676
Science and technology policy (STP)		0.867	-	-
STP1	Exemption and reduction of land and water surface rents	0.822	2.3665	0.65136
STP2	Credit incentives for science and technology enterprises conducting scientific research, technological development, production, and business activities	0.808	2.4084	0.63385
STP3	Supporting research activities and commercializing scientific and technological results	0.856	2.4024	0.66374
STP4	Support and encourage technology application and innovation	0.835	2.4363	0.70564
The small and medium enterprise development (SMED)		0.919	-	-
SME D1	The report should reflect the organization's significant economic, environmental and social impact	0.891	3.4303	0.97172
SME D2	The report must identify stakeholders and keep a record of the business meeting reasonable expectations and needs of stakeholders	0.848	3.3247	1.00107
SME D3	The report should describe the performance of the business in the broader context of sustainable development	0.911	3.2649	1.01463

Source: Author collected and processed from SPSS 20.0

The results of testing the reliability of the scale, including five independent factors including (1) Land finance policy (LFP), (2) The tax and fee policy (TFP), (3) The credit support policy (CSP), (4) Political, economic and legal factors (PEL), and (5) Science and technology policy (STP). Besides, the dependent factor shows SME development (SMED). Table 1 shows that Cronbach's alpha for various factors affecting Vietnam's SME development is higher than 0.7.

3.3 Testing critical factors affecting SMEs development in Vietnam

Table 2. Testing factors affecting SMEs development in Vietnam

Relationships			Standardized Estimate	S.E	C.R	P	Result
SMED	<---	CSP	0.556	0.042	13.089	***	Accepted H3
SMED	<---	LFP	0.121	0.031	3.277	0.001	Accepted H1
SMED	<---	TFP	0.178	0.046	4.609	***	Accepted H2
SMED	<---	PEL	0.167	0.037	4.901	***	Accepted H4
SMED	<---	STP	0.108	0.069	3.413	***	Accepted H5

Source: Author collected and processed from SPSS 20.0, Amos

Table 2 shows five factors affecting SME development in Vietnam, with a significance level of 0.01. The article's novelty is finding out the credit support policy factor that has the most substantial impact on SME development, with a standardized estimate of 0.556.

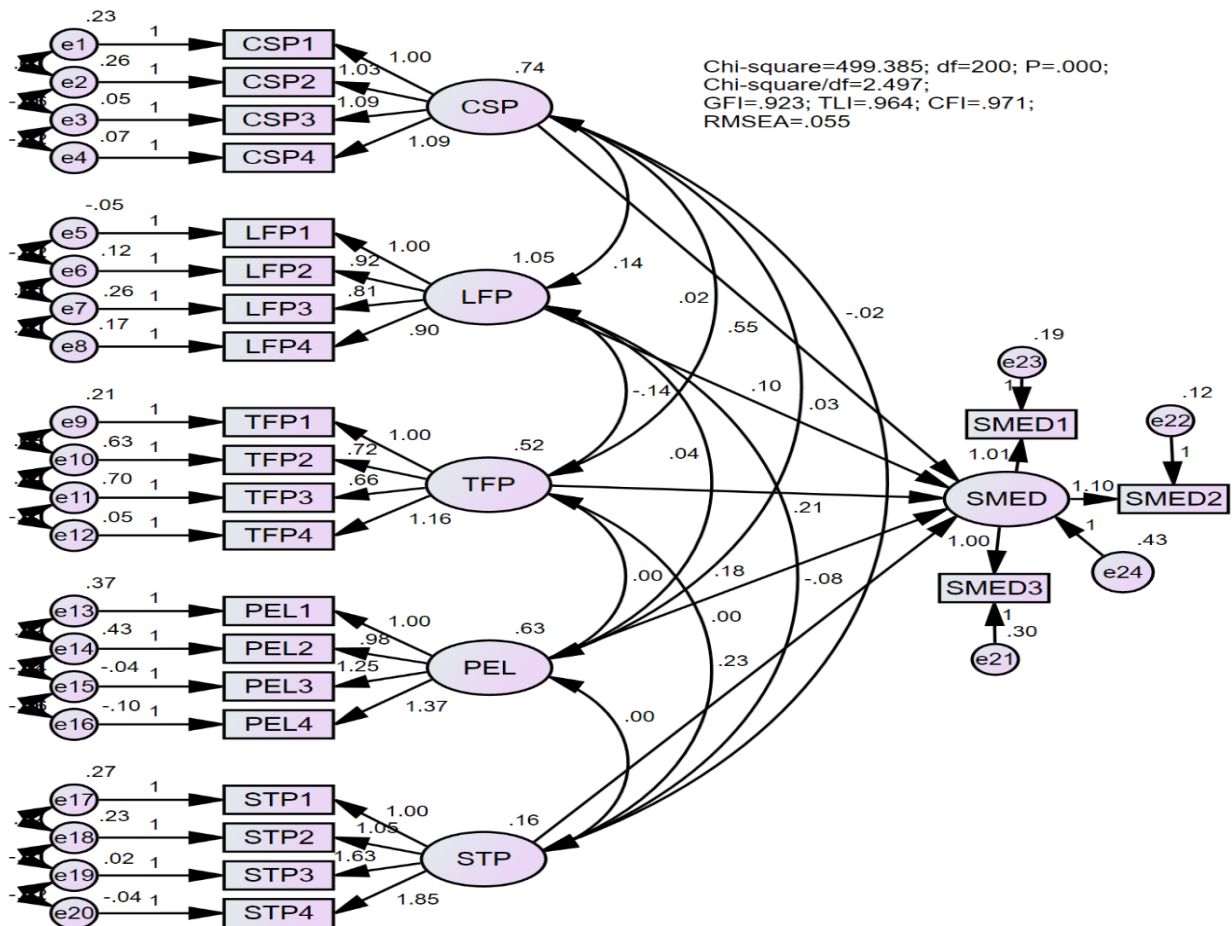


Figure 2. Testing research model for various factors affecting SMEs development in Vietnam

Source: Author collected and processed from SPSS 20.0, Amos

Figure 2 showed that the assessment of the various factors affecting SMEs development in Vietnam: CMIN/DF = 2.497 (<5.0), GFI = 0.923 (>0.800), TLI = 0.964 (>0.900), CFI = 0.971 (> 0.900) and RMSEA = 0.055 (<0.08). The article aims to determine the five factors affecting SME development in Vietnam, especially to find out the new credit support policy factor that is an unknown factor that has the most substantial impact on SME development with a standardized estimate is 0.556.

Table 3. Testing Bootstrap 20.000 samples for factors affecting SMEs development in Vietnam

Parameter			SE	SE-SE	Mean	Bias	SE-Bias
SMED	<---	CSP	0.052	0.001	0.549	-0.002	0.001
SMED	<---	LFP	0.029	0.000	0.097	-0.004	0.003
SMED	<---	TFP	0.053	0.001	0.207	-0.003	0.002
SMED	<---	PEL	0.047	0.001	0.167	-0.002	0.004
SMED	<---	STP	0.077	0.001	0.218	-0.006	0.005

Source: Author collected and processed from SPSS 20.0, Amos

Table 3 shows that testing Bootstrap with 20.000 samples for factors affecting SME development in Vietnam, with a significance level of 0.01.

3.4 Result discussion

Based on the above study, five factors affect SME development in Vietnam. The author makes the following discussions to continue to promote the role of SMEs and overcome difficulties and obstacles in the current competitive and integration environment. It is necessary to pay attention to many critical solutions as follows:

Firstly, the State creates a favorable business and investment environment for SME development to maintain trust and increase investment. Accordingly, it is necessary to ensure macroeconomic stability, control inflation, and accelerate the process of economic restructuring in association with the renewal of the growth model. Strengthening mechanisms and policies to encourage the establishment of enterprises; narrowing down conditional business areas. Following the development strategy, creating conditions for the private economy to invest, develop production, and business in industries, fields, and areas not prohibited by law. Socio-economic development in each period.

Secondly, continue to have policies to support SMEs by the practical requirements of enterprises and the business environment. Accordingly, the State's support for SMEs must be based on legal foundations, the provisions of national law, and compliance with international commitments in multilateral and bilateral agreements of which Vietnam is a member. The support of this principle will ensure not to create legal barriers or discrimination among enterprises.

Thirdly, SMEs need to increase investment and technology application in accounting, tax and electronic customs declaration, and internet banking to reduce transaction costs and connect and share information. Financial information with credit institutions to gradually make financial information transparent, creating confidence in the market. Improve the quality and level of corporate governance, risk management, and financial management; Actively participate in business associations to access information on policies and support programs for SMEs of the Government, the State, and credit institutions. Completing the production process and improving product quality to meet major partners' supply chain participation standards, especially the ability to participate in the global supply chain.

Fourthly, banks need to strengthen their search and access to cheap capital sources from preferential programs and projects of domestic and foreign organizations to finance specific business areas of SMEs. Design specific loan products suitable for SME customers in each industry group to have solutions to meet customer requirements flexibly. At the same time, improving and simplifying the lending process,

requesting information provided by reality, and providing detailed advice and instructions so that SMEs can quickly grasp and implement. Developed by the Government and the State.

Finally, it is necessary to encourage and support SMEs to invest in research and development, application, and transfer of advanced technologies. Complete and ensure effective enforcement of the law on intellectual property; develop funds to support innovation and technology application; apply tax policies, provide financial support, and access preferential capital sources suitable to research, innovation and technology modernization activities; connecting businesses, startup ideas, innovation with investors and investment funds.

CONCLUSIONS

The Covid-19 pandemic is a crisis to public health and a wake-up call about unsustainability and environmental degradation in global economic and social development. SMEs tend to be the most vulnerable to this severe economic shock. Although the Government has taken specific support measures in Vietnam, SMEs are still negatively affected. Therefore, it is essential to study recommendations to minimize the risky impacts caused by the Covid-19 pandemic on SMEs. Based on the analysis of the effect of the five factors above, constructive suggestions have been proposed to ease the burden on SMEs during difficult times and post-pandemic recovery. This article surveyed data from 550 managers, but 502 samples were processed and SPSS 20.0, Amos software. The paper finds five factors affecting small and medium enterprises development with a significance level of 0.01, and five hypotheses are accepted. The article's novelty is finding out the credit support policy factor that has the most substantial impact on the development of small and medium enterprises. SMEs have played an important role in socio-economic development, creating jobs, stabilizing the economy, and expanding export markets. However, the actual operation of small and medium enterprises is still facing difficulties due to the impact of objective and subjective factors, affecting the development and limitations that contribute to the economy.

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