

**MINISTRY OF EDUCATION AND TRAINING  
THE UNIVERSITY OF DANANG**



**LE THE PHIET**

**THE DEVELOPMENT OF SMALL AND  
MEDIUM-SIZED ENTERPRISES IN DAK LAK  
PROVINCE**

**Majority: Business administration  
Code: 62.34.05.01**

**PHD THESIS SUMMARY**

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- The National Information Resource Center, Hanoi.
- Learning & Information Resource Center, the University of Danang.

# INTRODUCTION

## 1. The urgency of research

Small and medium-sized enterprises (SMEs) play a vital role in economic and social development not only in Vietnam but also in the world. According to Vietnamese Planning and Investment Ministry, SMEs account for about 97%, utilise 50% of labour force, create 47% of GDP and contribute about 40% of the national income (2013).

In recent years, there has been an increase in the number of SMEs in Dak Lak, contributing to the local economic development. There are about 98% of the total entities being SMEs in Dak Lak, contributing more than 50% of the national income in the province area. But, there are still several difficulties. Therefore, it is essential to find out solutions for SMEs development enhancement in Dak Lak, which is an urgent and practical issue since, especially in an increasingly international economic integration.

## 2. Research objectives

- Overall objective: analyse SMEs development in Dak Lak and suggest solutions for SMEs development encouragement in Dak Lak.

- Detailed objectives: (1) Systematise theoretical framework and evaluation criteria for SMEs development, then applying them in Dak Lak; (2) Analyse and evaluate SMEs development in Dak Lak; (3) Determine factors influencing SMEs development in Dak Lak; (4) Suggest suitable solutions for SMEs development until 2020.

## 3. Research questions

- (1) What is the actual situation of SMEs development in Dak Lak?
- (2) What are main factors influencing SMEs development in Dak Lak?
- (3) What are results, limitations and challenges of SMEs development in Dak Lak?
- (4) What are solutions for SMEs development until 2020?

## **4. Research objectives and scope**

### **4.1. Research objectives**

The research focuses on SMEs development in Dak Lak and intends to determine evaluation criteria for SMEs development.

### **4.2. Research scope**

- *Dimension*: focus on SMEs in Dak Lak and categorise them based on their scales and not business types.

- *Time*: Secondary data are collected from 2009 to 2013 and primary data are collected from the survey of 200 SMEs in Dak Lak. Solutions are suggested until 2020.

- *Content*: The thesis applying competitiveness model to assess the status of SMEs development in Dak Lak province and focus on solutions for SMEs development in Dak Lak only.

## **5. New contribution of the thesis**

### ***New contributions of theory, reasoning:***

The thesis has contributed to additional and developments the theoretical issues about small and medium-sized enterprises (SMEs) (the concept, the characteristic, the role of small and medium-sized enterprises) and the development of small and medium-sized enterprises (the concept of development, condition for development, factors effecting the development of small and medium-sized enterprises).

The thesis has developed a new approach to enterprise development include improving the quality of growth number, size and quality "output " so that enterprises established content, assessment criteria for small and medium-sized enterprises' development. Specifically : i) The group of indicators to assess the quantity and size (quantity, structure, capital and labour); ii) The group of indicators to assess competitive capacity (Enterprise's resources, Enterprise organising and managing's level, Competitive capacity of products, Enterprise brand's prestige,

Integration and cooperation ability, Results of business operations, The output market)

***The new findings and proposals from the results of research and surveys of the thesis:***

The thesis analysed development situation of SMEs in Dak Lak province including: (1) SMEs increase amount significantly, capital, labor, contribute to budget and the processing development of provincial socio – economic; however, SMEs is spontaneous, nothing concentrate the key sectors. (2) Although the competitive capacity of SMEs improved, it is restriction on scale, technology, management standard, capital, competitive capacity of product, consumer markets and connection ability. (3) The condition for development of SMEs was concerned in order to improve, however there are inadequacy about business environment, approach ability of resources and support policy about market.

The thesis identified and measured influence level of factors on SMEs development in Dak Lak province to follow key order: (1) Scientific technology, (2) the employers' capacity and employees' standard, (3) Capital, (4) Government policy (5) Administrative formalities and Support service, (6) Market.

The thesis has offered some solutions in order to develop small and medium-sized enterprises in Dak Lak Province. They are a group of solutions: i) Providing conditions to develop small and medium-sized enterprises (First, creating a favorable business environment for the creation and operation of small and medium-sized enterprises, including: intensifying the transparency and accessing information; strengthening the administrative reform efforts; improving the employee's quality; creating favorable conditions for the enterprise's emergence; developing services for support enterprise; enhancing the prior vigorousnes of leadership team; improving social-economic

environment in the province; improving the infrastructure for economic development. Second, policies' improvement on the market. Third, enhancing the accessibility of resources); ii) Enhancing the competitive capacity (improving the business management and administration capacity; capital; market research and trade promotion; employee' level, technology, cooperation, joint-venture, integration).

## **6. Research framework**

The research includes an introduction, four main sections and a conclusion along with figures, tables, abbreviations, references and appendices.

# **CHAPTER 1**

## **LITERATURE REVIEW AND RESEARCH METHOD**

### **1.1. Literature Review**

#### ***1.1.1. Literature Review in Vietnam***

#### ***1.1.2. Literature Review in the world***

#### ***1.1.3. Research gaps***

(1) There is currently no research related to SMEs in Daklak.

(2) There are a number of researches just focusing on firm sizes and excluding their competitiveness.

(3) There are several studies considering business development policies and business environment but not representing conditions for business development.

(4) There is currently no research analysing and evaluating SMEs based on their sizes, their scales and their competitiveness.

(5) There are several researches related to factors influencing business development; however, those factors are not clearly quantified and analysed.

### **1.2. Research Method and Research Data**

#### ***1.2.1. Research Method***

##### ***1.2.1.1. Qualitative Research Method***

- Deductive research method: The author systemises and develops theoretical framework as well as conditions for SMEs development in Dak Lak based on existing relevant researches, the law of economics and societies and governmental policies.

- Expert panel research method: Group discussion is conducted amongst managers for quantitative analysis, Exploratory Factor Analysis (EFA) and regression analysis.

#### *1.2.1.2. Quantitative Research Method*

This method is used to analyse the actual situation and identify factors influencing SMEs development in Dak Lak.

- Descriptive statistics: Those statistics are used to summarise and describe data through graph representation so as to conclude and assess SMEs development in Dak Lak over the period.

- Comparative statistics: This method is used to compare criteria, quantified economic phenomena which are similar in terms of contents and characteristics and compare data from different sources as well as times in order to get proper perspectives regarding SMEs development in Dak Lak.

- Cronbach's alpha: It is a coefficient of reliability which is used as a measure of reliability.

- EFA: It is used to uncover the underlying structure of a set of variables.

- Regression analysis: It is used to determine factors influencing SMEs development in Dak Lak.

#### **1.2.2. Research Data**

##### *1.2.2.1. Secondary data*

All secondary data are collected from reports of Planning and Investment Department of Dak Lak, Statistics Department, VCCI, People's Committee of Dak Lak, academic journals and other relevant academic resources.

### 1.2.2.2. Primary data

- Select a sample: study selected five representatives point to the investigation, it is Buon Ma Thuot city, Buon Ho town, Krong Pak district, Eakar District, Eahleo District. Convenience sampling method.

- Time of the investigation: from April to August 2014

- Object answered the questionnaire are: entrepreneur / company director, deputy director of the company.

- Investigation Process: The author has designed the questionnaire, then consult with scientists and experts to perfection. Questionnaires were interviewed and completed testing before deploying on a large scale survey. Those data are collected from the survey of managers' opinions of 250 SMEs in Dak Lak. In fact, there are 250 responses recorded; however only 200 out of them are input into SPSS version 16 for analysis purposes.

### 1.3. Research framework

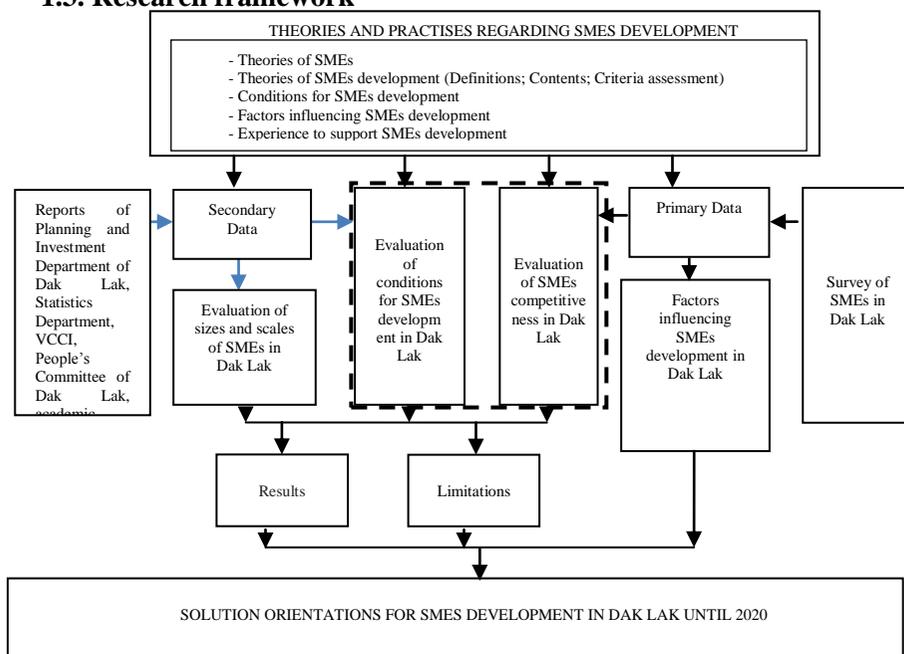


Figure 1.1: Research framework

## CHAPTER 2

### THEORIES AND PRACTICES OF SMES DEVELOPMENT

#### 2.1. Theories of SMEs

##### 2.1.1. Definition of SMEs

###### 2.1.1.1. Definition of SMEs in some countries

SMEs definitions are different from different economic development periods as well as socioeconomic development across different nations. In general, there are two main criteria, including quantitative and qualitative criteria, so as to define SMEs.

###### 2.1.1.2. Definition of SMEs in Vietnam

According to Decree No. 56/2009/ND-CP on 30/06/2009 regarding assistance for SMEs development, SMEs are categorised based on economic areas. Note that SMEs are divided into three groups, micro-sized, small-sized and medium-sized enterprises.

##### 2.1.2. Characteristics of SMEs in Vietnam

(1) This enterprise is started belong to private sector, small scale; (2) starting ease; (3) scale of low capital; (4) No concentration on cultural enterprise; (5) the poor management ability and employees' standard skills'; (6) outdated technology; (7) The ability of market access is poor, especially foreign market.

##### 2.1.3. Importance of SMEs in Vietnam

(1) Play an important role for economic development in Vietnam; (2) Contribute for structural economic transformations; (3) Create new jobs and contribute to decrease poverty level in Vietnam; (4) Increase efficiency and competitiveness of Vietnamese economy; (5) Increase the speed of technology application; (6) Higher opportunities for cooperating with huge companies; (7) Create business culture environment along with the market economy, leading to an increase of excellent businessman.

## **2.2. Theories of SMEs development**

### **2.2.1. Definitions of SMEs development**

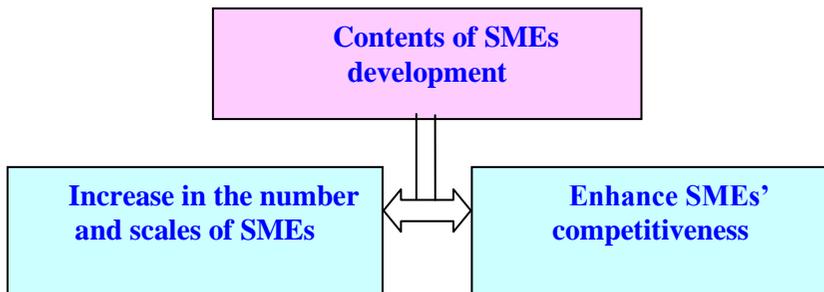
#### **2.2.1.1. Perspectives of development**

The concept of development implies sustainable development, including width, depth.

#### **2.2.1.2. Perspectives of SMEs development**

SMEs development is an effortful process of governments and cities to create appropriate conditions for SMEs creation and operations. It also requires great effort from SMEs themselves in order to increase the number, the sizes and the competitiveness over a period of time, aiming at greater profitability and higher satisfaction.

### **2.2.2. Contents of SMEs development**

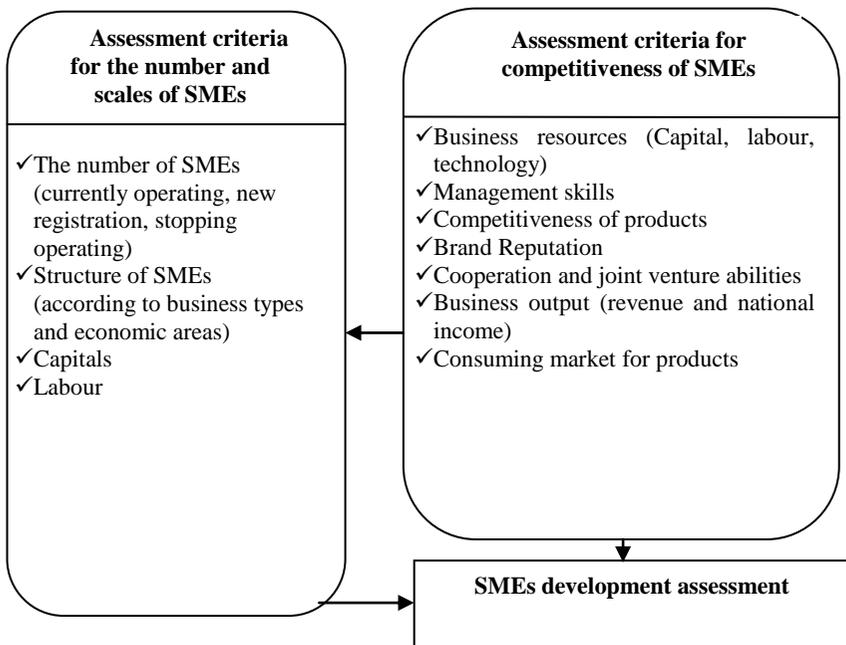


*Figure 2.1: Contents of SMEs development*

It is essential to evaluate based on the increase in the number and scales of SMEs as well as the increase in their competitiveness.

### **2.2.3. Criteria for SMEs development assessment**

Criteria for SMEs development assessment is represented in the following figure.



*Figure 2.2: Criteria for SMEs development assessment*

### ***2.2.4 The relationship between the provincial competitiveness and business competitiveness***

When enhanced competitiveness provincial level, will create conditions to improve the competitiveness of enterprises. Backwards while increasing competitiveness of enterprises will increase local productivity, increasing competitiveness provincial. On this basis , the thesis defined the conditions for SMEs development.

### **2.3. Conditions for SMEs development**

#### ***2.3.1. Business environment for SMEs creation and operations***

In order for business environment evaluation, this research is based on the following factors: (1) Market entry costs; (2) Transparency and approachability of information; (3) Time costs for conducting governmental regulation related activities; (4) Non-official costs; (5)

Fair competition; (6) Pro-active level of province leaders; (7) Legal institutions; (8) Infrastructure.

### ***2.3.2. Market policies***

Finding out about market policies is to evaluate local efforts regarding supporting SMEs for market research. Supporting services include trade promotion; business information provision; law consultancy for businesses; the number of private service businesses as well as their quality.

### ***2.3.3. Approachability of business resources***

Approachability of business resources is assessed based on (1) land (2) labour and (3) capital.

## **2.4. Factors influencing SMEs development**

Those factors include: (1) government policies; (2) administrative procedures and support services; (3) human resources; (4) Technologies; (5) technical infrastructure; (6) Market; (7) The power of entrepreneurs and the level of labour and (8) capital.

## **2.5. Experience to support SME development in some countries and localities in Vietnam**

### ***2.5.1. Experience in some countries***

#### *2.5.1.1. SMEs development in China*

#### *2.5.1.2. SMEs development in Japan*

#### *2.5.1.3. SMEs development in Singapore*

#### *2.5.1.4. SMEs development in Taiwan*

### ***2.5.2. Experience in some of localities in Vietnam***

#### *2.5.2.1. SMEs development in Bacninh*

#### *2.5.2.2. SMEs development in Khanhhoa*

#### *2.5.2.3. SMEs development in Danang*

#### *2.5.2.4. SMEs development in Hanoi*

#### *2.5.2.5. SMEs development in Ho Chi Minh City*

## **2.6. Lessons about SMEs development in Dak Lak**

(1) Build up local SMEs development plans which are suitable for capital resources and actual conditions in each location; (2) Enhance awareness of governments regarding roles of SMEs in economic development; (3) Improve business environment through administrative procedure reforms, minimisation of administrative costs, cost savings, SMEs assistance for easy market entry; (4) Combine direct and indirect support from local governments.

## **CHAPTER 3**

### **ACTUAL SITUATION OF SMES DEVELOPMENT IN DAK LAK**

#### **3.1. Background information regarding nature, economy and society of Dak Lak**

##### ***3.1.1. Nature and resources***

##### ***3.1.2. Economy***

###### ***3.1.2.1. Economic development***

###### ***3.1.2.2. Economic structure***

###### ***3.1.2.3. Main economic sectors of Dak Lak***

##### ***3.1.3. Society***

##### ***3.1.4. Infrastructure system supporting SMEs development***

##### ***3.1.5. Advantages and disadvantages for SMEs development in Dak Lak***

#### **3.2. Actual situation of SMEs development in Dak Lak**

##### ***3.2.1. Assessment criteria for the number and scales of SMEs in Dak Lak***

###### ***3.2.1.1. An increase in the number of SMEs***

There has been an increasingly number of currently operating SMEs over the time, from 672 firms in 2004 to 2.753 companies in 2013, an increase of 2.078 entities. Clearly, the average speed is 18% from 2009 to 2013.

There has been a downward trend in newly-registered SMEs for the

last five years due to different challenges, from 946 firms registered in 2011 to 592 ones registered in 2012. In 2013, there was a rise of 25%, as compared to 2012. However, this figure did not reach the number of newly registered companies in 2009 and 2010.

There has been an upward trend in SMEs stopping their operations, particularly 850 firms in 2013, an increase of 11.9% and 12.5% as compared to 2012 and 2011 respectively.

#### *3.2.1.2. Structure of SMEs*

Regarding business types, amongst 2753 SMEs in 2013, there are 1605 limited companies, accounting for 58.3%. This was followed by 699 private companies (25.4%) and 449 joint stock companies (16.3%).

Regarding business sectors, there are a large number of SMEs focusing on highly profitable sectors, low investment capital and high returns such as commerce and construction. There is a small concentration on significantly potential sectors such as processing industries. In 2013, there are 1667 commercial and service firms, accounting for the largest percentage of all businesses, 60.6%. The average speed is about 22% per year.

#### *3.2.1.3. Capital scales of SMEs*

The total capital of SMEs has significantly increased, 45.000 billion Vietnam dong in 2013. The average speed regarding business capitals is 36% from 2009 to 2013. There are 82.4% of SMEs possessing the capital of below 10 billion Vietnam dong. Only 17.6% of SMEs have the capital of over 10 billion Vietnam dong.

#### *3.2.1.4. Labour scales of SMEs*

There are about 87.507 people working at SMEs in Dak Lak in 2013, an increase of 13.7% as compared to 2009. Also, income has increased quickly, an increase of 1,834,802 million Vietnam dong in 2013 (99% as compared to 2009). In 2013, GDP has reached 27.68 million Vietnam dong/person/year meanwhile this figure was just about 14.2 million Vietnam dong/person/year in 2009.

### **3.2.2. Actual competitiveness in Dak Lak**

#### **3.2.2.1. Business resources**

##### *a) Internal resources*

- *Entrepreneurs: (1) Ages:* Most entrepreneurs are young with the average ages of 43. Note that the youngest person is 21 years old and the oldest person is 65 years old. There are 42% of businesses owned by below 40 years-old entrepreneurs. Such businesses are mainly private enterprises and limited companies; *(2) Production experience:* most entrepreneurs lead their businesses for a relatively long time, about 8 years on average; *(3) Qualifications:* Most of them are in the level of bachelor degrees (60%), followed by college degrees (23%); *(4) Specialism:* Only 49.5% of entrepreneurs have economic knowledge meanwhile 50.5% of them have no or limited amount of business management and operations knowledge.

- *Labour:* It is evaluated at 3.2 out of 5.0 points, proving the average competence of workforce at SMEs in Dak Lak. This is also a big challenge for SMEs for sustainable development.

##### *(b) Capital resources*

According the survey results, most SMEs have difficulties in capital with low equity ratio, about 46%. They also suffer various challenges on capital lending from banks due to problems related to collaterals, procedures and processes.

##### *(c) Technological levels*

Technological levels of SMEs in Dak Lak has still been limited. However, there has been an increase in equipping non-current assets per worker, from 132,691 million Vietnam dong in 2009 to 201,673 million Vietnam dong in 2013.

#### **3.2.2.2. Management skills**

Many of SMEs in Dak Lak have little concern on management skills. There is only 11% of them applying standard management systems.

#### **3.2.2.3. Competitiveness of products**

- *Product types*: There has been a trend that most SMEs spread their risks by applying multi-industry models. The ratio of revenue from main products to total revenue of 70% accounts for 66%. There are only 34% of SMEs having that ratio of below 50%.

- *Product prices*: 61% of SMEs think that their product prices are equal to their competitors' in the province. Only 8.1% of them do not know how their own prices are compared to others'. Note that such figure gradually increases when they were asked about competitors out of the province as well as foreign competitors. Clearly, SMEs have limited abilities to approach market information, especially regarding prices.

- *Product quality*: 50% of SMEs think that their products have better quality than their competitors'. Note that 60% of them are joint stock companies. Also, products with average qualities are still high regarding private enterprises (9.8%) meanwhile this figure is just 5% regarding other types of firms.

#### 3.2.2.4. *Brand reputation*

There are 30.5% of SMEs registering their trademarks. Amongst them, 44% are from joint stock companies. There are just 5% of SMEs registering their trademarks in the world.

#### 3.2.2.5 *Cooperation and joint venture abilities*

- *Association participations*: There are not so many SMEs joining associations in Dak Lak, about 30%. This ratio is low regarding private companies and limited companies (28%). The ratio of joint stock companies participating associations is higher, about 40%.

- *Fairtrade and exhibitions participations*: According to the data collected, the ratio of SMEs joining fairs or exhibitions is quite low, about 20.5%. Most of them prefer to participate fairs and exhibitions in their province rather than outside of Dak Lak.

#### 3.2.2.6. *Business results*

- *Revenue and Profit*: Regarding SMEs in Dak Lak, 72% of them gain profit and 22% of them suffer losses. The average revenue is about

6,321 billion Vietnam dong per entity. However, there is a big fluctuation in revenue between different industries and business types. The net profit is just about 3%. The return on investment is only 2.9% meanwhile the return on equity is higher, 5.7%.

- *National income*: Regarding business types, national income comes from limited companies (40%), private enterprises (34%) and joint stock companies (26%). Regarding business sectors, the main contributor for national income is services (26%), followed by construction (22%) and commerce (21%). In Dak Lak, services and construction make up about 50% of national income.

#### *3.2.2.7. Market for SMEs*

Most of SMEs in Dak Lak aim at domestic market, accounting for 95%. They have no great concern about foreign markets. Also, they have no or limited export abilities.

### **3.3. Actual situations of conditions for SMEs development in Dak Lak**

#### ***3.3.1. Business environment for SMEs creation and operations***

##### *3.3.1.1. Market entry costs*

There has been a decrease in market entry costs in 2013, as compared to 2012. However, this figure is still higher than average provinces in Vietnam. In 2013, 6.45% of SMEs took more than three months to actually start their businesses meanwhile only 3.57% in average provinces. The reason is a complicated and long-lasting process of licences and landing. Particularly, it has taken firms one months to have their land license on hand, equivalent to average provinces and Gia Lai & Kontum but lower than Lam Dong Province (two months).

##### *3.3.1.2. Transparency and approachability of information*

Only 47.58% of SMEs access to government websites. The openness and quality of such websites are quite low (18), as compared to average provinces (25.5). This figure is also the lowest one regarding Tay Nguyen area. The reason is due to limited maintenance and information update as well as low efficiency of providing information for businesses.

As a result, the province's forecast ability is significantly low, just 5.61%. This figure reaches the lowest point from 2009 until now. Besides that, during the planning process, the local government has not asked for opinions from SMEs. In case that they seek for SMEs' opinions, such processes are just superficial.

#### *3.3.1.3. Time costs for conducting governmental regulation related activities*

There has been an upward trend in time costs for conducting governmental regulation related activities. In 2013, 23.28% of SMEs spent more than 10% of their time to understand and conduct government regulations. Average times that firms are inspected are 1.5 times per year, a decrease of 25% as compared to 2012 (twice). Overall, other administrative procedures are quite complex, leading to great time consuming.

#### *3.3.1.4. Non-official costs*

Dak Lak has improved their administrative procedures, decreasing complexities for companies. However, in 2013, 11.11% of SMEs have to pay more than 10% of their revenue for non-official costs. 59.2% of SMEs surveyed think that companies operating in the same industry have to pay non-official costs for officials. These figures are all higher than average provinces (6.96% and 50.43%), Lam Dong (5.93% and 57.62%). The survey results conclude that 50.96% of SMEs surveyed reveal that corruption regarding solving administrative procedures for firms is quite popular in the area. Such situation increases in 2013, as compared to 2012 and 2011.

#### *3.3.1.5. Fair competition*

The survey results represent that Dak Lak government has no priorities for government companies or foreign companies. Only 15% of SMEs surveyed agree with administrative procedures which are quicker and simpler than government corporations. This figure is lower than average provinces (25.86%).

#### *3.3.1.6. Pro-active level of province leaders*

The feeling of SMEs regarding local government's attitude towards SMEs has greatly improved in 2013, as compared to 2012, but still lower than average provinces and comparative provinces. The pro-activeness and creativity of the government regarding addressing all business questions are not high. This criteria of Dak Lak is 49.41% in 2013, lower than average provinces (52.24%) and Gia Lai (54.2%) and Lam Dong (54.55%). About 40.83% of SMEs surveyed can feel the positive attitude of the local government towards private enterprises, which is lower than the average (43.88%) and Kon Tum (41.67%). There are about 49.41% of SMEs agreeing with "People's Committee are very active and creative in dealing with new problems", which is lower than the average (52.24%); and about 62.77% of SMEs agreeing with "People's Committee is flexible in legal frame so as to create good business environment for private enterprises", equivalent to the average.

#### *3.3.1.7. Legal institutions*

Criteria for legal institutions have been improved over time. Criteria "Legal system allows SMEs to report corruption of the officials" in 2013 is 38.04%, an increase of about 10% as compared to 2012 (28.8%). This figure is better than Dak Nong (35.63%), Gia Lai (37.11%) and the average (32.56%) meanwhile worse than Kon Tum (42.56%) and Lam Dong (41.48%). About 85.71% of SMEs believe in the legal system. They strongly think that the province can protect contracts and assets and property rights regarding conflicts of production related activities.

#### *3.3.1.8. Infrastructure*

About 62.96% of SMEs are satisfied with the quality of road (11.11% of negative assessment). About 85% of them are satisfied with the quality of telecommunication (13.1% of negative assessment). About 57.5% of them are satisfied with policies of infrastructure development (8.22% of negative assessment). About 38.23% of them are satisfied with developing industrial areas for SMEs (14.71% of negative assessment).

### **3.3.2. Market policies**

There has been a decrease in firms using support services as compared to previous years. All figures are lower than the average, particularly information searching services of 25.25% in 2013 (33.64% in 2012 and the average of 32.76%); business cooperation support services of 15.63% in 2013 (25.77% in 2012 and the average of 30.91%); trade promotion services of 11.7% in 2013 (26.67% in 2012 and the average of 27.27%). However, there has been an increase in the number of firms intending to use support services in 2013. Clearly, the quality of support services has been improved and the local government put a great concern about trade promotion, e.g. trade fairs organised by the local government are 33 fairs in 2013, higher than 20 fairs in 2012 and 10 fairs in average provinces.

### **3.3.3. Approachability of resources**

#### **3.3.3.1. Land**

Target for land access and stability in land use in Dak Lak between 2009 and 2013 remained stable. 67.26% of SMEs agree with “Changes regarding land price frame are suitable for market changes”, which is lower than the average (77.06%). As compared to Tay Nguyen area, Dak Lak’s figure is just higher than Kontum’s.

#### **3.3.3.2. Labour**

Services target provided by the local government (high schools and vocational trainings) has been improved in 2013, as compared to previous years, and higher than the average and provinces in Tay Nguyen area. The target of “The number of students graduating from vocational training schools/untrained workers” is 3.57% in 2013, higher than Dak Nong (2.37%), Gia Lai (3.44%), Kon Tum (2.52%) but lower than the average (4.64%) and Lam Dong (6.32%). Besides that, the ratio of SMEs using recruitment services is 19.19% in 2013, lower than the average of 30.10% and also the lowest in Tay Nguyen area. Meanwhile, the ratio of training to total business costs is 2.23% in 2013, lower than the average of 2.88% and the lowest in Tay Nguyen area.

### *3.3.3.3. Capital*

About 53.95% of SMEs in Dak Lak have bank loans. The loan periods are mainly medium and short terms. About 87.5% of SMEs use collaterals for trading loans. They mainly have to use their land licences for their loans. Only 12.5% of SMEs do not need collaterals. About 57.53% of SMEs think that loan procedures are very complicated.

## **3.4. Survey results of factors influencing SMEs development in Dak Lak**

### *3.4.1. Research Process*

### *3.4.2. Reliability of scales*

### *3.4.3. Factors analysis*

### *3.4.4. Factors influencing SMEs development in Dak Lak*

#### *3.4.4.1. Estimation models*

#### *3.4.4.2. The regression results*

The results of regression illustrate that there are 6 variables ( in 8 independent variables) affected SMEs development. Particularly, Scientific technology (ST), Capital (C), Government policy (GP), Administrative formalities and Support service (AF), the employers' capacity and employees' standard (EC & ES), Market (M). The value of R squared is smaller R. At a results, it is used to evaluate the suitable to model, it does not exaggerate the relevance of model. Hence, R squared = 0.578, it means that 57,8% SME development in Dak Lak province is explained by variable that are model inside,  $R^2 - 1 = 0.422$  is explained by factors that are model outside.

$Y = -0.793 + 0.272 ST + 0.218 C + 0.203 GP + 0.178 AF + 0.222 EC \& ES + 0.171 M$

## **3.5. General assessment of the actual SMEs development in Dak Lak**

### *3.5.1. Results*

*First*, the number of SMEs have increased considerably in Dak Lak over time. SMEs have attracted a great amount of capital from local residences, contributing to socioeconomic development of the province.

*Second*, SMEs in Dak Lak have improved their abilities of business production, increasing employment and improving income for workers. *Third*, SMEs in Dak Lak have developed towards multi-industrial business models. *Fourth*, SMEs in Dak Lak have contributed a great amount of production value of all sectors, contributing to national income of the province. *Fifth*, the local government put a great concern on conditions for SMEs development, partly enhancing SMEs creation and operations.

### **3.5.2. Limitations and reasons**

(1) SMEs development in Dak Lak province is nothing to connect with mutual benefit, long term sustainability of society; (2) Dak Lak provincial SMEs is small about capital scale, labor, weak competitiveness; (3) The level and management capacity in business production of employers; the technical standard, professional knowledge and employee skills of SME in DakLak province are restrictions; (4) Almost machinery and equipment are backward; Nothing apply modern science – technology to business production activities as well as management; (5) Dak Lak SME is faced with capital difficulty, capacity of self financing is limit; (6) Competition capacity of products is low, the consumer market of products is small; (7) Connection and cooperation and participate capacity in SME association of Dak Lak province is limit; (8) The SME development condition was improved but there were restrictions.

## **CHAPTER 4**

### **ORIENTATIONS AND SOLUTIONS FOR SMES DEVELOPMENT IN DAK LAK**

#### **4.1. Orientation and development targets small and medium-sized enterprises in Dak Lak Province**

##### **4.1.1. Orientations for SMEs development in Dak Lak**

(1) Select industries that SMEs have competitive edges to develop; (2) Development prioritise SMEs in the countryside areas; (3) Expand

cooperation and joint ventures and multi-industries and access to foreign markets; (4) Develop SMEs along with sustainable development; (5) Develop SMEs in a way that suits globalisation trend and international economic integration.

#### ***4.1.2. The SME development target in Dak Lak province***

*4.1.2.1. The socio – economic developemnt target since 2020 in Dak Lak province*

*4.1.2.2. The SEM development target since 2020 in Dak Lak province*

(1) To accelerate the rate of growth of SME about both quanlity and quality; (2) Providing terms to develop SME; (3) SME development toward enhancing competitive capacity; (4) Creating good condition for SME to approach production resource

#### **4.2. Solutions for SMEs development in Dak Lak**

We suggest two solutions: (1) Provide conditions for SMEs development; (2) Enhance SMEs' competitiveness.

##### ***4.2.1. Provide conditions for SMEs development***

*4.2.1.1. Complete business environment for SMEs creation and operations*

The local government needs to improve the following: (1) Increase transparency and information accessibility; (2) Increase administrative reforms; (3) Increase the quality of officials; (4) Creat conditions for SMEs creation; (5) Develop support services; (6) Increase the pro-activeness of leaders and (7) Complete infrastructure for economic development.

*4.2.1.2. Complete market policies*

The province has to support SMEs regarding building their brands. Also, they need to encourage consultancy services or build up free legal information system and business information. Besides that, they need to support SMEs to expand and consume goods in domestic market so as to enhance manufacture.

*4.2.1.3. Enhance business resources accessibility*

About land resources, the government need to have particular

activities to enhance its monitoring function. About labour force, it is essential to increase education so as to level up labour skills, management skills for managers. About capital, it needs to create expansion methods and increase credit abilities through reformations and credit policies of banking institutions.

#### **4.2.2. Enhance SMEs' competitiveness**

##### *4.2.2.1. Enhance management and business administration*

Managers should increase (i) their knowledge, modern and professional administration skills, (ii) their languages and (iii) their IT skills regarding trading and business information management.

##### *4.2.2.2. Capital solutions*

SMEs in Dak Lak should put great concern on (i) Create capital from their available resources; (ii) Create capital through making loans; (3) Create capital through finance leases and (4) Create capital through trade payables or joint ventures.

##### *4.2.2.3. Market research and trade promotion*

*Regarding domestic market:* choose products that have competitive edges and continue improving and enhance their qualities; diverse products range based on consumption demand. Besides that, it needs to increase productivity and improve management skills so as to reduce their costs, thereby reducing selling prices and increasing competitiveness in the market.

*Regarding export markets:* market research is inevitable. Also, it is essential to build up distribution network, expand selling agencies in foreign countries, enhance relationships and trade promotion through associations and trading bodies and join activities such as international trade fairs and specialist forums.

##### *4.2.2.4. Increase labour skills*

SMEs in Dak Lak needs to arrange labour force appropriately. Also, it needs to have labour standardisation in business; increase training and re-training in many ways. Besides, it needs to create a relationship between rights and responsibilities of workers towards businesses by encouragement policies. Moreover, it is important to plan long-term

strategy regarding human resources, build good relationships between leaders and their staff. Last but not least, business culture is a necessity.

#### *4.2.2.5. Technological solutions*

Increase skills and reform technologies management system. Enhance high technology application. Control main technologies to produce highly technological products. Improve technologies and create new technologies. Use appropriate technologies.

#### *4.2.2.6. Increase cooperation and joint ventures*

Conducted via outsourcing contracts. Subcontractors or join business associations. Use common infrastructure and essential conditions of business associations so as to maintain connecting activities for stronger operations.

## **CONCLUSION**

The research develops theories about SMEs development in general, including SMEs theories; SMEs development theories and some lessons about SMEs development in some cities in Vietnam.

The research summarises a set of criteria for SMEs development assessment. It also develops a model evaluating factors influencing SMEs development based on the survey results of various entrepreneurs of SMEs and government management officials, which is appropriate for Dak Lak.

The research analyses the actual situation of SMEs development in Dak Lak in regard to the sizes and scales as well as competitiveness of SMEs. It also analyses conditions for SMEs development. In addition, data are analysed from the survey conducted in 200 SMEs in Dak Lak. In short, there are six factors directly influencing SMEs development in Dak Lak, including: (1) Scientific technology, (2) the employers' capacity and employees' standard, (3) Capital, (4) Government policy (5) Administrative formalities and Support service, (6) Market.

According to results obtained, limitations and orientations, targets SMEs development in Dak Lak province, the research suggests some

solutions for SMEs development in Dak Lak. Clearly, these solutions should be considered as clues for SMEs and should not be applied for every SMEs. SMEs should adjust their own solutions based on their own target and resources. There are two main groups of solutions, including (i) Create conditions for SMEs development (*First*: Create business environment for SMEs creation and operations, i.e. increase transparency and approachability of information; increase efforts in policy reforms; increase the qualification of officials; create conditions for SMEs operations; develop SMEs support services; enhance the proactiveness of leaders; complete economic-society environment and complete infrastructure for economic development. *Second*: complete market policies. Third: increase accessibility to business resources); ii) enhance the competitiveness (increase management and business administration skills; capital; market research and trade promotion; labour skills; technologies; cooperation and joint ventures).

Apparently, the research attains its research objectives although it is conducted in a wide research area and has limited chances for empirical data access. Research results are used as fundamentals for the local government to build up micro- and macro-economic policies for SMEs development in the coming years.

The research just aims at Dak Lak province; therefore, research results are mainly beneficial for SMEs in Dak Lak. However, this research can be used as a reference for other provinces, e.g. SMEs in Tay Nguyen area.

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